

VERVE METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2024  
with  
Independent Auditors' Report

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Independent Auditors' Report

Board of Directors  
Verve Metropolitan District No. 1  
Jefferson and Broomfield Counties, Colorado

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Verve Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2024, 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 District as of December 31, 2024, 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 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 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.

### **Required Supplementary 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.

## Supplementary 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 supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*Simmons & Wheeler P.C.*

Englewood, CO  
September 5, 2025

## Verve Metropolitan District No. 1

### BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ -	\$ 1,903
Cash - restricted	12,000	14,522,712	11,727,699	26,262,411	-	26,262,411
Receivable County Treasurer	956	4,472	-	5,428	-	5,428
Property taxes receivable	322,817	1,207,959	-	1,530,776	-	1,530,776
Prepaid expenses	9,496	-	-	9,496	-	9,496
	<u>347,172</u>	<u>15,735,143</u>	<u>11,727,699</u>	<u>27,810,014</u>	<u>-</u>	<u>27,810,014</u>
<b>Total Assets</b>	<b>\$ 347,172</b>	<b>\$ 15,735,143</b>	<b>\$ 11,727,699</b>	<b>\$ 27,810,014</b>	<b>-</b>	<b>27,810,014</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 20,995	\$ -	\$ 1,540,323	\$ 1,561,318	-	1,561,318
Accrued interest	-	-	-	-	490,240	490,240
Long-term liabilities:						
Due in more than one year	-	-	-	-	94,477,241	94,477,241
	<u>20,995</u>	<u>-</u>	<u>1,540,323</u>	<u>1,561,318</u>	<u>94,967,481</u>	<u>96,528,799</u>
<b>Total Liabilities</b>	<b>20,995</b>	<b>-</b>	<b>1,540,323</b>	<b>1,561,318</b>	<b>94,967,481</b>	<b>96,528,799</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes	322,817	1,207,959	-	1,530,776	-	1,530,776
	<u>322,817</u>	<u>1,207,959</u>	<u>-</u>	<u>1,530,776</u>	<u>-</u>	<u>1,530,776</u>
<b>Total Deferred Inflows of Resources</b>	<b>322,817</b>	<b>1,207,959</b>	<b>-</b>	<b>1,530,776</b>	<b>-</b>	<b>1,530,776</b>
<b>FUND BALANCE</b>						
Nonspendable:						
Prepays	9,496	-	-	9,496	(9,496)	-
Restricted:						
Emergencies	12,000	-	-	12,000	(12,000)	-
Debt service	-	14,527,184	-	14,527,184	(14,527,184)	-
Capital projects	-	-	10,187,376	10,187,376	(10,187,376)	-
Unassigned	(18,136)	-	-	(18,136)	18,136	-
	<u>3,360</u>	<u>14,527,184</u>	<u>10,187,376</u>	<u>24,717,920</u>	<u>(24,717,920)</u>	<u>-</u>
<b>Total Fund Balances</b>	<b>3,360</b>	<b>14,527,184</b>	<b>10,187,376</b>	<b>24,717,920</b>	<b>(24,717,920)</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resource and Fund Balances</b>	<b>\$ 347,172</b>	<b>\$ 15,735,143</b>	<b>\$ 11,727,699</b>	<b>\$ 27,810,014</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>						
Restricted for:						
Emergencies					12,000	12,000
Debt service					14,036,944	14,036,944
Capital projects					10,187,376	10,187,376
Unrestricted					(94,485,881)	(94,485,881)
					<u>(94,485,881)</u>	<u>(94,485,881)</u>
<b>Total Net Position (Deficit)</b>					<b>\$ (70,249,561)</b>	<b>\$ (70,249,561)</b>

