

JOINT SPECIAL MEETING
MURPHY CREEK METROPOLITAN DISTRICT NO. 1
MURPHY CREEK METROPOLITAN DISTRICT NO. 4

2154 E. Commons Ave., Suite 2000

Centennial, Colorado

Tuesday, August 14, 2018 at 2:00 P.M.

Board of Directors, District No. 1

Tanya Alpert, President	Term Expires May 2022
Rodney A. Alpert, Secretary/Treasurer	Term Expires May 2020
Michael Alpert, Assistant Secretary	Term Expires May 2022
Brian Alpert, Assistant Secretary	Term Expires May 2020
Alan Westfall, Assistant Secretary	Term Expires May 2022

Board of Directors, District No. 4

Tanya Alpert, President	Term Expires May 2020
Rodney A. Alpert, Secretary/Treasurer	Term Expires May 2020
Michael Alpert, Assistant Secretary	Term Expires May 2022
Brian Alpert, Assistant Secretary	Term Expires May 2022
Alan Westfall, Assistant Secretary	Term Expires May 2022

AGENDA

1. ADMINISTRATIVE MATTERS

- a. Call to Order
- b. Declaration of Quorum/Director Qualifications/Reaffirmation of Disclosure
- c. Approval of Agenda

2. PUBLIC COMMENT (Items Not on the Agenda)

3. CONSENT AGENDA ITEMS (These items are considered to be routine and will be approved by one motion. There will be no separate discussion of these items unless requested, in which event, the item will be removed from the Consent Agenda and considered in the Regular Agenda) (Enclosures available in electronic packets only; paper copies of enclosures available upon request)

- a. Approval of Board Meeting Minutes from November 15, 2017 Regular Meeting (**enclosure**)
- b. Ratification of Claims (December 1, 2017 – June 26, 2018) (\$30,530.96) (**enclosure**)
- c. Approval of Claims for July 2018 (\$4,047.47) (**enclosure**)
- d. Acceptance of Unaudited Financial Statements as of June 30, 2018 (**enclosures**)
- e. Ratification of Termination of Establishment Agreement for ARI Authority No. 4 (Murphy Creek Metropolitan District No. 4) (**enclosure**)

- f. Approval of Second Amendment to Establishment Agreement for ARI Authority No. 5 (Murphy Creek Metropolitan District Nos. 1 & 4) (**enclosure**)

4. FINANCIAL MATTERS

- a. Public Hearing on 2017 Budget Amendment and Consider Adoption of Resolution No. 2018-07-01: Resolution Amending 2017 Budget (District No. 4) (**enclosure**)
- b. Consider Acceptance of 2017 Audit and Authorization of Execution of Client Representation Letter (District No. 1) (**enclosure**)
- c. Approve Opening of Checking Account at FirstBank (District No. 1)

5. LEGAL MATTERS

6. DISTRICT MANAGER REPORT

- a. General Update from District Manager

7. OTHER BUSINESS

- a. Next Regular Meeting — November 14, 2018 at 1:00 P.M. (Budget Hearings)

8. ADJOURNMENT

2018 Meeting Dates (at 1:00 P.M.)

November 14, 2018 (Budget Hearings)

MINUTES OF A JOINT REGULAR MEETING OF THE
BOARDS OF DIRECTORS

OF

MURPHY CREEK METROPOLITAN DISTRICT NOS. 1, 2 &
4

Held: Wednesday, November 15, 2017 at 1:00 P.M., at 2154 E.
Commons Avenue, Suite 2000, Centennial, Colorado.

Attendance

The meeting referenced above was called and held in accordance with the applicable laws of the State of Colorado. The following directors, having confirmed their qualification to serve, were in attendance:

District No. 1
Tanya Alpert
Rodney Alpert
Brian Alpert

District No. 2
Tanya Alpert
Rodney Alpert
Brian Alpert

District No. 4
Tanya Alpert
Rodney Alpert
Brian Alpert

Also present were: Jennifer Gruber Tanaka, Esq., WHITE BEAR ANKELE TANAKA & WALDRON, District general counsel; Irene Borisov, Summit Management and Consulting, LLC, District Manager; and Mark Chambers, Simmons & Wheeler, District Accountant.

Director Qualification

The directors in attendance confirmed their qualification to serve.

Combined Meetings

The Districts are meeting in a combined Board meeting. Unless otherwise noted below, the matters set forth below shall be deemed to be the action of Murphy Creek Metropolitan District No. 1 (“District No. 1”), with concurrence by Murphy Creek Metropolitan District No. 2 (“District No. 2”), and Murphy Creek Metropolitan District No. 4 (“District No. 4”).

Disclosure Matters

Ms. Tanaka advised the Boards that, pursuant to Colorado law, certain disclosures might be required prior to taking official action at the meeting. Ms. Tanaka reported that disclosures for those directors with potential or existing conflicts of interest were filed with the Secretary of State’s Office and the Boards at least

72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Boards. Ms. Tanaka noted that a quorum was present and inquired into whether members of the Boards had any additional disclosures of potential or existing conflicts of interest with regard to any matters scheduled for discussion at the meeting. No additional disclosures were noted. The Boards determined that the participation of the members present was necessary to obtain a quorum or to otherwise enable the Boards to act.

Call to Order

Ms. Alpert noted that a quorum of the Boards was present and that the directors had confirmed their qualification to serve, and, therefore, called the meeting to order.

Excusal of Absences

The Boards noted the absences of Mr. Michael Alpert and Mr. Westfall, and, upon motion, duly seconded, the Boards excused their absences.

Agenda

Ms. Tanaka presented the Boards with the agenda for the meeting. Upon motion of Ms. Alpert, seconded by Mr. B. Alpert, the Boards unanimously approved the agenda as presented.

Public Comment

None.

