4-WAY RANCH METROPOLITAN DISTRICT NO. 1

El Paso County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2022

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes In Fund Balances (Deficits) – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) of Government Funds to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficits) – Budget and Actual – General Fund	6
Notes to the Financial Statements	7
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	20
Schedule of Debt Service Requirements to Maturity	21
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	22

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
4-Way Ranch Metropolitan District No. 1
El Paso County, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the 4-Way Ranch Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2022, 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, the business-type activities and each major fund of the 4-Way Ranch Metropolitan District No. 1 as of December 31, 2022, and the respective changes in financial position 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 4-Way Ranch Metropolitan District No. 1, and to meet our 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 the accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that GASB requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 4-Way Ranch Metropolitan District No. 1's basic financial statements. The accompanying schedules of revenues, expenditures and changes in fund balances – budget and actual for the debt service fund, the schedule of debt service requirements to maturity, and the summary of assessed valuation, mill levy and property taxes collected, collectively comprise the District's "supplemental information" as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Logan and Associates, LLC

Aurora, Colorado
September 8, 2023

BASIC FINANCIAL STATEMENTS

4-WAY RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2022

	Governmental Activities
ASSETS	
Cash and investments - unrestricted	$ 18,398
Cash and investments - restricted	139,777
Receivable - County treasurer	941
Prepaid expenses	2,521
Property taxes receivable	100,393
Total assets	262,030
LIABILITIES	
Accounts payable	59,629
Accrued interest payable	3,067
Bonds and advances payable	
Due within one year	10,000
Due within more than one year	450,000
Total liabilities	522,696
DEFERRED INFLOWS OF RESOURCES	
Deferred property taxes	100,393
Total deferred inflows of resources	100,393
NET POSITION	
Restricted:	
Emergency reserves	850
Debt Service	137,442
Unrestricted	(499,351)
Total net position	$ (361,059)

These financial statements should be read only in connection with the accompanying notes to financial statements.

4-WAY RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

		Program Revenues			Net (Expense)
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Position**
Governmental Activities:					
General government	$ 52,659	$ -	$ -	$ -	$ (52,659)
Interest and fiscal charges	54,310	-	-	-	(54,310)
Total governmental activities	$ 106,969	$ -	$ -	$ -	(106,969)

General revenues:	
Taxes:	
Property taxes	110,683
Specific ownership taxes	11,509
Net investment income	1,871
Total general revenues	124,063
Special item - write off Series 2011B Bond principal	500,000
Special item - write off Series 2011B Bond accrued interest	45,453
	545,453
Total general revenues and special items	669,516
Change in net position	562,547
Net position - Beginning of year	(923,606)
Net position - End of year	$ (361,059)

These financial statements should be read only in connection with the accompanying notes to financial statements.

4-WAY RANCH METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	$ 18,398	$ -	$ 18,398
Cash and investments - restricted	-	139,777	139,777
Cash with County Treasurer	209	732	941
Prepaid expenses	2,521	-	2,521
Property tax receivable	22,309	78,084	100,393
TOTAL ASSETS	$ 43,437	$ 218,593	$ 262,030
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 59,629	$ -	$ 59,629
Total liabilities	59,629	-	59,629
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenues	22,309	78,084	100,393
Total deferred inflows of resources	22,309	78,084	100,393
FUND BALANCES (DEFICITS)			
Nonspendable for prepaid expenses	2,521	-	2,521
Restricted for emergencies	850	-	850
Restricted for debt service	-	140,509	140,509
Unassigned	(41,872)	-	(41,872)
TOTAL FUND BALANCES (DEFICITS)	(38,501)	140,509	102,008
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 43,437	$ 218,593	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.	
Series 2011A Bonds	(460,000)
Accrued interest on Series 2011A Bonds	(3,067)
	(463,067)
Net position of governmental activities	$ (361,059)

These financial statements should be read only in connection with the accompanying notes to financial statements.

