MURPHY CREEK METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

CONTENTS

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Board of Directors
Murphy Creek Metropolitan District No. 1
Arapahoe County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Murphy Creek Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Murphy Creek Metropolitan District No. 1 as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Other Matters

Required Supplemental Information

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

Supplemental Information

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

Wipfli LLP

Wipfli LLP
Denver, Colorado

July 15, 2024

MURPHY CREEK METROPOLITAN DISTRICT NO. 1

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2023

	General	Capital Projects	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and investments	$ 25,007	$ -	$ 25,007	$ -	$ 25,007
Cash and investments - restricted	3,983	-	3,983	-	3,983
Prepaid expenses	18,225	-	18,225	-	18,225
Due from District #2	23,388	-	23,388	-	23,388
Due from District #4	17,342	-	17,342	-	17,342
Due from District #5	29,838	-	29,838	-	29,838
Capital assets not being depreciated	-	-	-	4,163,412	4,163,412
Total Assets	$ 117,783	$ -	$ 117,783	4,163,412	4,281,195
LIABILITIES					
Accounts payable	$ 6,468	$ -	$ 6,468	-	6,468
Long-term liabilities:					
Due in more than one year	-	-	-	3,196,632	3,196,632
Total Liabilities	6,468	-	6,468	3,196,632	3,203,100
FUND BALANCE					
Nonspendable:					
Prepaids	18,225	-	18,225	(18,225)	-
Restricted:					
Emergencies	3,983	-	3,983	(3,983)	-
Unassigned	89,107	-	89,107	(89,107)	-
Total Fund Balances	111,315	-	111,315	(111,315)	-
Total Liabilities and Fund Balances	$ 117,783	$ -	$ 117,783		
NET POSITION					
Net investment in capital assets				1,084,563	1,084,563
Restricted for:					
Emergencies				3,983	3,983
Unrestricted				(10,451)	(10,451)
Total Net Position				$ 1,078,095	$ 1,078,095

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

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, 2023

	General	Capital Projects	Total	Adjustments	Statement of Activities
EXPENDITURES					
Accounting and audit	$ 10,028	$ -	$ 10,028	$ -	$ 10,028
Insurance	8,263	-	8,263	-	8,263
Legal	69,463	-	69,463	-	69,463
Election	5,994	-	5,994	-	5,994
Miscellaneous	7,800	-	7,800	-	7,800
Acceptance of assets	-	904,764	904,764	(904,764)	-
Interest expense - developer note	-	-	-	128,472	128,472
Total Expenditures	101,548	904,764	1,006,312	(776,292)	230,020
GENERAL REVENUES					
Transfers in - Districts #2	19,529	-	19,529	-	19,529
Interest income	1,363	-	1,363	-	1,363
Miscellaneous income	684	-	684	-	684
Total General Revenues	21,576	-	21,576	-	21,576
			-		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(79,972)	(904,764)	(984,736)	776,292	(208,444)
OTHER FINANCING SOURCES (USES)					
Developer advances	89,803	904,764	994,567	(994,567)	-
Total Other Financing Source (Uses)	89,803	904,764	994,567	(994,567)	-
NET CHANGE IN FUND BALANCES	9,831	-	9,831	(9,831)	
CHANGES IN NET POSITION				(208,444)	(208,444)
FUND BALANCE/NET POSITION:					
BEGINNING OF YEAR	101,484	-	101,484	1,185,055	1,286,539
END OF YEAR	$ 111,315	$ -	$ 111,315	$ 966,780	$ 1,078,095

