

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

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Independent Auditors' Report

To the Board of Directors
Mesa County Federal Mineral Lease District
Grand Junction, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of the Mesa County Federal Mineral Lease District (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mesa County Federal Mineral Lease District as of December 31, 2022, and the respective changes in financial position and the budgetary comparison for the governmental funds 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. 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 Mesa County Federal Mineral Lease 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Mesa County Federal Mineral Lease 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 generally accepted auditing standards 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.



Board of Directors
Mesa County Federal Mineral Lease District
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In performing an audit in accordance with generally accepted auditing standards, 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 Mesa County Federal Mineral Lease 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 Mesa County Federal Mineral Lease 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Soronon Donley Patterson".

Soronon, Donley, Patterson CPA's PC
June 16, 2023

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2022

As management of the Mesa County Federal Mineral Lease District (the District), we offer to readers of these financial statements, this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our basic financial statements to better understand the financial position of the District.

Financial Highlights

The District was created to distribute on an annual basis all the funds it receives from the Colorado Department of Local Affairs to areas within the District's service area that are socially or economically impacted by the development of energy fuels. \$725,630 was received by the District in 2022 and the District ended the 2022 year with \$3,646,211 in fund balance.

The District is an independent public body politic and corporate, with a perpetual existence.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements consisting of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector businesses.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Permanent Fund. The basic governmental funds financial statements can be found on pages 8 and 9 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,646,211 as of December 31, 2022, and \$3,484,462 at December 31, 2021. The following summarizes the District's net position as of December 31:

| | <u>2022</u> | <u>2021</u> |
|---------------------------|---------------------|---------------------|
| Assets | | |
| Current Assets | <u>\$ 3,646,211</u> | <u>\$ 3,484,462</u> |
| <i>Total Assets</i> | <u>\$ 3,646,211</u> | <u>\$ 3,484,462</u> |
| Net Position | | |
| Unassigned | \$ 924,353 | \$ 694,991 |
| Nonexpendable | 1,687,726 | 1,587,727 |
| Expendable | 334,132 | 651,744 |
| Committed | <u>700,000</u> | <u>550,000</u> |
| <i>Total Net Position</i> | <u>\$ 3,646,211</u> | <u>\$ 3,484,462</u> |

Changes in Net Position – Governmental activities increased the District's net position by \$161,749 in 2022, and increased net position by \$542,645 in 2021. The following summarizes the District's change in net position for the years ended December 31:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------|--------------------|--------------------|
| REVENUES | | |
| General revenues | | |
| Federal mineral lease distribution | \$ 725,630 | \$ 493,224 |
| Anvil Points disbursement | 0 | 0 |
| Investment income (loss) | <u>(317,613)</u> | <u>239,281</u> |
| Total revenues | <u>408,017</u> | <u>732,505</u> |
| EXPENSES | | |
| Government | <u>(246,268)</u> | <u>(189,860)</u> |
| Total expenses | <u>(246,268)</u> | <u>(189,860)</u> |
| Change in Net Position | 161,749 | 542,645 |
| Net Position - beginning of the year | <u>3,484,462</u> | <u>2,941,817</u> |
| Net Position - end of the year | <u>\$3,646,211</u> | <u>\$3,484,462</u> |

Financial Analysis of the Government's Funds

Governmental funds – The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported a board designated permanent fund balance of \$2,021,858, a committed fund balance of \$700,000, and an unassigned balance of \$924,353. Excess (deficiency) of the General Fund for the year ended December 31, 2022, was \$379,362. Excess (deficiency) of the Permanent Fund for the year ended December 31, 2022, was \$(217,613).

The District has two major governmental funds. The General Fund is the operating fund for the District. The fund distributes revenues received from the Colorado Department of Local Affairs to areas within the District's service area that are socially or economically impacted by the development of energy fuels. The fund balance ending December 31, 2022, was \$1,624,353 for the General Fund. The Permanent Fund was board designated to satisfy future community needs. The fund balance ending December 31, 2022, was \$2,021,858 for the Permanent Fund.

General Fund and Permanent Fund Budgetary Highlights

The budget for the District was prepared using all aspects of State of Colorado statutes. The budget was reviewed and discussed at a noticed public meeting on November 17, 2021. On November 17, 2021, the Board of the District adopted and appropriated \$602,000 for General Fund expenditures for the 2022 year and a contribution of \$100,000 to the board designated permanent fund for the 2022 year. Budget expenditures differed from actual because certain grants that were awarded during the current and past years were not completed during the year ended December 31, 2022, and therefore were not funded.