4-WAY RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS
Year Ended December 31, 2022

	General	Debt Service	Total Governmental Funds
REVENUES			
Property tax	$ 24,599	$ 86,084	$ 110,683
Specific ownership tax	2,558	8,951	11,509
Net investment income	195	1,676	1,871
Total revenues	27,352	96,711	124,063
EXPENDITURES			
Current			
Management fees	7,659	-	7,659
Legal - litigation	29,852	-	29,852
Accounting	4,250	-	4,250
Audit	4,400	-	4,400
Election	1,933	-	1,933
Other	119	-	119
Insurance and bonds	2,772	-	2,772
Treasurer's fees	372	1,302	1,674
Debt service			
Principal	-	10,000	10,000
Interest and fiscal charges	-	38,600	38,600
Total expenditures	51,357	49,902	101,259
NET CHANGE IN FUND BALANCES	(24,005)	46,809	22,804
FUND BALANCES (DEFICITS) - BEGINNING	(14,496)	93,700	79,204
FUND BALANCES (DEFICITS)- END OF YEAR	$ (38,501)	$ 140,509	$ 102,008

These financial statements should be read only in connection with the accompanying notes to financial statements.

4-WAY RANCH METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	$ 22,804
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accrued interest payable - Series 2011A Bonds	66
Change in accrued interest payable - Series 2011B Bonds	(15,776)
	(15,710)
Long-term debt (e.g. bonds, loans) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal payments - bonds payable	10,000
Write off Series 2011B Bond principal	500,000
Write off Series 2011B Bond accrued interest	45,453
	555,453
Change in net position - Governmental activities	$ 562,547

These financial statements should be read only in connection with the accompanying notes to financial statements.

4-WAY RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget -
REVENUES				
Property tax	$ 24,587	$ 24,328	$ 24,599	$ 271
Specific ownership taxes	2,459	2,560	2,558	(2)
Net investment income	20	239	195	(44)
Total revenues	27,066	27,127	27,352	225
EXPENDITURES				
Management fees	8,000	4,404	7,659	(3,255)
Legal	2,000	2,000	-	2,000
Legal - litigation	-	31,449	29,852	1,597
Accounting	4,000	3,665	4,250	(585)
Audit	4,400	4,400	4,400	-
Election	1,000	1,933	1,933	-
Director's fees	600	-	-	-
Other	100	93	119	(26)
Insurance and bonds	3,000	2,772	2,772	-
Treasurer's fees	369	368	372	(4)
Contingency	1,000	5,380	-	5,380
Total expenditures	24,469	56,464	51,357	5,107
NET CHANGE IN FUND BALANCE	2,597	(29,337)	(24,005)	5,332
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(13,321)	(14,496)	(14,496)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (10,724)	$ (43,833)	$ (38,501)	$ 5,332

NOTE 1 – DEFINITION OF REPORTING ENTITY

4-Way Ranch Metropolitan District No. 1 (District), a quasi-municipal corporation was organized in 2005 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado. The District along with the 4-Way Ranch Metropolitan District No. 2 (District No. 2) (known collectively as "the Districts") were established to develop and provide financing, construction, acquisition and installation of street improvements, water and sanitation infrastructure and other improvements within the boundaries of the District. The District is governed by an elected Board of Directors.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set 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 District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues, and business-type activities rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the District, the difference between the assets and deferred outflows and liabilities and deferred inflows of the District being reported as net position.

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.

Separate financial statements are provided for governmental funds. 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 related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

The District has elected to follow Governmental Accounting Standards Board pronouncements in the government-wide financial statements.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. 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.

Supplementary appropriations were approved by the District for the General Fund. The District's amended 2022 Budget budgeted a deficit which may be a violation of State Budget Law.

Pooled Cash and Investments

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 single bank account. 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 funds' average equity balance in total cash.