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

## Verve Metropolitan District No. 1

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS For the Year Ended December 31, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>						
Accounting	\$ 38,500	\$ -	\$ -	\$ 38,500	\$ -	\$ 38,500
Audit	7,200	-	-	7,200	-	7,200
Management fee	9,600	-	-	9,600	-	9,600
Office expenses/miscellaneous	4,681	-	-	4,681	-	4,681
Insurance	10,152	-	-	10,152	-	10,152
Legal	50,532	-	-	50,532	-	50,532
Bank fees	64	-	-	64	-	64
Treasurer's fees	2,624	12,272	-	14,896	-	14,896
Snow removal	30,614	-	-	30,614	-	30,614
Electrical	1,860	-	-	1,860	-	1,860
Irrigation	22,223	-	-	22,223	-	22,223
Common area maintenance	145,738	-	-	145,738	-	145,738
Repairs and replacements	13,142	-	-	13,142	-	13,142
Trustee fees	-	14,000	-	14,000	-	14,000
Interest expense	-	4,736,900	-	4,736,900	337,227	5,074,127
Bond issuance costs	-	-	515,092	515,092	-	515,092
Capital outlay	-	-	18,135,446	18,135,446	-	18,135,446
Total Expenditures	<u>336,930</u>	<u>4,763,172</u>	<u>18,650,538</u>	<u>23,750,640</u>	<u>337,227</u>	<u>24,087,867</u>
<b>GENERAL REVENUES</b>						
Property taxes	180,561	812,523	-	993,084	-	993,084
Specific ownership taxes	11,472	51,791	-	63,263	-	63,263
Facility fees	-	171,900	-	171,900	-	171,900
Interest income	41,417	787,227	624,882	1,453,526	-	1,453,526
Total General Revenues	<u>233,450</u>	<u>1,823,441</u>	<u>624,882</u>	<u>2,681,773</u>	<u>-</u>	<u>2,681,773</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(103,480)	(2,939,731)	(18,025,656)	(21,068,867)	(337,227)	(21,406,094)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond proceeds	-	-	12,046,098	12,046,098	(12,046,098)	-
Developer advances	20,000	-	-	20,000	(20,000)	-
Transfer to/from other funds	-	1,204,000	(1,204,000)	-	-	-
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>1,204,000</u>	<u>10,842,098</u>	<u>12,066,098</u>	<u>(12,066,098)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(83,480)	(1,735,731)	(7,183,558)	(9,002,769)	9,002,769	
<b>CHANGE IN NET POSITION</b>					(21,406,094)	(21,406,094)
<b>FUND BALANCES/NET POSITION:</b>						
BEGINNING OF YEAR	86,840	16,262,915	17,370,934	33,720,689	(82,564,156)	(48,843,467)
END OF YEAR	<u>\$ 3,360</u>	<u>\$ 14,527,184</u>	<u>\$ 10,187,376</u>	<u>\$ 24,717,920</u>	<u>\$ (94,967,481)</u>	<u>\$ (70,249,561)</u>

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

## Verve Metropolitan District No. 1

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

For the Year Ended December 31, 2024

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 174,113	\$ 181,000	\$ 180,561	\$ (439)
Specific ownership taxes	11,000	11,000	11,472	472
Interest income	<u>28,000</u>	<u>42,000</u>	<u>41,417</u>	<u>(583)</u>
Total Revenues	<u>213,113</u>	<u>234,000</u>	<u>233,450</u>	<u>(550)</u>
<b>EXPENDITURES</b>				
Accounting	42,000	42,000	38,500	3,500
Audit	6,500	7,200	7,200	-
Management fee	12,000	12,000	9,600	2,400
Office expenses/miscellaneous	4,000	4,500	4,681	(181)
Insurance	8,000	11,000	10,152	848
Legal	55,000	50,000	50,532	(532)
Bank fees	500	-	64	(64)
Treasurer's fees	5,223	5,223	2,624	2,599
Snow removal	25,000	29,000	30,614	(1,614)
Electrical	9,000	2,000	1,860	140
Irrigation	9,000	20,000	22,223	(2,223)
Common area maintenance	140,000	140,000	145,738	(5,738)
Repairs and replacements	6,000	6,000	13,142	(7,142)
Winter watering	1,000	1,000	-	1,000
Emergency reserve	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Total Expenditures	<u>334,223</u>	<u>340,923</u>	<u>336,930</u>	<u>3,993</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(121,110)	(106,923)	(103,480)	3,443
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advances	<u>80,000</u>	<u>25,000</u>	<u>20,000</u>	<u>(5,000)</u>
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>25,000</u>	<u>20,000</u>	<u>(5,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	(41,110)	(81,923)	(83,480)	(1,557)
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>41,129</u>	<u>86,840</u>	<u>86,840</u>	<u>-</u>
END OF YEAR	<u>\$ 19</u>	<u>\$ 4,917</u>	<u>\$ 3,360</u>	<u>\$ (1,557)</u>

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

# VERVE METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2024

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Verve Metropolitan District No. 1 (the “District”), located in Jefferson County, Colorado (the “County”) and the City and County of Broomfield, Colorado (“Broomfield”), 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 on June 10, 2014 by Order and Decree of the District Court for Jefferson County, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance, construct, own, operate and maintain the public improvements for the property within and without its Service Area for the benefit of the citizens of the District as per the District’s Service Plan. The District’s primary revenues are property taxes. The District 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 pronouncements which provide 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.