Consent Agenda Matters

Consent Agenda

The Boards were presented with the consent agenda items. Upon motion of Ms. Alpert, seconded by Mr. B. Alpert, the Boards unanimously took the following actions:

- a. Approved the Board Meeting Minutes from April 26, 2017 Joint Special Meeting (District Nos. 2 and 4 only – District No. 1 approved at July meeting)
- b. Approved the Board Meeting Minutes from July 25, 2017 Special Meeting (District No. 1)
- c. Approved the Claims for July 26, 2017 – November 15, 2017 (\$16,262.68)
- d. Accepted the Unaudited Financial Statements as of September 30, 2017
- e. Adopted Resolution No. 2017-11-01: Annual Administrative Resolution
- f. Adopted Resolution No. 2017-11-02: Amended and Restated Joint Resolution Concerning the Imposition of Capital Facilities Fee
- g. Adopted Resolution No. 2017-11-03: Calling Election
- h. Adopted Amended and Restated Public Records Request Policy

- i. Approved the Engagement of Stratagem CPA for 2017 Audits (NTE 10% increase from prior year)
- j. Approved and Renewed the Consultant Agreements for 2018 Services:
 - i. Summit Management & Consulting Services, LLC for District Management Services
 - ii. Simmons & Wheeler, P.C. for Accounting Services
 - iii. WHITE BEAR ANKELE TANAKA & WALDRON, Attorneys at Law, for General Counsel Services

Financial Matters

Public Hearings on 2018 Budgets and Consider Adoption of Resolution Nos. 2017-11-04 (District No. 1), 2017-11-05 (District No. 2) and 2017-11-06 (District No. 4): Adopting 2018 Budget, Imposing Mill Levy and Appropriating Funds

Ms. Alpert opened the public hearings on the 2018 budgets. Ms. Tanaka noted that notice of the public hearings were published in accordance with Colorado law and noted that no written objections were received prior to the hearings. Mr. Chambers reviewed the draft budgets with the Boards. There being no public comments, Ms. Alpert closed the public hearings.

Upon motion of Mr. R. Alpert, seconded by Ms. Alpert, the Boards unanimously approved the budgets and adopted Resolution Nos. 2017-11-04 (District No. 1), 2017-11-05 (District No. 2) and 2017-11-06 (District No. 4).

Legal Matters

License Agreements for Community Notice Board and Landscaping and Median Along Jewell Between Gun Club and Old Tom Morris for Long-Term Operation and Maintenance Responsibilities

Ms. Tanaka provided an update to the Board noting that the City has rescinded its original request for updated legal descriptions and has agreed to proceed with the assignment of the license agreements at the rate of \$510 each, for a total of \$1,020 - \$1,530. Ms. Tanaka noted that District No. 3 has agreed to pay for half of this fee so ultimately the cost to the District is \$510 - \$765.

Upon motion of Mr. B. Alpert, seconded by Mr. R. Alpert, the Board unanimously approved the necessary assignments license agreements and sharing of costs.

District Manager Matters

None.

Other Business

Next Meeting

The next regular meeting is scheduled for July 25, 2018 at 1:00 P.M. (District No. 1).

Adjournment

There being no further business to be conducted, the meeting was adjourned.

The foregoing constitutes a true and correct copy of the minutes for the above-referenced meeting.

Secretary for the Meeting

Account	PO/Cont	Check #	Invoice	Date	Date Paid	Description	Amount
01-000-09050	0	1287	22315	02/28/2018	06/26/2018	February 2018 Accounting	275.66
01-000-09050	0	1287	22454	03/31/2018	06/26/2018	March 2018 Accounting	1,403.52
01-000-09050	0	1287	22577	04/30/2018	06/26/2018	April 2018 Accounting	352.00
01-000-09050	0	1287	22718	05/31/2018	06/26/2018	May 2018 Accounting	500.00
**** TOTAL **** Simmons & Wheeler, P.C.							2,531.18
01-000-09300	0	1288	331-053118	05/31/2018	06/26/2018	May 2018 Legal D1	2,421.08
01-000-09360	0	1288	331-053118	05/31/2018	06/26/2018	May 2018 Elections D1	539.15
01-000-09300	0	1288	361-053118	05/31/2018	06/26/2018	May 2018 Legal D245	1,498.54
01-000-09360	0	1288	361-053118	05/31/2018	06/26/2018	May 2018 Elections D245	1,141.85
01-000-09300	0	1288	545-053118	05/31/2018	06/26/2018	May 2018 Collections D1	467.50
01-000-09300	0	1288	79099	02/25/2018	06/26/2018	February 2018 Legal D1	1,894.83
01-000-09300	0	1288	79594	03/25/2018	06/26/2018	March 2018 Legal D1	1,948.13
01-000-09300	0	1288	79628	03/25/2018	06/26/2018	March 2018 Legal D245	5,170.85
01-000-09360	0	1288	79628	03/25/2018	06/26/2018	March 2018 Elections D245	522.00
01-000-09300	0	1288	80104	04/30/2018	06/26/2018	April 2018 Legal D245	1,577.13
01-000-09360	0	1288	80104	04/30/2018	06/26/2018	April 2018 Elections D245	1,206.00
01-000-09300	0	1288	80410	04/30/2018	06/26/2018	April 2018 Legal D1	2,011.03
01-000-09360	0	1288	80410	04/30/2018	06/26/2018	April 2018 Elections D1	614.00
**** TOTAL **** WHITE BEAR ANKELE TANAKA & WALDRON							21,012.09
01-000-09360	0	1289	79099	02/25/2018	06/26/2018	Feb 2018 Elections D1	845.00
01-000-09300	0	1289	79363	02/25/2018	06/26/2018	February 2018 Legal D245	3,311.69
01-000-09360	0	1289	79363	02/25/2018	06/26/2018	Feb 2018 Elections D245	870.00
01-000-09360	0	1289	79594	03/25/2018	06/26/2018	March 2018 Elections D1	361.00
**** TOTAL **** WHITE BEAR ANKELE TANAKA & WALDRON							5,387.69
01-000-09100	0	1290	3	03/31/2018	06/26/2018	March 2018 Management	400.00
01-000-09100	0	1290	4	04/30/2018	06/26/2018	April 2018 Management	400.00
01-000-09100	0	1290	5	05/31/2018	06/26/2018	May 2018 Management	400.00
01-000-09100	0	1290	6	06/01/2018	06/26/2018	June 2018 Management	400.00
**** TOTAL **** Summit Management & Consulting							1,600.00
*** GRAND TOTAL ***							30,530.96

Account	PO/Cont	Check #	Invoice	Date	Date Paid	Description	Amount
01-000-09050	0	1291	22858	06/30/2018	07/17/2018	June 2018 Accounting	895.02
**** TOTAL ****							895.02
Simmons & Wheeler, P.C.							
01-000-09300	0	1292	705-063018	06/30/2018	07/17/2018	June 2018 Legal D1	2,017.56
01-000-09360	0	1292	705-063018	06/30/2018	07/17/2018	June 2018 Elections D1	141.45
01-000-09360	0	1292	735-063018	06/30/2018	07/17/2018	June 2018 Elections D245	329.03
01-000-09300	0	1292	735-063018	06/30/2018	07/17/2018	June 2018 Legal D245	664.41
**** TOTAL ****							3,152.45
WHITE BEAR ANKELE TANAKA & WALDRON							
*** GRAND TOTAL ***							4,047.47