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 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 financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of recourses in the period that the amounts become available.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 1 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Fund Equity

Fund balance for governmental funds are reported in the categories listed below to make the nature and extent of the constraints placed on a government's fund balances more transparent. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

<u>Nonspendable fund balance</u>—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

<u>Restricted fund balance</u>—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

<u>Committed fund balance</u>—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

<u>Assigned fund balance</u>—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

<u>Unassigned fund balance</u>—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

Cash deposits and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash deposits and investments – unrestricted	$ 18,398
Cash deposits and investments – restricted	139,777
Total deposits and investments	$ 158,175

Cash and investments as of December 31, 2022 consist of the following:

Deposits with financial institutions	$ 39,058
Investments	119,117
Total deposits and investments	$ 158,175

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. 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.

At December 31, 2022, the District's cash deposits had a bank balance of $42,581 and a carrying balance of $39,058.

Investments

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Credit Risk

The District owns investments held by UMB Bank, N.A. in the Fidelity Treasury Fund. The Fidelity Treasury Fund is rated AAAm by Standard & Poor’s.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirement.

As of December 31, 2022, the District had the following investments:

Investment	Maturity	Fair Value
Fidelity Treasury Fund	Weighted average of 32 days	$ 119,177

Money Market Mutual Fund

The District has invested in the Fidelity Treasury Fund – Class IV shares managed by Fidelity Investments. The Fidelity Treasury Fund primarily invests in high quality, short-term, U.S. Treasury Bills, U.S. Treasury Coupons, U.S. Treasury Inflation-Protected Securities, U.S. Treasury Strips and repurchase agreements. The net asset value (NAV) is the value of one share of the fund.

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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.

However, the investments held by the District are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments.

The Fidelity Treasury Fund determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Fidelity Treasury Fund to maintain a NAV of $1.00 per share.

Restricted Cash and Investments

At December 31, 2022, the District reports restricted cash deposits in the amount of $139,777 in the Debt Service Fund to be used for debt service expenditures.

NOTE 4 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2022.

Governmental Activities:	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Current Portion
General obligation bonds payable:					
Series 2011A Bonds	$ 470,000	$ -	$ 10,000	$ 460,000	$ 10,000
Series 2011B Bonds	500,000	-	500,000	-	-
Accrued interest on 2011B	29,677	15,776	45,453	-	-
	$ 999,677	$ 15,776	$ 555,453	$ 460,000	$ 10,000

Limited Tax General Obligation Bonds Series 2011A and Subordinate Limited Tax General Obligation Bonds Series 2011B

On October 5, 2011, the District issued $530,000 of Limited Tax General Obligation Bonds Series 2011A ("Series 2011A Bonds") and $2,450,000 of Subordinate Limited Tax General Obligation Bonds Series 2011B ("Series 2011B Bonds") for the purpose of repaying a portion of the obligations incurred for public improvements, providing capitalized interest for the payment of a portion of the interest on the Series 2011A Bonds and paying the cost of issuance of the Bonds.

The Series 2011A Bonds are term bonds due December 1, 2040 with mandatory sinking fund payments beginning December 1, 2015 and increasing annually thereafter, and bear interest at 8% per annum to be paid on June 1 and December 1 of each year beginning on December 1, 2011. The Series 2011A Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of $1,000, in any order of maturity and in whole or partial maturities, on December 1, 2021 and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The Series 2011A Bonds are payable from the District's levy of an ad valorem tax of not less than 35 mills and not in excess of 50 mills, specific ownership taxes and any other legally available moneys which the District determines, in its sole discretion, to credit to the Bond Fund.

The Series 2011B Bonds are term bonds due December 5, 2040, bear interest at 9% per annum to be paid on December 5th of each year beginning on December 5, 2011. The Series 2011B Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part, on any date, upon payment of par and accrued interest, without redemption premium. The Series 2011B Bonds are payable from the District's levy of an ad valorem tax of not less than 35 mills and not in excess of 50 mills, specific ownership taxes and any other legally available moneys which the District determines, in its sole discretion, after payment of the principal and interest due for the current calendar year on the Series 2011A Bonds.