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

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, 2023

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Transfers in - Districts #2	$ 18,988	$ 19,529	$ 541
Interest income	500	1,363	863
Miscellaneous income	2,000	684	(1,316)
Total Revenues	21,488	21,576	88
EXPENDITURES			
Accounting and audit	34,300	10,028	24,272
Insurance	21,700	8,263	13,437
Legal	93,000	69,463	23,537
Collections	1,000	-	1,000
Election	32,700	5,994	26,706
Miscellaneous	18,500	7,800	10,700
Pond maintenance	10,000	-	10,000
Contingency	1,899	-	1,899
Emergency reserve	6,336	-	6,336
Total Expenditures	219,435	101,548	117,887
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(197,947)	(79,972)	117,975
OTHER FINANCING SOURCES (USES)			
Developer advances	108,381	89,803	(18,578)
Total Other Financing Sources (Uses)	108,381	89,803	(18,578)
NET CHANGE IN FUND BALANCE	(89,566)	9,831	99,397
FUND BALANCE:			
BEGINNING OF YEAR	89,566	101,484	11,918
END OF YEAR	$ -	$ 111,315	$ 111,315

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

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 No. 2 ("District No. 2"), Murphy Creek Metropolitan District No. 3 ("District No. 3") and Murphy Creek Metropolitan District No. 4 ("Original District No. 4"). The District is governed by an elected Board of Directors (the "Board").

The District was organized concurrently with District No. 2, District No. 3 and the Original District No. 4. Effective November 27, 2001, the Original District No. 4 was dissolved and all property previously within its boundaries was included in District No. 3. A new district named the Murphy Creek Metropolitan District No. 4 ("District No. 4") was later organized on December 5, 2005. On August 8, 2016, Aurora approved an Amended and Restated Consolidated Service Plan for the District, and District No. 2, District No. 3 and District No. 4 and a Service Plan for Murphy Creek Metropolitan District No. 5 ("District No. 5") (the "Service Plan"). The District, District No. 2, and District No. 4 and District No. 5 are collectively referred to herein as the "Districts". The Districts and District No. 3 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' and District No. 3's boundaries. The Service Plan requires the Districts and District No. 3 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 No. 2, District No. 3, District No. 4 and District No. 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 originally memorialized in the Service Contract among the District and District No. 2, District No. 3 and District No. 4 (See Note 6). On April 26, 2017, the District along with District No. 2, District No. 3 and District No. 4 entered into a Termination Agreement whereby the Service Contract was terminated (See Note 6). District No. 3 now operates separately from the Districts. The Districts entered into a separate District Administrative Services Agreement on April 26, 2017, wherein the parties thereto confirm the District's role as the operating district and District No. 2, District No. 4 and District No. 5 (collectively, "District Nos. 2, 4, and 5") serve as the taxing districts (See Note 6). This agreement was partially terminated on August 26, 2021, as it relates to District No. 4 as a party and, on April 5, 2022, the agreement was partially terminated as it relates to District No. 5.

The District's main source of revenue is the annual revenue received from District Nos. 2 as reimbursement for actual service costs and construction costs. These revenues are based on funding through property tax revenues, and system development fees.

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.

<u>Basis of Presentation</u>
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 flows.

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 *availabl*e 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 transfers from other Districts 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.

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 Board holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The Board can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District 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 acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current change. 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 2023.

Fund Equity

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

Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of $18,225 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 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 $3,983 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. The constraint may be removed or changed only through formal action of the Board.

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Net Position

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

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

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

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

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

Note 2: Cash and Investments

As of December 31, 2023, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 25,007
Cash and investments – restricted	3,983
	$ 28,990

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

Deposits with financial institutions	$ 5,560
Investments – COLOTRUST	23,430
Total	$ 28,990

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, 2023, none of the District's deposits were exposed to custodial credit risk.

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 investment is not required to be categorized within the fair value hierarchy. This 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.

As of December 31, 2023, the District had the following investment:

COLOTRUST
As of December 31, 2023, the District invested in the Colorado Local Governmental Liquid Asset Trust ("COLOTRUST"), a local governmental investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, one of which is COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value ("NAV") of $1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. COLOTRUST PLUS+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the net asset value. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less and is rated AAAm by Standard & Poor's. At December 31, 2023, the District had $23,430 invested in COLOTRUST PLUS+.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2023, follows:

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
Governmental Type Activities:				
Capital assets not being depreciated:				
General engineering and construction	$ 42,077	$ -	$ -	$ 42,077
Water	1,000,000	71,872	-	1,071,872
Streets	1,466,571	711,017	-	2,177,588
Sanitation	750,000	121,875	-	871,875
Government type assets, net	$ 3,258,648	$ 904,764	$ -	$ 4,163,412

No depreciation has been provided as all assets were previously transferred to the City of Aurora or are considered to be construction in progress at December 31, 2023.