Murphy Creek Metropolitan Districts #1, 2 and 4
Financial Statements

June 30, 2018

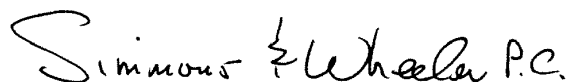
ACCOUNTANT'S COMPILATION REPORT

Board of Directors
Murphy Creek Metropolitan Districts #1, 2 and 4

Management is responsible for the accompanying financial statements of each major fund of Murphy Creek Metropolitan Districts #1, 2 and 4, as of and for the period ended June 30, 2018, which are comprised of the Balance Sheet and the related Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Funds and account groups for the six months then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit the Statement of Net Position, Statement of Activities, Management Discussion and Analysis and all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to Murphy Creek Metropolitan Districts #1, 2 and 4 because we performed certain accounting services that impaired our independence.



July 18, 2018
Englewood, Colorado

Murphy Creek Metropolitan District #1
Balance Sheet - Governmental Funds and Account Groups
June 30, 2018

See Accountant's Compilation Report

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Account Groups</u>	<u>Total All Funds</u>
Assets				
Current assets				
Cash - Checking	\$ 1,784	\$ -	\$ -	\$ 1,784
Cash - Colotrust	92,208	-	-	92,208
Due from District #2	1,003	-	-	1,003
Due from District #3	-	-	-	-
Due from other funds	-	3,497	-	3,497
	94,995	3,497	-	98,492
Other assets				
Amount to be provided for debt	-	-	7,728,035	7,728,035
Fixed assets	-	-	3,249,145	3,249,145
	-	-	10,977,180	10,977,180
	\$ 94,995	\$ 3,497	\$ 10,977,180	\$ 11,075,672
Liabilities and Equity				
Current liabilities				
Accounts payable - operations	\$ -	\$ -	\$ -	\$ -
Prepaid assessments	-	-	-	-
Accounts payable	4,447	-	-	4,447
Due to District #2	-	-	-	-
Due to District #4	21,062	-	-	21,062
Due to other funds	3,497	-	-	3,497
	29,006	-	-	29,006
Developer Loans Payable	-	-	13,145	13,145
Developer loans payable for D#2	-	-	1,623,802	1,623,802
Developer loans payable for D#4	-	-	6,035,789	6,035,789
Developer loans payable for D#5	-	-	55,299	55,299
	29,006	-	7,728,035	7,757,041
Fund equity and other credits				
Investment in fixed assets			3,249,145	3,249,145
Fund balance	65,989	3,497	-	69,486
	\$ 94,995	\$ 3,497	\$ 10,977,180	\$ 11,075,672

Murphy Creek Metropolitan District #1
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Six Months Ended June 30, 2018
Capital Projects Fund

See Accountant's Compilation Report

	<u>Annual Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Transfer from District #2	\$ 2,000,000	\$ -	\$ (2,000,000)
Transfer from District #4	4,000,000	-	(4,000,000)
	<u>6,000,000</u>	<u>-</u>	<u>(6,000,000)</u>
Expenditures			
Accounting	10,000	-	10,000
Legal	50,000	-	50,000
Construction & engineering	5,943,497	-	5,943,497
	<u>6,003,497</u>	<u>-</u>	<u>6,003,497</u>
Excess (deficiency) of revenues over expenditures	(3,497)	-	3,497
Fund balance beginning	<u>3,497</u>	<u>3,497</u>	<u>-</u>
Fund balance ending	<u>\$ -</u>	<u>\$ 3,497</u>	<u>\$ 3,497</u>

Murphy Creek Metropolitan District #1
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Six Months Ended June 30, 2018
General Fund

See Accountant's Compilation Report

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Transfer from District #4	\$ 358	\$ 345	\$ (13)
Transfer from District #2	114,995	107,920	(7,075)
Other Income	15,140	-	(15,140)
Interest Income	-	272	272
	130,493	108,537	(21,956)
Expenditures			
Accounting	12,500	4,590	7,910
Audit	5,000	-	5,000
Elections	10,000	6,569	3,431
Legal	45,000	26,504	18,496
Collections	5,000	-	5,000
Bad Debt	2,500	-	2,500
Insurance	15,000	10,359	4,641
Miscellaneous	500	-	500
Maintenance	5,000	2,400	2,600
Contingency	27,382	-	27,382
Emergency reserve	3,015	-	3,015
	130,897	50,422	80,475
Excess (deficiency) of revenues over expenditures	(404)	58,115	58,519
Fund balance beginning	404	7,874	7,470
Fund balance ending	\$ -	\$ 65,989	\$ 65,989

Murphy Creek Metropolitan District #2
Balance Sheet - Governmental Funds and Account Groups
June 30, 2018

See Accountant's Compilation Report

	<u>General Fund</u>		<u>Total All Funds</u>
Assets			
Current assets			
Due from Arapahoe County	\$ 1,003	\$	1,003
	<u>1,003</u>		<u>1,003</u>
Other assets			
Amount to be provided for debt	-		-
Fixed assets	<u>-</u>		<u>-</u>
	-		-
	<u>\$ 1,003</u>	\$	<u>1,003</u>
Liabilities and Equity			
Current liabilities			
Due to District #1	\$ 1,003	\$	1,003
	<u>1,003</u>		<u>1,003</u>
	-		-
Fund equity and other credits			
Investment in fixed assets	-		-
Fund balance	<u>-</u>		<u>-</u>
	-		-
	<u>\$ 1,003</u>	\$	<u>1,003</u>

Murphy Creek Metropolitan District #2
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Six Months Ended June 30, 2018
General Fund

See Accountant's Compilation Report

	<u>Annual Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ 105,759	\$ 105,564	\$ (196)
Specific ownership taxes	10,822	3,940	(6,883)
Interest income	-	-	-
	<u>116,581</u>	<u>109,503</u>	<u>(7,078)</u>
Expenditures			
Transfer to District #1	114,995	107,920	7,075
Misc expence	-	-	-
Treasurer's fees	<u>1,586</u>	<u>1,583</u>	<u>3</u>
	<u>116,581</u>	<u>109,503</u>	<u>7,078</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balance beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Murphy Creek Metropolitan District #2
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Six Months Ended June 30, 2018
Capital Fund