# VERVE METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2024

### Basis of presentation

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

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 flow. Property taxes are recognized as revenues in the year for which they are levied.

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 property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

# VERVE METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2024

The District reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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 all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

### 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 District amended its total appropriations in the General Fund and the Debt Service Fund as reflected on the financial statements.

### Assets, liabilities and net position

#### Fair value of financial instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2024, 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 cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

# VERVE METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2024

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.

### 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 assets 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 to report in this category as of December 31, 2024.

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 assets 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 item that qualifies for reporting in this category. 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 fixed 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.

## VERVE METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2024

At December 31, 2024, all capital expenditures have been made on behalf of the County and the related assets are owned and maintained by the County; therefore, no capital assets are reflected on the financial statements of the District.

#### Property Taxes

Property taxes are levied by the District upon all taxable property of the District. The District is comprised of property in the County as well as Broomfield (per an Order for Inclusion of the District Court of the County, recorded in the real property records of the County and Broomfield).

The levy is based on assessed valuations determined by the applicable county assessor generally as of January 1 of each year. The levy is normally set during December by certification to the applicable county commissioners to put the tax lien on the individual properties as of January 1 of each year. The applicable 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July and tax sales are in November. The applicable county treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

#### 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.

#### Series 2021 Bond Premium and Series 2023 Bond Discount

The bond premium from the issuance of the Series 2021 Bonds is being amortized over the term of the bonds using the effective interest method. At December 31, 2024, the accumulated amortization of the bond premium was \$317,194. The bond discount from the issuance of the Series 2023 Bonds is being amortized over the term of the bonds using the effective interest method. At December 31, 2024, the accumulated amortization of the bond discount was \$185,704.

#### 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:

VERVE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2024

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.

The nonspendable fund balance in the General Fund represents prepaid expenditures.

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 General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$12,000 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$14,527,184 is restricted for the payment of the debt service costs associated with the Series 2021 Bonds, the Series 2023 Bonds and the Series 2024 Bonds (see Note 3).

The restricted fund balance in the Capital Projects Fund in the amount of \$10,187,376 is restricted for the payment of the future capital expenditures.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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. At December 31, 2024, the District did not have anything to report in this category.

VERVE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2024

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.

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, 2024, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 1,903
Cash and investments – restricted	<u>26,262,411</u>
	\$ <u>26,264,314</u>

Cash and investments as of December 31, 2024, consist of the following:

Deposits with financial institutions	\$ 1,256,887
Investments – CSAFE	<u>25,007,427</u>
	\$ <u>26,264,314</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 does not have a formal policy for deposits. As of December 31, 2024, none of the District’s deposits were exposed to custodial credit risk.

# VERVE METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2024

### Investments

#### Credit Risk

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

The District's investment is not 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.

#### Investment Valuation

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. The CSAFE investment's value is calculated using the amortized cost method.

As of December 31, 2024, the District had the following investment:

#### CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust ("CSAFE"), is rated AAmmf by Fitch Ratings with a weighted average maturity of under 60 days. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. CSAFE is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodians' internal records identify the investments owned by CSAFE. At December 31, 2024, the District had \$25,007,427 invested in CSAFE.

VERVE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2024

Note 3: Long-Term Debt

The District has issued the following long-term obligations:

\$42,440,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding and Improvement Bonds, Series 2021

On March 25, 2021, the District issued \$42,440,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding and Improvement Bonds, Series 2021 (“Series 2021 Bonds”). The Series 2021 Bonds have a final maturity date of December 1, 2051, and bear interest at the rate of 5.0% payable semiannually on each June 1 and December 1, commencing on June 1, 2021. The Series 2021 Bonds are subject to mandatory sinking fund redemption commencing on December 1, 2031, and are subject to optional prepayments as of March 1, 2026, with a redemption premium until March 1, 2029. The Series 2021 Bonds are payable solely from Pledged Revenues from the District defined by the Indenture as 1) the Required Mill Levy, 2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and 3) any other legally available funds which the District determines to transfer to the Trustee for application as Pledged Revenue. The proceeds of the Series 2021 Bonds were used to finance public improvements related to the development of the District, refund a loan in the maximum principal amount of \$10,000,000 from Zions Bancorporation, N.A., dba Vectra Bank Colorado, National Association to the District, issued on September 23, 2015 and amended on October 23, 2018 (the “Series 2015 Loan”), fund a deposit to the Surplus Fund, and pay the costs of issuance of the Series 2021 Bonds.