On December 28, 2020, Plainview Properties, LLC (owners of the Series 2011B Bonds) executed a Consent of Owners of Series 2011B Bonds to which Plainview Properties, LLC irrevocably consented to the Amending Bond Resolution adopted by the District (see Note

9). The Amending Bond Resolution amends certain terms of the Series 2011B Bonds as follows:

1. Reduces the total principal amount of the Series 2011B Bonds outstanding to $500,000 and

2. discharges all of the accrued interest outstanding to a balance of $0 as of the date of the Amending Bond Resolution and
3. reduces the interest rate borne by the bonds from 9.0% to 8.0%.

On May 16, 2022, District No. 2 issued the General Obligation Limited Tax Refunding Bonds, Series 2022 in the principal balance of $545,000 in order to discharge the Series 2011B Bonds of the District as required by the Settlement Agreement (NOTE 9). As of the date of refunding, the District has no further obligation for payment of principal or accrued interest on the 2011B Bonds. Write off of the 2011B Bond principal and interest are reflected as Special Items on the Statement of Activities.

The District's long-term obligations will mature as follows:

	Principal	Interest	Total
2023	$ 10,000	$ 36,800	$ 46,800
2024	15,000	36,000	51,000
2025	15,000	34,800	49,800
2026	15,000	33,600	48,600
2027	15,000	32,400	47,400
2028-2032	110,000	139,600	249,600
2033-2037	155,000	89,200	244,200
2038-2040	125,000	20,400	145,400
	$ 460,000	$ 422,800	$ 882,800

As of December 31, 2022, the District had authorized but unissued debt of $236,000,000. The District's First Amendment to the Consolidated Service Plan limits the Districts' general obligation indebtedness to $74,000,000. The District did not budget to issue any bonds in 2023.

NOTE 5- FUND EQUITY

At December 31, 2022, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of $2,521 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the amount of $850 in the General Fund is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).

The restricted fund balance in the Debt Service Fund in the amount of $93,700 is to be used exclusively for debt service requirements (see Note 4).

Deficit Fund Balance

The unassigned deficit fund balance in the General Fund of $38,501. The deficit in the General Fund is expected to be covered by property taxes collected in future years.

NOTE 6 - NET POSITION

The District has net position consisting of two components –restricted, and unrestricted.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2022 in the amount of $850 comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8) and $140,509 restricted for debt service as required by the Series 2011A Bonds (see Note 4).

The District has a deficit in unrestricted net position in the Governmental Activities. The Governmental Activities deficit is a result of the District being responsible for the repayment of the general obligation bonds issued without owning the corresponding capital assets that were constructed. The District anticipates that that the deficit will be reduced each year as the long-term debt of the District is repaid.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2022. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that 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.

On November 1, 2005, the District's electors approved the following ballot question:

SHALL 4-WAY RANCH METROPOLITAN DISTRICT NO. 1 TAXES BE INCREASED $1,000,000 ANNUALLY, OR BY SUCH LESSER ANNUAL AMOUNT AS MAY BE NECESSARY TO PAY THE DISTRICT'S OPERATIONS, MAINTENANCE, AND OTHER EXPENSES: SUCH TAXES TO CONSIST OF AN AD VALOREM MILL LEVY IMPOSED WITHOUT LIMITATION OF RATE OR WITH SUCH LIMITATIONS AS MAY BE DETERMINED BY THE DISTRICT BOARD, AND IN AMOUNTS SUFFICIENT TO PRODUCE THE ANNUAL INCREASE SET FORTH ABOVE OR SUCH LESSER AMOUNT AS MAY BE NECESSARY, TO BE USED FOR THE PURPOSE OF PAYING THE DISTRICT'S OPERATIONS, MAINTENANCE, AND OTHER EXPENSES; AND SHALL THE PROCEEDS OF SUCH TAXES AND INVESTMENT INCOME THEREON BE COLLECTED AND SPENT BY THE DISTRICT AS A VOTER-APPROVED REVENUE CHANGE IN 2005 AND IN EACH YEAR THEREAFTER, WITHOUT REGARD TO ANY SPENDING, REVENUE-RAISING, OR OTHER LIMITATION CONTAINED WITHIN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION, OR SECTION 29-1-301, COLORADO REVISED STATUTES, AND WITHOUT LIMITING IN ANY YEAR THE AMOUNT OF OTHER REVENUES THAT MAY BE COLLECTED AND SPENT BY THE DISTRICT?