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

Reimbursement and Acquisition Agreements – District No. 2 and 4

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, as they existed at the time. In conjunction with the above agreement, 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. The Promissory Note with District No. 4 was paid in full on November 12, 2021, with a transfer of $6,867,946 from the proceeds of the 2022 Bonds issued by District No. 4 and the Reimbursement Agreement relating to District No. 4 was terminated on April 5, 2022. The Promissory Note with District No. 2 was extended on November 10, 2021, to December 31, 2026. As of December 31, 2023, the District No. 2 Promissory Note had a total balance of $1,993,601 consisting of $849,832 of principal and $1,143,769 of accrued interest.

Funding and Reimbursement Agreement (Operations and Maintenance)

On November 11, 2020, the District and the Developer entered into the Funding and Reimbursement Agreement (Operations and Maintenance) pursuant to which the Developer agreed to loan to the District funds, not to exceed $50,000 per year for up to 2 years up to a maximum of $100,000. Such funds would be available to the District through December 31, 2022, to fund Operations and Maintenance expenses of the District and shall bear interest at 6.5% until repaid. This agreement was amended to include $100,000 per annum for 2023 and 2024 and extend the termination date to December 31, 2024. At December 31, 2023, the amount due by the District under this agreement totaled $250,079 and included principal of $198,996 and accrued interest of $51,083.

Infrastructure Acquisition and Reimbursement Agreement
On November 11, 2020, the District and the Developer entered into the Infrastructure Acquisition and Reimbursement Agreement ("IARA") pursuant to which the District agreed to reimburse the Developer for certain costs incurred by the Developer for public infrastructure. The process by which such costs shall be certified and accepted is more fully described within the IARA. Interest shall accrue at 8.0% on any costs accepted until repaid. At December 31, 2023, a total of $952,952 was due under this agreement, consisting of $904,764 of principal and $48,188 of accrued interest.

Due to the uncertainty of the timing of the principal and interest payments on the Promissory Notes and developer advances, schedules of the timing of these payments are not available.

On November 3, 1998, a majority of the eligible 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 eligible 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. On November 8, 2016, a majority of the eligible electors of the District authorized the issuance of indebtedness in an additional amount not to exceed $150,000,000 at an interest rate not to exceed 18% and repayment terms not to exceed 40 years after the date of issuance. The above electoral authorizations from the 1998 and 2000 elections may have expired as of December 31, 2023, due to statutory limitations. The District has not budgeted to issue any debt in 2024.

The following is an analysis of changes in long-term obligations for the period ended December 31, 2023:

	Balance 1/1/2023	Additions	Retirements	Balance 12/31/2023	Current Balance
Other Notes from Direct Borrowings:					
Promissory Note - District 2	$ 849,832	$ -	$ -	$ 849,832	$ -
Total Note Balances	849,832	-	-	849,832	-
Accrued Interest - District 2	1,075,782	67,987	-	1,143,769	-
Total Accrued Interest	1,075,782	67,987	-	1,143,769	-
Total Notes and Accrued Interest	**1,925,614**	**67,987**	**-**	**1,993,601**	**-**
Developer Advances - Operating:					
Developer Advance - Principal	98,996	100,000	-	198,996	-
Developer Advances - Principal	98,996	100,000	-	198,996	-
Developer Advance - Accrued Interest	38,786	12,297	-	51,083	-
Developer Advance - Accrued Interest	38,786	12,297	-	51,083	-
Total Developer Advances - Operating and Accrued Interest	**137,782**	**112,297**	**-**	**250,079**	**-**
Developer Advances - Capital:					
Developer Advance - Murphy Creek LLC	-	371,215	-	371,215	-
Developer Advance - MCSS	-	533,549	-	533,549	-
Total Developer Advances	-	904,764	-	904,764	-
Accrued Interest - Murphy Creek LLC	-	19,771	-	19,771	-
Accrued Interest - MCSS	-	28,417	-	28,417	-
Total Accrued Interest	-	48,188	-	48,188	-
Total Developer Advances - Capital and Accrued Interest	**-**	**952,952**	**-**	**952,952**	**-**
Total Long-Term Debt	**$ 2,063,396**	**$ 1,133,236**	**$ -**	**$3,196,632**	**$ -**