As a result of the issuance of the Series 2021 Bonds, the refunded Series 2015 Loan was paid in full and the liabilities have been removed from the governmental activities column of the statement of net position. The refunding resulted in an economic loss of approximately \$3,800,521 due to extending the maturities of the bonds from 2046 to 2051 and by providing additional funds for improvements, capitalized interest and funding the Surplus Fund.

\$40,010,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Improvement Bonds, Series 2023

On February 9, 2023, the District issued \$40,010,000 of General Obligation (Limited Tax Convertible to Unlimited Tax) Improvement Bonds, Series 2023 (“Series 2023 Bonds”), for the purpose of (i) financing public improvements related to the Development; (ii) financing capitalized interest on the Series 2023 Bonds; (iii) funding a deposit to the Surplus Fund; and (iv) paying the cost of issuing the Series 2023 Bonds. The Series 2023 Bonds bear interest at rates that range from 5.750% to 6.750% with payments due semiannually on June 1 and December 1 commencing June 1, 2023, and have a final maturity date of December 1, 2052. The Series 2023 Bonds are subject to mandatory sinking fund redemption commencing on December 1, 2028 and are subject to optional redemption as of March 1, 2026, with a redemption premium until March 1, 2029.

VERVE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2024

The Series 2023 Bonds are payable to the extent of the availability of Pledged Revenue which includes the Required Mill Levy, the portion of Specific Ownership Taxes collected as a result of the Required Mill Levy, Facilities Fees, and any other legally available moneys as determined by the District to transfer to the Trustee for application as Pledged Revenue.

The Series 2023 Bonds are additionally secured by a capitalized interest fund which was initially funded in the amount of \$7,844,700 and the Surplus Fund which was initially funded in the amount of \$3,777,000 and which is required to be additionally funded with excess Pledged Revenue, if any, up to the Maximum Surplus Amount of \$8,002,000.

\$12,046,098.00 (Value at Issuance) General Obligation (Limited Tax Convertible to Unlimited Tax) Convertible Capital Appreciation Improvement Bonds, Series 2024A

On August 15, 2024, the District issued \$12,046,098.00 (Value at Issuance) General Obligation (Limited Tax Convertible to Unlimited Tax) Convertible Capital Appreciation Improvement Bonds, Series 2024A (“Series 2024 Bonds”), for the purpose of (i) financing public improvements related to the Development; (ii) funding a deposit to the Surplus Fund; and (iii) paying the cost of issuing the Series 2024 Bonds. The Series 2024 Bonds are convertible capital appreciation bonds that initially accrete at 7.000% compounded semiannually commencing December 1, 2024 through the conversion date of December 1, 2029 to a principal amount of \$17,340,000, assuming no redemptions prior to that date. Upon conversion, the Series 2024 Bonds accrue interest at 7.000%, payable semiannually on each June 1 and December 1, commencing on June 1, 2030. The Series 2024 Bonds mature on December 1, 2054. The Series 2024 Bonds are subject to mandatory sinking fund redemption commencing on December 1, 2030, and subject to optional redemption as of March 1, 2026, with a redemption premium until March 1, 2029. The Series 2024 Bonds are payable to the extent of the availability of Pledged Revenue which includes the Required Mill Levy, the portion of Specific Ownership Taxes collected as a result of the Required Mill Levy, Facilities Fees, and any other legally available moneys as determined by the District to transfer to the Trustee for application as Pledged Revenue. The Series 2024 Bonds are additionally secured by a Surplus Fund which was initially funded in the amount of \$1,204,000 and which is required to be additionally funded with excess Pledged Revenue, if any, up to the Maximum Surplus Amount of \$2,409,220.