See Accountant's Compilation Report

	<u>Annual Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Developer advances	\$ <u>2,000,000</u>	\$ <u>-</u>	\$ <u>(2,000,000)</u>
	<u>2,000,000</u>	<u>-</u>	<u>(2,000,000)</u>
Expenditures			
Transfer to District #1	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balance beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance ending	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

Murphy Creek Metropolitan District #4
Balance Sheet - Governmental Funds and Account Groups
June 30, 2018

See Accountant's Compilation Report

	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Account Groups</u>	<u>Total All Funds</u>
Assets				
Current assets				
Taxes receivable	\$ -	\$ -	\$ -	\$ -
Due from District #1	-	21,062	-	21,062
	<hr/>	<hr/>	<hr/>	<hr/>
	-	21,062	-	21,062
Other assets				
Amount to be provided for debt	-	-	-	-
Fixed assets	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ -	\$ 21,062	\$ -	\$ 21,062
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Equity				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payable to county	-	21,062	-	21,062
	<hr/>	<hr/>	<hr/>	<hr/>
	-	21,062	-	21,062
	<hr/>	<hr/>	<hr/>	<hr/>
	-	21,062	-	21,062
Fund equity and other credits				
Investment if fixed assets	-	-	-	-
Fund balance	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ -	\$ 21,062	\$ -	\$ 21,062
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Murphy Creek Metropolitan District #4
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Six Months Ended June 30, 2018
Capital Projects Fund

See Accountant's Compilation Report

	<u>Annual Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues			
Developer advances	\$ <u>4,000,000</u>	\$ <u>-</u>	\$ <u>(4,000,000)</u>
	<u>4,000,000</u>	<u>-</u>	<u>(4,000,000)</u>
Expenditures			
Transfer to District #1	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>
	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balance beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance ending	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

Murphy Creek Metropolitan District #4
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Six Months Ended June 30, 2018
Debt Service Fund

See Accountant's Compilation Report

	Amended Annual <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues			
Property taxes	\$ 336	\$ 337	\$ 1
Specific ownership taxes	<u>27</u>	<u>13</u>	<u>(14)</u>
	<u>363</u>	<u>350</u>	<u>(13)</u>
Expenditures			
Treasurer's fees	5	5	-
Transfer to District #1	<u>358</u>	<u>345</u>	<u>13</u>
	<u>363</u>	<u>350</u>	<u>13</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balance beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

From: Irvin, Vinessa
To: [Colin Mielke](#); [Brad Neiman](#); "mdalton@spencerfane.com"; [Jennifer Gruber Tanaka](#); [Barbara Vander Wall](#); [George Tom](#)
Cc: [Bajorek, Jack](#)
Subject: Aurora Regional Authority No. 4
Date: Monday, April 30, 2018 10:01:33 AM
Attachments: [image001.png](#)
[image002.png](#)

Good morning,

This email is in response to the requests the city has received from the following districts to withdraw from Aurora Regional Improvement Authority No. 4:

Illiff Commons Metropolitan District No. 1

Illiff Commons Metropolitan District No. 3

Murphy Creek Metropolitan District Nos. 1, 2, 4 & 5

Whispering Pines Metropolitan District Nos. 1 &

Section 2.6 of the Aurora Regional Improvement Authority No. 4 Establishment Agreement requires that, prior to a Member's withdrawal which will result in less than three (3) Approved Development Areas being represented by the ARI Authority, the City must provide its consent indicating that the withdrawal will not result in the ARI Revenue being conveyed to Aurora under Section VI.C of the City's model service plan. The City has received independent requests from all current members of this Authority indicating each member's desire to withdrawal and request for such consent.

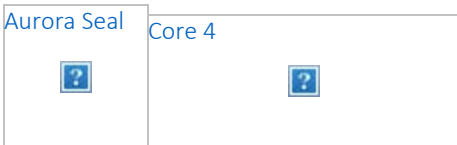
This email memorializes the City's consent, but makes such consent conditioned on each existing member of the Aurora Regional Improvement Authority No. 4 withdrawing from that Authority AND joining a different authority meeting the requirements of each district's respective service plan by no later than December 31, 2018.

Regards,

Vinessa Irvin

Manager, Office of Development Assistance | City of Aurora

direct 303.739.7037 | main 303.739.7345



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**AURORA REGIONAL IMPROVEMENT AUTHORITY NO. 5
SECOND AMENDMENT TO ESTABLISHMENT AGREEMENT**

THIS SECOND AMENDMENT TO ESTABLISHMENT AGREEMENT (“Amendment”), entered into as of the ___ day of _____, 2018, by and among the City of Aurora, Colorado, a political subdivision and municipal corporation of the Counties of Adams, Arapahoe, and Douglas and of the State of Colorado (“Aurora”), and each of the metropolitan districts that are signatories hereto, all of which are quasi-municipal corporations and political subdivisions of the State of Colorado (each a “District” or collectively the “Districts”). All signatories hereto are referred to herein as the “Parties” and individually as “Party.”

RECITALS

WHEREAS, Aurora is a municipal corporation and political subdivision of the State of Colorado created pursuant to Article XX of the Constitution of the State of Colorado, charged under the Constitution of the State of Colorado with the performance of municipal functions, duties and obligations; and

WHEREAS, Cornerstar Metropolitan District (“Cornerstar”), Eagle’s Nest Metropolitan District (“Eagle’s Nest”) and Aurora Crossroads Metropolitan District Nos. 1-3 (collectively, “Aurora Crossroads”) entered into that Aurora Regional Improvement No. 5 Establishment Agreement dated November 10, 2008 (the “Original Agreement”), and Aurora was offered the opportunity to join the authority, but has not; and

WHEREAS, Cornerstar, Eagle’s Nest and Aurora Crossroads subsequently entered into that First Amendment to Aurora Regional Improvement Authority No. 5 Establishment Agreement dated September 13, 2012 (the “First Amendment”), whereby the Wheatlands Metropolitan District (“Wheatlands”) was added to the Original Agreement and became a member of the Aurora Regional Improvement Authority No. 5; and

WHEREAS, collectively, the Original Agreement and the First Amendment shall be referred to herein as the “Agreement;” and