However, the District's Consolidated Service Plan, as amended on December 29, 2009, imposes the following cap for the general operations mill; in addition to applicable statutory and constitutional limits, each District shall have a limited additional operational mill levy cap of 10.0 mills (with Gallagher increase adjustments available subject to electoral approval and the "de-TABORing" of the debt), to support the Districts' operational and maintenance services, which are described in greater detail below.

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.

NOTE 9 – CONTINGENCIES

4-Way Ranch Metropolitan District No. 2 and 4-Way Ranch Joint Venture, LLC

On April 11, 2018, a lawsuit was filed in the District Court for El Paso County, Colorado against previous board members, 4-Way Ranch Metropolitan District No. 1 and 4-Way

Joint Venture, LLC. The lawsuit was filed by property owners within the District challenging the actions of the then-current developer-controlled Board of Directors. The directors at the time were subject to pending recall elections brought by substantially all of the homeowners and residents of the District. Immediately prior to the recall election in which it appeared certain that they would be recalled, the directors approved the exclusion of substantially all of the developer-owned property from the District and the transfer of substantially all of the District's water distribution system to another District that they controlled, 4-Way Ranch Metropolitan District No. 2. Subsequent to the May 2018 elections, the District, under the control of an elected Board consisting of homeowners and residents, realigned itself to be a plaintiff in the action against 4-Way Ranch Metropolitan District No. 2 and 4-Way Ranch Joint Venture, LLC.

No monetary damages are sought in this litigation, which seeks declaratory relief, although both parties may seek costs and/or attorney fees. If the District is unsuccessful in the litigation and cannot reach a satisfactory settlement, the vast majority of the District's future tax base will be removed from the District. Although the excluded property would continue to be responsible for debt service on the existing debt, in the event the existing debt was refinanced the District would not be able to rely on that tax base for debt service of the refinanced debt. In addition, the excluded property would no longer contribute to the District's tax base for operations, which would dramatically reduce the District's ability to fund its services in the future.

In September 2020, the District entered into a Settlement Agreement with 4-Way Ranch Metropolitan District No. 2 (District No. 2) and 4 Way Ranch Joint Venture, LLC. The purpose of the Settlement Agreement is to memorialize the terms of agreement that the parties have reached regarding all claims of the case discussed above. The parties have agreed as follows:

1. The parties will mutually dismiss with prejudice all claims in the case against each other.
2. District No. 2 agrees that it will, at its sole cost and expense, issue new bonds that will be subject to an ad valorem tax against property owners within the boundaries of District No. 2 and will obtain a discharge of the debt of the Series 2011B Bonds from the current bond holders. District No. 2 agrees to use best efforts to accomplish the forgiveness of the Series 2011B Bonds by the end of 2020.
3. Plaintiffs, property owners within the District and the Joint Venture property will continue to be responsible for debt service on the 2011 A Bonds in the remaining principal of approximately $490,000 plus accrued interest since June 1, 2020. The current reserve balance of the debt service fund of the District (approximately $50,000) will continue to be used for payment of the 2011A Bonds. Of the total cost of every new water tap within the District or District No. 2, $4,000 will continue to be collected by District No. 2 and remitted to the District as pledged revenues toward repayment of the 2011A Bonds as provided in the bond documents until the 2011 Bonds are paid in full. See Note 4 for discussion of Amended Bond Resolution that was approved on December 28, 2020.
4. Residential property owners remaining in the District shall have the option to request exclusion from the District according to statutory procedures. All excluded property owners from the District shall be responsible for debt service of the 2011A Bonds after exclusion.

5. The judgment obligation of the District to KO1515 in El Paso County District Court civil case is to be transferred to District No. 2. The District will be relieved from this obligation. During 2020, the obligation in the amount of $81,971 has been removed from the District's Proprietary Fund.
6. The obligation of the District for performance of the Stapleton Road IGA, dated March 30, 2010, is hereby assigned to District No. 2.
7. District No. 2 will make no claim to the approximately amount of $15,000 in the District's proprietary fund that was designated for water service. During 2020, the Proprietary Fund transferred $16,125 to the General Fund in accordance with this Settlement Agreement.
8. 4 Way Ranch Joint Venture, LLC will pay the plaintiff's counsel the sum of $50,000 as payment toward its costs and attorney fees.