Events of Default as defined by the respective Indentures of Trust for the Series 2021 Bonds, Series 2023 Bonds and Series 2024 Bonds, (collectively, the “Indentures”) include 1) prior to the Conversion Date, the District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Indentures, 2) on or after the Conversion Date, the District fails to pay the principal of, premium if any, or interest on the Series 2021 Bonds, Series 2023 Bonds and Series 2024 Bonds when due, 3) the District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Indentures or the Bond Resolutions and fails to remedy the same after notice thereof pursuant to the Indentures and 4) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy

VERVE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2024

laws seeking to adjust the obligation represented by the Series 2021 Bonds, Series 2023 Bonds and Series 2024 Bonds. Due to the limited nature of the Pledged Revenue, prior to the Conversion Date, the failure to pay the principal of or interest on the Series 2021 Bonds, Series 2023 Bonds or Series 2024 Bonds when due shall not, of itself, constitute an Event of Default under the Indentures. However, the application of any portion of the Pledged Revenue to any purpose other than deposit with the Trustee in accordance with the provisions of the Indentures constitutes a violation of the terms of the Indentures and a breach of the covenants made thereunder. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) mandamus or other suits. Acceleration of the Series 2021 Bonds, Series 2023 Bonds and Series 2024 Bonds is not an available remedy for an Event of Default.

The following is a summary of changes in long-term debt for the year:

	Balance 1/1/2024	Additions	Accretion	Deletions	Balance 12/31/2024	Current Portion
<u>General Obligation Bonds:</u>						
Series 2021 Bonds	\$ 42,440,000	\$ -	\$ -	\$ -	\$ 42,440,000	\$ -
Series 2021 Premium	1,819,583	-	-	86,116	1,733,467	-
	<u>44,259,583</u>	<u>-</u>	<u>-</u>	<u>86,116</u>	<u>44,173,467</u>	<u>-</u>
Series 2023 Bonds	\$ 40,010,000	\$ -	\$ -	\$ -	\$ 40,010,000	\$ -
Series 2023 Discount	(2,154,615)	-	-	(102,536)	(2,052,079)	-
	<u>37,855,385</u>	<u>-</u>	<u>-</u>	<u>(102,536)</u>	<u>37,957,921</u>	<u>-</u>
Series 2024 Bonds	\$ -	\$ 12,046,098	\$ 246,401	\$ -	\$ 12,292,499	\$ -
	<u>-</u>	<u>12,046,098</u>	<u>246,401</u>	<u>-</u>	<u>12,292,499</u>	<u>-</u>
<u>Other:</u>						
Developer Advance - Operating	33,354	20,000	-	-	53,354	-
	<u>33,354</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>53,354</u>	<u>-</u>
Total	<u>\$ 82,148,322</u>	<u>\$ 12,066,098</u>	<u>\$ 246,401</u>	<u>\$ (16,420)</u>	<u>\$ 94,477,241</u>	<u>\$ -</u>

VERVE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2024

The following is a summary of the annual long-term debt principal and interest requirements related to the Series 2021 Bonds and Series 2023 Bonds:

	Principal	Interest	Total
2025	\$ -	\$ 4,736,900	\$ 4,736,900
2026	-	4,736,900	4,736,900
2027	-	4,736,900	4,736,900
2028	25,000	4,736,900	4,761,900
2029	1,115,000	4,735,463	5,850,463
2030- 2034	7,760,000	22,560,288	30,320,288
2035 - 2039	11,875,000	19,918,863	31,793,863
2040 - 2044	17,440,000	16,040,438	33,480,438
2045 - 2049	24,755,000	10,351,925	35,106,925
2050 - 2053	<u>19,480,000</u>	<u>2,492,625</u>	<u>21,972,625</u>
	<u>\$ 82,450,000</u>	<u>\$ 95,047,200</u>	<u>\$ 177,497,200</u>

The following is a summary of the annual long-term debt principal and interest requirements related to the Series 2024 Bonds:

	Principal	Interest	Total Principal and Interest	Accretion	Total
2025	\$ -	\$ -	\$ -	\$ 875,670	\$ 875,670
2026	-	-	-	937,921	937,921
2027	-	-	-	1,004,680	1,004,680
2028	-	-	-	1,076,294	1,076,294
2029	-	-	-	1,152,937	1,152,937
2030-2034	920,000	5,984,300	6,904,300	-	6,904,300
2035-2039	1,430,000	5,530,350	6,960,350	-	6,960,350
2040-2044	2,940,000	4,800,600	7,740,600	-	7,740,600
2045-2049	4,390,000	3,630,900	8,020,900	-	8,020,900
2050-2054	<u>7,660,000</u>	<u>1,899,100</u>	<u>9,559,100</u>	<u>-</u>	<u>9,559,100</u>
	<u>\$ 17,340,000</u>	<u>\$ 21,845,250</u>	<u>\$ 39,185,250</u>	<u>\$ 5,047,502</u>	<u>\$ 44,232,752</u>

The District had no unused lines of credit at December 31, 2024.