WHEREAS, the Districts were formed pursuant to Colorado Revised Statutes §§ 32-1-101, *et seq.*, as amended, by order of the district court and after approval of the eligible electors of each respective District at a special election, for the purpose of assisting in the financing and construction of public improvements within certain areas located within Aurora; and

WHEREAS, certain community improvement projects are contemplated that will provide various functions, services, and facilities within or for the benefit of Aurora and the Districts (the “Regional Improvements”); and

WHEREAS, the Parties have a compelling mutual interest in developing and coordinating plans, present and future, for the Regional Improvements and developing strategies to promote the public welfare; and

WHEREAS, the Constitution of Colorado, Article XIV, Section 18(2)(a), provides that the Constitution shall not be interpreted to prohibit the state or any of its political subdivisions from making the most efficient and effective use of their powers by cooperating and contracting with each other; and

WHEREAS, the Constitution of Colorado, Article XIV, Section 18(2)(b), provides that the Constitution shall not be interpreted to prohibit the enactment of a statute authorizing political subdivisions to establish a separate governmental entity to provide any function, service, or facility lawfully authorized to each of the contracting political subdivisions; and

WHEREAS, the general assembly has enacted Colorado Revised Statute § 29-1-203(4) to implement the provisions of Colorado Constitution Article XIV, Sections 18(2)(a) and (b), by authorizing political subdivisions to establish, by contract, a separate legal entity to provide any function, service, or facility lawfully authorized to each; and

WHEREAS, the Districts each operate under a service plan approved by Aurora (“Aurora Model Service Plan”) which allows the Districts to enter into an intergovernmental agreement with Aurora, or enter into an ARI Authority Establishment Agreement (and to invite Aurora to participate in such agreement), all as set forth in provisions of the Aurora Model Service Plan, which sets forth requirements related to such intergovernmental agreement or ARI Authority Establishment Agreement (“ARI Agreement Requirement”); and

WHEREAS, Iliff Commons Metropolitan District No. 3 and Murphy Creek Metropolitan District Nos. 1, 2, 4 & 5 each desire to be added to the Agreement and to become members of the Aurora Regional Improvement Authority No. 5; and

WHEREAS, it is deemed in the best interests of the Parties and for the public health, safety, convenience, and welfare of the residents of the Aurora and the Districts that the Parties enter into this Agreement for the purpose of forming the Authority to provide the services necessary to acquire, construct, finance, maintain, manage, promote and implement Regional Improvements that may be identified and agreed upon by the Parties from time to time.

NOW, THEREFORE, in consideration of the mutual covenants, obligations, and conditions expressed herein, it is agreed by and between the Parties hereto, as follows:

1. Pursuant to Section 2.3 of the Agreement, the Parties hereby add Iliff Commons Metropolitan District No. 3 and Murphy Creek Metropolitan District Nos. 1, 2, 4 & 5 as members of the Aurora Regional Improvement Authority No. 5, and each of Iliff Commons Metropolitan District No. 3 and Murphy Creek Metropolitan District Nos. 1, 2, 4 & 5 agree to be bound by the Agreement.

2. This Amendment may be executed in counterparts, each of which shall be considered an original, and together shall be considered a whole.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed as of the day and year first hereinabove written.

ILIFF COMMONS METROPOLITAN
DISTRICT NO. 3

By: _____
Name: _____
Title: Officer

ATTEST:

By: _____
Name: _____
Title: _____

MURPHY CREEK METROPOLITAN
DISTRICT NO. 1

By: _____
Name: _____
Title: Officer

ATTEST:

By: _____
Name: _____
Title: _____

MURPHY CREEK METROPOLITAN
DISTRICT NO. 2

By: _____
Name: _____
Title: Officer

ATTEST:

By: _____
Name: _____
Title: _____

MURPHY CREEK METROPOLITAN
DISTRICT NO. 4

By: _____
Name: _____
Title: Officer

ATTEST:

By: _____
Name: _____
Title: _____

MURPHY CREEK METROPOLITAN
DISTRICT NO. 5

By: _____
Name: _____
Title: Officer

ATTEST:

By: _____
Name: _____
Title: _____

Resolution No. 2017-07-01

**MURPHY CREEK METROPOLITAN DISTRICT NO. 4
RESOLUTION TO AMEND 2017 BUDGET**

WHEREAS, the Board of Directors of Murphy Creek Metropolitan District No. 4 (the “District”) certifies that at a special meeting of the Board of Directors of the District held July 25, 2018, a public hearing was held regarding the 2017 amended budget, and, subsequent thereto, the following Resolution was adopted by affirmative vote of a majority of the Board of Directors:

WHEREAS, the Board of Directors of the District adopted a budget and appropriated funds for fiscal year 2017 as follows:

General Fund	\$380
and;	

WHEREAS, the necessity has arisen for additional expenditures by the District due to additional costs which could not have been reasonably anticipated at the time of adoption of the budget, requiring the expenditure of funds in excess of those appropriated for fiscal year 2017; and

WHEREAS, funds are available for such expenditure.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the District does hereby amend the adopted budget for fiscal year 2017 as follows:

General Fund	\$383
--------------	-------

BE IT FURTHER RESOLVED, that such sums are hereby appropriated from the revenues of the District to the funds named above for the purpose stated, and that any ending fund balances shall be reserved for purposes of complying with Article X, Section 20 of the Colorado Constitution.

[Remainder of page intentionally left blank.]

ADOPTED this 25th day of July, 2018.

**MURPHY CREEK METROPOLITAN
DISTRICT NO. 4**

Officer of the District

ATTEST:

APPROVED AS TO FORM:

WHITE BEAR ANKELE TANAKA & WALDRON
Attorneys at Law

General Counsel to the District

STATE OF COLORADO
COUNTY OF ARAPAHOE
MURPHY CREEK METROPOLITAN DISTRICT NO. 4

I hereby certify that the foregoing resolution constitutes a true and correct copy of the record of proceedings of the Board adopted at a meeting held on Wednesday, July 25, 2018, at 2154 E. Commons Ave., Suite 2000, Centennial, Colorado, as recorded in the official record of the proceedings of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 25th day of July, 2018.