On December 28, 2020, the District entered into an Intergovernmental Agreement for Refunding of Subordinate Bonds with District No. 2 (IGA). The IGA was entered into to modify some of the terms of the Settlement Agreement to effectuate the intent of the parties despite the pendency of the appeal of the case discussed above. Contemporaneously with this Agreement, the District agrees to re-issue the Series 2011B Bonds to modify the terms as follows: 1) the principal amount of the Series 2011B Bonds will be reduced from $2,450,000 to $500,000; and 2) accumulated interest prior to the date of re-issuance shall be waived and no longer be an obligation of the District and; 3) the District and the Waterbury property excluded from the District will continue to be responsible for the pledged revenues to service the debt imposed by the 2011A and Series 2011B Bonds, as set forth in the existing Series 2011 Indenture, including both the continuance of the pledge are the limited tax obligation and the $4,000 per lot as pledged therein and; 4) the interest rate of the Series 2011B Bonds after reissuance shall be reduced from 9% per annum to 8% per annum and; 5) the intent of the parties is that the re-issuance of the 2011B shall constitute a taxable event allowing the holders of the Series 2011B Bonds to realize capital gains or losses as applicable and; 6) to the extent reasonably necessary, the District and District No. 2 shall cooperate with bond counsel to execute such documents to reflect the above intent of the transaction and; 7) the District will take such actions as necessary to request that the El Paso County Assessor create a tax district consisting of the remaining property in the District plus the excluded Waterbury Property which will impose the required mill levy to provide debt service pledged revenues for both the 2011A Bonds and re-issued Series 2011B Bonds and; 8) District No. 2 agrees to pay all reasonable costs of the Series 2011B Bonds re-issuance transaction including the cost of retaining bond counsel, underwriting counsel and to reimburse the District for the cost of the District's general counsel and the District's accountant for professional services and opinion of general counsel required to complete the transaction not to exceed $10,000 and; 9) after the reduction in principal and re-issuance of the subordinate bond has occurred, District No. 2 agrees (at its sole cost and expense) to initiate the process to take on the obligation for debt service and payment of the new bond. This will occur through the cancellation of the newly re-issued subordinate bond, and the issuance of a new bond by District No. 2 covering the property within District No. 2 boundaries only. This transaction will be implemented as soon as practicable and will be completed in any event not later than December 1, 2021 and; 10) in the event that District No. 2 is unable to issue the bonds to replace the Series 2011B Bonds on or before December 1, 2021, District No. 2 agrees to reimburse the District on an annual basis beginning on December 1, 2021, for the debt service due and owing for that year on the Series 2011B Bonds.

On December 28, 2020, the District approved a Resolution Relating to Amendments to the Resolution Authorizing the District's Subordinate Limited Tax General Obligation Bonds, Series 2011B in accordance with the requirements of the Settlement Agreement and IGA with District No. 2 (see Note 4).

On May 16, 2022, District No. 2 issued the General Obligation Limited Tax Refunding Bonds, Series 2022 in the principal balance of $545,000 in order to discharge the Series 2011B Bonds of the District as required by the Settlement Agreement (NOTE 9). As of the date of refunding, the District has no further obligation for payment of principal or accrued interest on the 2011B Bonds.

KO1515, LLC

On April 15, 2021, the District received notice of a lawsuit that was initiated by KO1515, LLC in the District Court for El Paso County, Colorado against the District and its Board of Directors. KO1515, LLC owns commercial property within the boundaries of the District. The lawsuit seeks to invalidate a fee resolution that was adopted by the District's Board of Directors on March 18, 2021 imposing certain facility fees on property within the District. The litigation does not seek damages or a refund of any amounts previously paid.