# VERVE METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2024

### Debt Authorization

The District was organized in conjunction with Verve Metropolitan District Nos. 2, 3, and 4 (collectively, the “Districts”) to finance, construct, own, operate and maintain public improvements for the property within and without the Service Area. The Districts, in aggregate, are limited in their ability to issue debt, as set forth in the Service Plan, to a total amount of \$175,000,000 (the “Service Plan Debt Issuance Limit”). In no event is the District authorized to issue debt, which in aggregate with the debt issued by the other Districts, in an amount that is in excess of the Service Plan Debt Issuance Limit. As of December 31, 2024, the District is the only one of the Districts to issue debt and the amount of debt authorization remaining within the Service Plan Debt Issuance Limit is \$75,055,019 (which includes the accreted value of the Series 2024 Bonds).

The District has voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of the election the actual costs of construction were not known. Without knowing the costs of construction or the amount of debt to be issued by the other Districts, it is not possible to allocate the Service Plan Debt Issuance Limit by power (such as water, sewer or streets) or to each District. Therefore, the Service Plan Debt Issuance Limit was voted in every power. With that understanding, on May 6, 2014, a majority of the eligible electors of the District voted to authorize debt issuance in an amount not to exceed \$175,000,000, by power. As of December 31, 2024, the District had remaining voted debt authorization of approximately \$1,995,390,863 for public improvements, operations and maintenance expenses, refunding debt, and intergovernmental agreements. The District has not budgeted to issue any debt in 2025.

### Note 4: Other Agreements

#### Operation Funding Agreements

On July 9, 2014, the District and Urban Frontier RMMA, LLC (“Developer”) entered into an agreement whereby the Developer agreed to advance funds necessary to cover the estimated shortfall for the District’s operations and maintenance expenses for the fiscal years 2014 and 2015 up to an estimated amount of \$30,000 (“2014-2015 OFA”). The Advances under the 2014-2015 OFA will accrue interest at the rate of 8% until paid. On November 19, 2015, the 2014-2015 OFA was amended to increase the estimated shortfall amount to \$75,000 and extend the term of the agreement to December 31, 2016. The obligation of the Developer to advance funds to the District under the First Amendment to the 2014-2015 OFA expired on March 15, 2017 and the obligation of the District to reimburse the Developer shall expire on December 31, 2046. On October 26, 2023, with an effective date of January 1, 2024, the District and the Developer entered into a new Operation Funding Agreement which provides for the 2024 estimated shortfall of \$60,000 to be funded by the Developer and which will accrue interest at the rate of 8% until paid (“2024 OFA”).

# VERVE METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2024

The obligation of the Developer to advance funds under the 2024 OFA shall expire upon advance to the District of amounts sufficient to pay expenses incurred in 2024 and the obligation of the District to reimburse the Developer shall expire on December 31, 2054. Repayment of the aforementioned advances will be applied pursuant to the priority established in the 2024 OFA.

### Facilities Funding and Acquisition Agreement

On July 9, 2014, the District and the Developer entered into a Facilities Funding and Acquisition Agreement as amended by the First Amendment to Facilities Funding and Acquisition Agreement, dated October 22, 2020, with an effective date of August 31, 2020, the Second Amendment to Facilities Funding and Acquisition Agreement, with an effective date of March 15, 2021, the Third Amendment to Facilities Funding and Acquisition Agreement, with an effective date of October 27, 2022, and the Fourth Amendment to Facilities Funding and Acquisition Agreement, dated June 22, 2023, with an effective date of July 9, 2014 (“FFAA”). Under the FFAA, the District agreed to reimburse the Developer for organization expenses paid by the Developer as well as costs for review, verification and approval of these costs, and interest thereon from the organization of the District until the payment date at the rate of 8%.