Draft 071718

MURPHY CREEK METROPOLITAN DISTRICT NO.1

Financial Statements

Year Ended December 31, 2017

with

Independent Auditors' Report

Draft 071718

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MURPHY CREEK METROPOLITAN DISTRICT NO. 1

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 1,890	\$ -	\$ 1,890	\$ -	\$ 1,890
Cash and investments - restricted	3,015	-	3,015	-	3,015
Accounts receivable - other	488	-	488	-	488
Accounts receivable - developer	32,201	3,497	35,698	(35,698)	-
Due from District #3	2	-	2	-	2
Capital assets not being depreciated	-	-	-	3,249,145	3,249,145
Total Assets	<u>\$ 37,594</u>	<u>\$ 3,497</u>	<u>\$ 41,091</u>	<u>3,213,448</u>	<u>3,254,538</u>
LIABILITIES					
Accounts payable	\$ 8,308	\$ -	\$ 8,308	-	8,308
Due to District #4	21,412	-	21,412	-	21,412
Long-term liabilities:					
Due in more than one year	-	-	-	7,526,067	7,526,067
Total Liabilities	<u>29,720</u>	<u>-</u>	<u>29,720</u>	<u>7,526,067</u>	<u>7,555,787</u>
FUND BALANCE					
Restricted:					
Emergencies	3,015	-	3,015	(3,015)	-
Capital Projects	-	3,497	3,497	(3,497)	-
Unassigned	4,859	-	4,859	(4,859)	-
Total Fund Balances	<u>7,874</u>	<u>3,497</u>	<u>11,371</u>	<u>(11,371)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 37,594</u>	<u>\$ 3,497</u>	<u>\$ 41,091</u>		
NET POSITION					
Restricted for:					
Emergencies				3,015	3,015
Capital Projects				3,497	3,497
Unrestricted				(4,307,761)	(4,307,761)
Total Net Position (Deficit)				<u>\$ (4,301,249)</u>	<u>\$ (4,301,249)</u>

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

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MURPHY CREEK METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General	Capital Project	Total	Adjustments	Statement of Activities
EXPENDITURES					
Accounting and audit	\$ 23,503	\$ -	\$ 23,503	\$ -	\$ 23,503
Insurance	33,589	-	33,589	-	33,589
Legal and collection	85,245	-	85,245	-	85,245
Administration/management	31,401	-	31,401	-	31,401
Construction management	6,100	-	6,100	-	6,100
Utilities	15,152	-	15,152	-	15,152
Recreation facility	90,397	-	90,397	-	90,397
Grounds expense	74,993	-	74,993	-	74,993
Bad debt	4,445	-	4,445	-	4,445
Maintenance	(125)	-	(125)	-	(125)
Transfer to District 1	5,119	-	5,119	-	5,119
Interest expense - developer note	-	-	-	318,574	318,574
Total Expenditures	<u>369,819</u>	<u>-</u>	<u>369,819</u>	<u>318,574</u>	<u>688,393</u>
PROGRAM REVENUES					
Clubhouse rental and other income	5,119	-	5,119	-	5,119
Developer advance	<u>12,098</u>	<u>-</u>	<u>12,098</u>	<u>(12,098)</u>	<u>-</u>
Total Program Revenues	<u>17,217</u>	<u>-</u>	<u>17,217</u>	<u>(12,098)</u>	<u>5,119</u>
Net Program Income (Expenses)	(352,602)	-	(352,602)	(330,672)	(683,274)
GENERAL REVENUES					
Transfers in - Districts #2	51,017	-	51,017	-	51,017
Transfers in - Districts #4	378	-	378	-	378
Transfers in - Districts #3	232,170	-	232,170	-	232,170
Interest income	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total General Revenues	<u>283,665</u>	<u>-</u>	<u>283,665</u>	<u>-</u>	<u>283,665</u>
NET CHANGE IN FUND BALANCES	(68,937)	-	(68,937)	68,937	
CHANGES IN NET POSITION				(399,609)	(399,609)
FUND BALANCE/NET POSITION:					
BEGINNING OF YEAR	<u>76,811</u>	<u>3,497</u>	<u>80,308</u>	<u>(3,981,948)</u>	<u>(3,901,640)</u>
END OF YEAR	<u>\$ 7,874</u>	<u>\$ 3,497</u>	<u>\$ 11,371</u>	<u>\$ (4,312,620)</u>	<u>\$ (4,301,249)</u>

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

Draft 071718

MURPHY CREEK METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Transfers in - Districts #2	\$ 55,252	\$ 55,252	\$ 51,017	\$ (4,235)
Transfers in - Districts #4	375	375	378	3
Transfers in - Districts #3	703,732	260,000	232,170	(27,830)
Clubhouse rental and other income	15,184	15,184	5,119	(10,065)
Interest income	-	-	100	100
Developer Advance	-	-	12,098	12,098
	<u>774,543</u>	<u>330,811</u>	<u>300,882</u>	<u>(29,929)</u>
EXPENDITURES				
Accounting and audit	18,000	28,000	23,503	4,497
Insurance	26,750	26,750	33,589	(6,839)
Legal and collection	55,000	95,000	85,245	9,755
Election	30,000	30,000	-	30,000
Administration/management	59,236	30,000	31,401	(1,401)
Construction management	15,000	15,000	6,100	8,900
Miscellaneous	500	500	-	500
Maintenance	5,000	5,000	(125)	5,125
Utilities	157,000	20,000	15,152	4,848
Recreation facility	245,000	95,000	90,397	4,603
Grounds expense	243,000	75,000	74,993	7
Bad debt	1,000	1,000	4,445	(3,445)
Transfer to District #1	-	-	5,119	(5,119)
Emergency reserve	25,665	12,638	-	12,638
	<u>881,151</u>	<u>433,888</u>	<u>369,819</u>	<u>64,069</u>
NET CHANGE IN FUND BALANCE	(106,608)	(103,077)	(68,937)	34,140
FUND BALANCE - BEGINNING OF YEAR	<u>106,608</u>	<u>106,608</u>	<u>76,811</u>	<u>(29,797)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 3,531</u>	<u>\$ 7,874</u>	<u>\$ 4,343</u>

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

Draft 071718

MURPHY CREEK METROPOLITAN DISTRICT NO.1

Notes to Financial Statements December 31, 2017

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Murphy Creek Metropolitan District No. 1 (“the District”), located in the City of Aurora (“Aurora”) in Arapahoe 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 on November 16, 1998, as a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. The District was established to manage the financing, construction, operation and maintenance of the public facilities located within the District and Murphy Creek Metropolitan District Nos. 2, 3 and 4 (“Districts Nos. 2, 3 and 4”). The District is governed by an elected Board of Directors.