On January 3, 2023, the District and KO1515, LLC entered into a Settlement Agreement which requires the District to 1) adopt a revised Fee Resolution; 2) adopt a resolution consenting to KO1515's formation of a Colorado special district encompassing the KO property only within the boundaries of the District and requires KO 1515 to dismiss the litigation against the District and reimburse the District an amount not to exceed $15,000 for attorney fees incurred by the District. As of January 31, 2023, the District had adopted the resolutions as required by the Settlement Agreement and the litigation has been dismissed. KO1515 will be billed in 2023 for the legal fees to be reimbursed to the District.

SUPPLEMENTAL INFORMATION

4-WAY RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended December 31, 2022

	Original Final Budgeted Amounts	Actual	Variance with Final Budget -
REVENUES			
Property tax	$ 86,096	$ 86,084	$ (12)
Specific ownership tax	8,610	8,951	341
Net investment income	-	1,676	1,676
Total revenues	94,706	96,711	2,005
EXPENDITURES			
Bond principal	10,000	10,000	-
Bond interest - Series 2011A	37,600	37,600	-
Bond interest - Series 2011B	-	-	-
Debt service fees	2,000	1,000	1,000
County Treasurer's fees	1,291	1,302	(11)
Total expenditures	50,891	49,902	989
NET CHANGE IN FUND BALANCE	43,815	46,809	2,994
FUND BALANCE - BEGINNING OF YEAR,	91,072	93,700	2,628
FUND BALANCE - END OF YEAR	$ 134,887	$ 140,509	$ 5,622

See the accompanying Independent Auditor's Report

4-WAY RANCH METROPOLITAN DISTRICT NO. 1
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2022

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for Operations	Mills Levied for Debt	Property Taxes Levied	Property Taxes Collected	Percentage Collected to Levied
2016	$ 1,472,370	10.000	35.000	$ 66,257	$ 64,805	97.8%
2017	$ 1,517,510	10.000	50.000	$ 91,051	$ 92,502	101.6%
2018	$ 1,732,890	10.000	38.694	$ 84,381	$ 84,391	100.0%
2019	$ 1,804,580	10.668 (a)	38.026	$ 87,872	$ 88,139	100.3%
2020	$ 1,996,620	10.766 (b)	38.026	$ 97,418	$ 96,456	99.0%
2021	$ 2,056,280	10.809 (c)	37.829	$100,013	$ 98,309	98.3%
2022	$ 2,192,400	10.812 (d)	37.843	$110,683	$110,683	100.0%
Estimated for year ending December 31, 2023	$ 1,995,290	11.181 (e)	39.134	$100,393		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurers do not permit identification of specific year of levy.

(a) - inlcludes Gallagher adjustment of .668 mills
(b) - inlcludes Gallagher adjustment of .766 mills
(c) - inlcludes Gallagher adjustment of .809 mills
(d) - inlcludes Gallagher adjustment of .812 mills
(e) - inlcludes Gallagher adjustment of 1.81 mills

See the accompanying Independent Auditor's Report.

4-WAY RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2022

Year Ending December 31,	$530,000 General Obligation Bonds, Series 2011A Dated October 5, 2011 Interest Rate 8.00% Principal Due August 1 Interest Due June 1 and December 1		
	Principal	**Interest**	**Total**
2023	$ 10,000	$ 36,800	$ 46,800
2024	15,000	36,000	51,000
2025	15,000	34,800	49,800
2026	15,000	33,600	48,600
2027	15,000	32,400	47,400
2028	20,000	31,200	51,200
2029	20,000	29,600	49,600
2030	20,000	28,000	48,000
2031	25,000	26,400	51,400
2032	25,000	24,400	49,400
2033	25,000	22,400	47,400
2034	30,000	20,400	50,400
2035	30,000	18,000	48,000
2036	35,000	15,600	50,600
2037	35,000	12,800	47,800
2038	40,000	10,000	50,000
2039	40,000	6,800	46,800
2040	45,000	3,600	48,600
	$ 460,000	$ 422,800	$ 882,800

See the accompanying Independent Auditor's Report.