The Developer further agreed to advance funds necessary to fund the construction related expenses incurred by the District as needed from 2014 through 2024 up to the shortfall amount of \$110,461,000, but subject to additional funding by the Developer if requested and approved. The District also agreed to acquire certain improvements that have been designed, constructed and completed by the Developer upon verification of costs from an independent engineer and agreed to reimburse the Developer and/or make direct payment to vendors on behalf of the Developer for the verified costs up to the short-fall amount. Interest at 8% shall accrue on Developer advances for construction related expenses, however, all parties agree that no payment is due by the District to the Developer unless and until the District issues bonds sufficient to make this reimbursement or obtains other funding not pledged for other purposes.

### Resolution Regarding the Imposition of Facilities Fees

On December 11, 2014, the District adopted Resolution 2014-12-06, Resolution regarding the Imposition of Facilities Fees recorded at Reception No. 2015002746 on January 9, 2015, in the office of the Jefferson County Clerk and Recorder, to impose a facilities fee of \$0.50 per gross square foot intended for non-residential use for which a building permit is required on all buildings located within the boundaries of the District. The facilities fee is payable on or before the date of the issuance of a building permit by the jurisdictional entity issuing such permit. The revenues from this fee have been pledged to the payment of bonds or any indebtedness of the District. On March 15, 2021, the District adopted Resolution No. 2021-03-02, Amended and Restated Resolution regarding the Imposition of Facilities Fees recorded at Reception No. 2021079246 on May 24, 2021, in the office of the Jefferson County Clerk and Recorder, and at Reception No. 2021010049 on May 24, 2021, in the office of the Broomfield County Clerk and Recorder, to update the legal description of the Property. During 2024, the District received \$171,900 of Facilities Fees.

## VERVE METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2024

#### Development Agreement

On January 16, 2015, Jefferson County, State of Colorado (the “County”) and SunCap Boulder, LLC (“SunCap”) entered into a Development Agreement related to the sale of certain property from SunCap to the County whereby the County agreed to construct certain improvements on said property (“Development Agreement”). The responsibility for the construction of the improvements defined as the “Post Closing Work” in the Development Agreement was subsequently delegated to the District under the Intergovernmental Agreement by and between the District and the County, discussed below.

#### County IGA

On January 16, 2015, the District entered into the County IGA. Under the County IGA, the District agreed to construct certain improvements within a 26 acre parcel of land known as the Verve Innovation Park. These improvements include roadway improvements, drainage improvements and certain utilities which shall be provided to the property line.

#### Intergovernmental Agreement regarding the Construction of and Reimbursement for SunCap Public Improvements among the District, the County and the Developer (“RMMA IGA”)

On January 16, 2015, the District, the County and the Developer entered into the RMMA IGA whereby the District agreed to construct certain Project Improvements as defined in the RMMA IGA with a total estimated cost of \$2,189,078, subject to receipt of funding from proceeds of the SunCap closing. The District accepted delegation of the County’s duties and obligations for the Project Improvements per the Development Agreement.

SunCap agreed to deposit 105% of the Estimated Project Costs into an escrow account with Land Title Guarantee Company, and subject to an Escrow & Disbursement Agreement between the District, SunCap, the County, and Land Title Guarantee Company (“Escrow Agreement”). If the actual project cost is lower than initially bid, the District shall refund the balance of the Project Funds at the completion of the project as directed by the County and the Developer. The Escrow Agreement also provides that subject to available funding, the District agrees to reimburse the County for the Actual Project Costs. A portion of the amount advanced under the Escrow Agreement was repaid with the proceeds of the Series 2015 Loan.

#### Availability of Funds and Step-In Rights Agreement

On December 22, 2021, the District, the Developer, and SIF IISC Verve Owner, LLC (“Owner”), entered into an Availability of Funds and Step-In Rights Agreement (the “Step-In Agreement”). Pursuant to the Step-In Agreement, the Developer is obligated to construct certain off-site improvements on behalf of the County necessary to develop property within the boundaries of the District owned by Owner. A portion of the cost of such improvements may be reimbursable by the District in accordance with the terms of the FFAA. It is estimated that the reimbursable portion of the improvements is approximately \$4,639,583. The District agrees to use proceeds from the Series 2021 Bonds to pay for the portion of the improvements deemed reimbursable pursuant to the terms of the FFAA or in accordance with the terms of the Step-In Agreement if the Owner exercises its step-in rights relative to the construction of said improvements.