The District was organized concurrently with District Nos. 2, 3 and 4. Effective November 27, 2001, District No. 4 was dissolved and all property previously within its boundaries was included in District No. 3. District No. 4 was later reorganized on December 5, 2005. On August 8, 2016, Aurora approved an Amended and Restated Consolidated Service Plan for the District and District Nos. 2, 3 and 4 and a Service Plan for Murphy Creek Metropolitan District No. 5 (the “Service Plan”). The District, District Nos. 2, 3 and 4 and Murphy Creek Metropolitan District No. 5 (“District No. 5”) are collectively referred to herein as the “Districts”. The Districts have the power to provide water, sanitation, streets, traffic and safety controls, television relay and translator services, transportation and park and recreation improvements and other related improvements for the benefit of taxpayers and service users within the Districts’ boundaries. The Service Plan requires the Districts to convey the streets, water, sanitation and storm drainage improvements to Aurora for ownership and maintenance.

The Service Plan contemplates the District serving as the “operating district”, with District Nos. 2, 3, 4 and 5 serving as the “taxing districts”. The operating district is responsible for providing the day to day operations and administrative management of all five Districts. This arrangement was memorialized in the Service Contract among the District and District Nos. 1, 2 and 4 (See Note 4). On April 26, 2017, the District along with District Nos. 2, 3 and 4 entered into a Termination Agreement whereby the Service Contract was terminated. (“See Note 4”). The Murphy Creek Metropolitan District No. 3 (“District No. 3”) now operates separately from District Nos. 1, 2 and 4 and District No. 5.

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MURPHY CREEK METROPOLITAN DISTRICT NO.1

Notes to Financial Statements December 31, 2017

The District's main source of revenue will be the annual revenue received from District Nos. 2, 4 and 5 as reimbursement for actual service costs and construction costs. These revenues are based on funding through property tax revenues, system development fees and recreation fees under the Facilities Construction and Service Agreement (see Note 6).

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.

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.

Draft 071718

MURPHY CREEK METROPOLITAN DISTRICT NO.1

Notes to Financial Statements December 31, 2017

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 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.

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.

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.

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MURPHY CREEK METROPOLITAN DISTRICT NO.1

Notes to Financial Statements December 31, 2017

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the Local Government 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. During 2017, the District amended its total appropriations in the General Fund from \$881,151 to \$433,888 primarily due to Termination Agreement. (See Note 4)

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, 2017, 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.

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

Draft 071718

MURPHY CREEK METROPOLITAN DISTRICT NO.1

Notes to Financial Statements December 31, 2017

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting under this category.

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.

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. No depreciation expense was recognized during 2017.

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.

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MURPHY CREEK METROPOLITAN DISTRICT NO.1

Notes to Financial Statements December 31, 2017

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 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 \$3,015 of the General Fund balance has been restricted in compliance with this requirement.

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 Balances

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 reports three categories of net position, as follows:

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

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

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MURPHY CREEK METROPOLITAN DISTRICT NO.1

Notes to Financial Statements December 31, 2017

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, 2017, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 1,890
Cash and investments – restricted	<u>3,015</u>
	<u>\$ 4,905</u>

Cash and investments as of December 31, 2017, consist of the following:

Deposits with financial institutions	\$ 375
Investments – Colotrust	<u>4,530</u>
Total	<u>\$ 4,905</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, 2017, none of the District’s deposits were exposed to custodial credit risk.

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Notes to Financial Statements December 31, 2017

Investments

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 investments are not required to be categorized within the fair value hierarchy. The District's investment's value is calculated using the net asset value method (NAV) per share.

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

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, 2017, the District had the following investments:

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 ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2017, the District had \$4,530 invested in COLOTRUST.

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Notes to Financial Statements December 31, 2017

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

	<u>Balance</u> 1/1/2017	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2017
<u>Governmental Type Activities:</u>				
<u>Capital assets not being depreciated:</u>				
General engineering and construction	\$ 42,077	\$ -	\$ -	\$ 42,077
Water	1,000,000	-	-	1,000,000
Streets	1,457,068	-	-	1,457,068
Sanitation	750,000	-	-	750,000
Government type assets, net	<u>\$ 3,249,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,249,145</u>

No depreciation has been provided as all assets will be transferred to the City of Aurora or are considered to be construction in progress at December 31, 2017.

It is the policy of Aurora to accept the maintenance responsibility for the streets, water, sanitation, and storm drainage facilities within Aurora only after a probationary period following completion of construction. Upon final acceptance by Aurora, the costs of transferred improvements will be removed. Improvements in the amount of \$27,190,622 have been transferred to Aurora.

Note 4: Long Term Obligations

On March 15, 2006, the District entered into Reimbursement and Acquisition Agreements with Murphy Creek Development, Inc. ("the Developer") for reimbursement of District eligible public infrastructure costs incurred by the Developer related to improvements benefiting property located within District Nos. 2 and 4. In conjunction with the above agreements, the District authorized promissory notes in an amount up to \$8,100,000 for District No. 2 and \$25,000,000 for District No. 4. The notes carry an interest rate of 8.0% per annum and mature December 31, 2016. If not paid by December 31, 2016, the interest rate on the notes will be 300 basis points above the 20 year "AAA" Municipal Market Data rate. Effective November 16, 2016, the maturity date and change in interest rates on the notes was extended to December 31, 2021.

Due to the uncertainty of the timing of the principal and interest payments on the Promissory Notes, a schedule of the timing of these payments is not available.

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Notes to Financial Statements December 31, 2017

The following is an analysis of changes in long-term obligations for the period ended December 31, 2017:

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2017</u>
Promissory Note - District 2	\$ 849,833	\$ -	\$ -	\$ 849,833
Promissory Note - District 4	3,103,105	-	-	3,103,105
Promissory Note - District 5	29,238	-	-	29,238
Interest on notes	<u>3,225,317</u>	<u>318,574</u>	<u>-</u>	<u>3,543,891</u>
	<u>\$ 7,207,493</u>	<u>\$ 318,574</u>	<u>\$ -</u>	<u>\$ 7,526,067</u>

On November 3, 1998, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$75,000,000 at an interest rate not to exceed 18% per annum and repayment terms not to exceed 20 years after the date of issuance. On May 2, 2000, a majority of qualified electors of the District authorized the issuance of indebtedness in an additional amount not to exceed \$55,750,000 at an interest rate not to exceed 18% per annum with repayment terms between 20 and 40 years after date of issuance. The Service Plan does not allow for the issuance of general obligation debt and the District has not budgeted to issue any debt in 2018.