Note 5: Related Parties

All of the Board members are owners or members of or are otherwise associated with the Developer or Murphy Creek LLC, the co-Developer and major landowner within the District. The District has issued promissory notes to the Developer (see Note 4). Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Agreements with Other Governments

Intergovernmental Agreement with Aurora

On August 8, 2016, the Districts, District No. 3 and Aurora entered into an Amended and Restated Intergovernmental Agreement ("IGA"), as 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 Service Plan requires the Districts to dedicate certain public improvements to Aurora or other appropriate jurisdiction or owner's 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 its Service Plan, the District has an intergovernmental agreement with District No. 2, District No. 3 and District No. 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 parties thereto.

The District is to own, operate, maintain, and construct the facilities benefiting all Districts. To the extent that District No. 2, District No. 3 and District No. 4 are to benefit, they will pay the total capital costs and service costs of operation and maintenance of such facilities. This agreement was partially terminated on August 26, 2021, as it relates to District No. 4 such that it is no longer required to impose the Operations Mill Levy and remit the revenues therefrom to the District, but will retain such revenues to fund the operating costs of the District No. 4 effective with the date of the agreement. This agreement was partially terminated again on April 5, 2022, to remove District No. 5 as a party. The District received $19,529 from District No. 2, during 2023 for operations and maintenance costs.

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

District Administrative Services Agreement
On April 26, 2017, the District entered into a District Administrative Services Agreement with District No. 2, District No. 4, and District No. 5 (the "District Administrative Services Agreement"). The District Administrative Services Agreement confirms the District's role as the operating district and District No. 2, District No. 4 and District No. 5 serve as the taxing districts. The purpose of the District Administrative Services Agreement is to set forth the rights and obligations of the taxing districts to fully fund the operating district, and the operating district to provide administrative services on behalf of the Districts. This agreement was partially terminated on August 26, 2021, as it relates to District No. 4 as a party and, on April 5, 2022, the agreement was partially terminated as it relates to District No. 5 such that these Districts are no longer required to impose the Operations Mill Levy and remit the revenues therefrom to the District, but will retain such revenues to fund the operating costs of each District effective with the date of the agreement.

Aurora Regional Improvement Authority No. 5 Establishment Agreement
On November 10, 2008, certain metropolitan districts entered into the Aurora Regional Improvement Authority No. 5 Establishment Agreement ("Authority Establishment Agreement") which created an independent legal entity, separate and distinct from the participating districts. The Aurora Regional Improvement Authority No. 5 ("Authority") was organized for the purpose of planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing the Regional Improvements designated in ARI Master Plans. Pursuant to the Second Amendment to the Authority Establishment Agreement, the District as well as Murphy Creek Metropolitan District Nos. 2, 4 and 5 were included as members under the Authority Establishment Agreement.

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 and again on November 8, 2016, 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.

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; and,
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.

SUPPLEMENTAL INFORMATION

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, 2023

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Transfer from District #2	$ 9,300,000	$ -	$ (9,300,000)
Total Revenues	9,300,000	-	(9,300,000)
EXPENDITURES			
Construction and engineering	9,300,000	-	9,300,000
Acceptance of assets	-	904,764	(904,764)
Total Expenditures	9,300,000	904,764	8,395,236
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(904,764)	(904,764)
OTHER FINANCING SOURCES (USES)			
Developer advances	-	904,764	904,764
Total Other Financing Sources (Uses)	-	904,764	904,764
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	-	-	-
END OF YEAR	$ -	$ -	$ -

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