VERVE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2024

PILOT Revenues

A Declaration of Covenants Concerning Payment in Lieu of Taxes (the “PILOT Covenants”) was recorded upon certain property within the District by the County of Jefferson for the benefit of the District. The PILOT Covenants provide that owners of property that is exempt from ad valorem property taxation agree to pay an annual fee to the District in an amount equal to the revenue that would be derived from the imposition of ad valorem property tax mill levies imposed by the District if such property were not exempt from taxation. Only that portion of the PILOT Revenue that corresponds to the District’s respective Required Mill Levy is pledged to repayment of the Series 2021 Bonds, Series 2023 Bonds, and Series 2024 Bonds.

Note 5: Related Parties

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed by the Board.

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 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.

On May 6, 2014, 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.

VERVE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2024

Section 29-1-1702, C.R.S., places a growth limit of 5.25% on certain property tax revenue collected by a local governmental entity, like the District, commencing in property tax year 2025, unless such local governmental entity receives voter approval to waive such limitation. At an election held May 6, 2025, a majority of the District's electors voted to waive the 5.25% property tax limit established in Section 29-1-1702, C.R.S., for all future property tax years.

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

- (1) Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

The Statement of Governmental Fund 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; and,
- 2) governmental funds report the repayment of bond principal as expenditures; however, these are reported as reductions in long-term liabilities on the Statement of Net Position.

SUPPLEMENTARY INFORMATION

## Verve 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, 2024

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 814,395	\$ 814,395	\$ 812,523	\$ (1,872)
Facilities fees	610,000	610,000	171,900	(438,100)
Specific ownership taxes	40,000	40,000	51,791	11,791
Interest income	<u>500,000</u>	<u>500,000</u>	<u>787,227</u>	<u>287,227</u>
Miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,964,395</u>	<u>1,964,395</u>	<u>1,823,441</u>	<u>(140,954)</u>
<b>EXPENDITURES</b>				
Interest expense	4,700,000	4,800,000	4,736,900	63,100
Treasurer's fees	24,432	24,432	12,272	12,160
Trustee fees	6,000	21,000	14,000	7,000
Office expenses/miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total Expenditures	<u>4,731,932</u>	<u>4,846,932</u>	<u>4,763,172</u>	<u>83,760</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(2,767,537)	(2,882,537)	(2,939,731)	(57,194)
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	<u>17,000,000</u>	<u>17,000,000</u>	<u>1,204,000</u>	<u>(15,796,000)</u>
Total Other Financing Sources	<u>17,000,000</u>	<u>17,000,000</u>	<u>1,204,000</u>	<u>(15,796,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	14,232,463	14,117,463	(1,735,731)	(15,853,194)
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>15,725,545</u>	<u>15,725,545</u>	<u>16,262,915</u>	<u>537,370</u>
END OF YEAR	<u>\$ 29,958,008</u>	<u>\$ 29,843,008</u>	<u>\$ 14,527,184</u>	<u>\$ (15,315,824)</u>

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

## Verve 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, 2024

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Interest income	\$ 1,300,000	\$ 624,882	\$ (675,118)
Total Revenues	<u>1,300,000</u>	<u>624,882</u>	<u>(675,118)</u>
<b>EXPENDITURES</b>			
Bond issuance costs	1,800,000	515,092	1,284,908
Capital outlay	<u>30,000,000</u>	<u>18,135,446</u>	<u>11,864,554</u>
Total Expenditures	<u>31,800,000</u>	<u>18,650,538</u>	<u>13,149,462</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(30,500,000)	(18,025,656)	12,474,344
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	54,000,000	12,046,098	(41,953,902)
Transfer to/from other funds	<u>(17,000,000)</u>	<u>(1,204,000)</u>	<u>15,796,000</u>
Total Other Financing Sources (Uses)	<u>37,000,000</u>	<u>10,842,098</u>	<u>(26,157,902)</u>
<b>NET CHANGE IN FUND BALANCE</b>	6,500,000	(7,183,558)	(13,683,558)
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>17,605,021</u>	<u>17,370,934</u>	<u>(234,087)</u>
END OF YEAR	<u>\$ 24,105,021</u>	<u>\$ 10,187,376</u>	<u>\$ (13,917,645)</u>

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