Note 5: Related Party

All of the Board of Directors are owners or members of or are otherwise associated with Murphy Creek Development, Inc., or Murphy Creek LLC, the Developer and major landowner within the District. The District has issued promissory notes to members of the Board of Directors or their relatives or entities with which they are affiliated (see Note 4).

Note 6: Agreements with Other Governments

Intergovernmental Agreement with Aurora

On August 8, 2016, the Districts and Aurora entered into an Amended and Restated Intergovernmental Agreement (“IGA”), as required by the required by the Service Plan. Under the IGA, *inter alia*, the Districts must obtain the approval of the Aurora City Council prior to any inclusion of property in or exclusion of property from the boundaries of the Districts other than as set forth in the Service Plan and for any consolidation with any other special districts. Prior to the issuance of any privately placed debt, the District is required to obtain a certificate from an External Financial Advisor certifying to the reasonableness of the interest rate and the structure. Pursuant to the IGA and the Service Plan, the District is required to levy a regional mill levy and to remit it to an Aurora Regional Improvement (ARI) Authority or to Aurora under certain circumstances. The District’s ARI requirement begins after approval by voters at an election to collect District operations revenues through taxes which has not yet occurred.

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Notes to Financial Statements December 31, 2017

The Service Plan requires the Districts to dedicate certain public improvements to Aurora or other appropriate jurisdiction or owners association for ownership and maintenance. The District is not authorized to operate or maintain any part of the improvements, other than park and recreation improvements, drainage improvements, including detention and retention ponds, trickle channels and all necessary or proper equipment or appurtenances thereto, unless the provision of such operation and maintenance is pursuant to an intergovernmental agreement with Aurora.

Facilities Construction and Service Agreement

Facilities Construction and Service Agreement (Service Contract) – To implement the Consolidated Service Plan, the District has an intergovernmental agreement with Murphy Creek Metropolitan District Nos. 2, 3 and 4. The agreement remains in full force until such time as each of the terms and conditions of the agreement has been performed in their entirety or until the agreement is terminated by mutual written agreement by all Districts.

The District is to own, operate, maintain, and construct the facilities benefiting all Districts. To the extent that Murphy Creek Metropolitan District Nos. 2, 3 and 4 are to benefit, they will pay the total capital costs and service costs of operation and maintenance of such facilities. The District received \$51,017 from District No.2 and \$378 from District No. 4 during 2017.

On April 26, 2017, the District along with District Nos. 2, 3 and 4 entered into a Termination of District Facilities Construction and Service Agreement (“Termination Agreement”) whereby the Districts agreed to terminate the Facilities Construction and Service Agreement. The Districts agreed that: 1.) all outstanding operational fees imposed by the District would be remitted to the District to offset prior costs of District No. 2, and 3.) The Capital Facilities Fees collected within the boundaries of District 3 shall be considered to be pledged revenue for the Series 2006 Bonds in satisfaction of the terms of the Indenture before being utilized for the completion of the any Remaining District 3 Facilities as described in the agreement. Upon completion of the Remaining District 3 Facilities and Capital Facility Fees Revenue being held by the District shall be remitted to District No 3 and any future Capital Facility Fee revenue collected after the completion of the Remaining District 3 Facilities have been paid in full shall be retained by District No. 3. District No. 3 will operate independently of Districts Nos. 1, 2, 4 and 5. All assets owned by the District that are within the boundaries of the District No. 3 will be transferred to District No. 3.

District Reimbursement Agreement

On April 26, 2017, concurrent with the execution of the Termination Agreement, the District entered into a District Reimbursement Agreement with District No. 2 (the “District Reimbursement Agreement”). The District Reimbursement Agreement acknowledges that there are improvements located within the District which also benefit District No. 2. As such, costs incurred by the District to operate, maintain, repair, and replace the shared improvements are to be billed to District No. 2 on a proportionate and annual basis and District No. 2 is to reimburse the District for those costs.

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MURPHY CREEK METROPOLITAN DISTRICT NO.1

Notes to Financial Statements December 31, 2017

District Amenities Sharing Agreement

On April 26, 2017, the District entered into a District Amenities Sharing Agreement with District No. 1 (the “District Amenities Sharing Agreement”). The District Amenities Sharing Agreement acknowledges that there are facilities located within District No. 3 which also benefit District Nos. 1, 2 and 4 and District No. 5, and future facilities constructed by District No. 1 and located within District Nos. 2, and 4 and District No. 5 that will benefit the District No. 3. As such, costs incurred by District No. 3 to operate and maintain the facilities should be shared on a proportionate basis by each district. Annually a determination shall be made of the annual operation costs incurred by each district, and these costs will be allocated based upon the number of certificates of occupancy issued by the City for residential units located within each of the district’s boundaries. To date no residential development has occurred within the District, or Districts Nos. 2 and 4, or District No. 5 triggering these obligations.

Note 7: 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 November 3, 1998, the voters approved the District to be permitted to maintain fiscal year spending and collect annual District revenues from sources not excluded from fiscal year spending in 1999 and each year thereafter as a voter-approved revenue change without regard to any expenditure, revenue-raising or other limitation contained within Article X, Section 20 of the Colorado Constitution or any other statutory or constitutional expenditure or revenue-raising limitation.

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MURPHY CREEK METROPOLITAN DISTRICT NO.1

Notes to Financial Statements December 31, 2017

Note 8: 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 (“the 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 9: 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) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as developer notes, accrued developer note interest payable, are not due and payable in the current period and, therefore, are not 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 capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; 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.

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SUPPLEMENTAL INFORMATION

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MURPHY CREEK 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, 2017

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Transfer from District #2	\$ 2,000,000	\$ -	(2,000,000)
Transfer from District #4	4,000,000	-	(4,000,000)
Total Revenues	<u>6,000,000</u>	<u>-</u>	<u>(6,000,000)</u>
EXPENDITURES			
Legal	50,000	-	50,000
Accounting	10,000	-	10,000
Capital outlay	<u>5,943,497</u>	<u>-</u>	<u>5,943,497</u>
Total Expenditures	<u>6,003,497</u>	<u>-</u>	<u>6,003,497</u>
NET CHANGE IN FUND BALANCE	(3,497)	-	3,497
FUND BALANCE - BEGINNING OF YEAR	<u>3,497</u>	<u>3,497</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 3,497</u>	<u>\$ 3,497</u>

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