Economic Factors and the 2022 Budget

The 2022 operating budget is focused on fulfilling the mission of the District which is to distribute their funds to areas that are socially or economically impacted by the development, processing or energy conversion of fuels and minerals leased under the Federal Mineral Lands Leasing Act of February 1920, as amended. Federal mineral lease is estimated to increase by 18 percent for the 2022-2023 year fulfillment.

Requests for Information

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information contained in this report or requests for additional information should be addressed to the Mesa County Federal Mineral Lease District, P.O. Box 3039, Grand Junction, CO 81502.

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2022

ASSETS

Governmental
Activities

ASSETS

 Cash

\$ 1,624,353

 Investments

2,021,858

TOTAL ASSETS

\$ 3,646,211

LIABILITIES & NET POSITION

NET POSITION

 Restricted for :

 Nonexpendable Permanent Fund

\$ 1,687,726

 Expendable Permanent Fund

334,132

 Unrestricted

1,624,353

TOTAL LIABILITIES & NET POSITION

\$ 3,646,211

The accompanying notes are an integral part of these statements

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

| Functions/Programs | Expenses | Program Revenues | | | Net (expense) revenue and change in Net Position |
|--------------------|------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| General Government | \$ 246,268 | \$ - | \$ - | \$ - | \$ (246,268) |
| Total District | \$ 246,268 | \$ - | \$ - | \$ - | \$ (246,268) |
| General Revenues | | | | | |
| | | | | | 725,630 |
| | | | | | 46,577 |
| | | | | | (364,190) |
| | | | | | 408,017 |
| | | | | | 161,749 |
| | | | | | 3,484,462 |
| | | | | | \$ 3,646,211 |

The accompanying notes are an integral part of these statements.

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2022

| | <u>General Fund</u> | <u>Permanent Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|---------------------------|---|
| ASSETS | | | |
| Cash | \$ 1,624,353 | \$0 | \$1,624,353 |
| Investments | 0 | 2,021,858 | 2,021,858 |
| TOTAL ASSETS | <u>\$1,624,353</u> | <u>\$2,021,858</u> | <u>\$3,646,211</u> |
| | | | |
| FUND BALANCE | | | |
| Board Designated Nonexpendable Fund Balance | \$0 | \$ 1,687,726 | \$1,687,726 |
| Restricted For: | | | |
| Board Designated Expendable Fund Balance | 0 | 334,132 | 334,132 |
| Committed | | | |
| Funds Granted and Not Yet Payable | 700,000 | 0 | 700,000 |
| Unassigned | 924,353 | 0 | 924,353 |
| TOTAL FUND BALANCE | <u>\$1,624,353</u> | <u>\$2,021,858</u> | <u>\$3,646,211</u> |

The accompanying notes are an integral part of these statements

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH BUDGETARY COMPARISON
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | <u>Budgeted Amounts</u> | | <u>General Fund Actual</u> | <u>Permanent Fund Actual</u> | <u>Total Governmental Funds Actual</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|--|-------------------------|---------------------|------------------------------------|--------------------------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | | | |
| REVENUES | | | | | | |
| Intergovernmental | \$ 551,136 | \$ 551,136 | \$ 725,630 | \$ - | \$ 725,630 | \$ 174,494 |
| Interest and Dividends | - | - | - | 46,577 | 46,577 | 46,577 |
| Investment Gain (Loss) | 16,000 | 16,000 | - | (364,190) | (364,190) | (380,190) |
| Contribution to Permanent Fund | 100,000 | 100,000 | - | 100,000 | 100,000 | - |
| TOTAL REVENUES | <u>667,136</u> | <u>667,136</u> | <u>725,630</u> | <u>(217,613)</u> | <u>508,017</u> | <u>(159,119)</u> |
| EXPENDITURES | | | | | | |
| General Government | | | | | | |
| Grants | 550,000 | 550,000 | 198,000 | - | 198,000 | 352,000 |
| Administrative Expenses | 52,000 | 52,000 | 48,268 | - | 48,268 | 3,732 |
| Contribution to Permanent Fund | 100,000 | 100,000 | 100,000 | - | 100,000 | - |
| TOTAL EXPENDITURES | <u>702,000</u> | <u>702,000</u> | <u>346,268</u> | <u>-</u> | <u>346,268</u> | <u>355,732</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (34,864) | (34,864) | 379,362 | (217,613) | 161,749 | <u>\$196,613</u> |
| Fund Balance - Beginning of Year | 3,484,462 | 3,484,462 | 1,244,991 | 2,239,471 | 3,484,462 | |
| Fund Balance - End of Year | <u>\$ 3,449,598</u> | <u>\$ 3,449,598</u> | <u>\$ 1,624,353</u> | <u>\$ 2,021,858</u> | <u>\$ 3,646,211</u> | |

The accompanying notes are an integral part of these statements.

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mesa County Federal Mineral Lease District (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting financial reporting principles.

Financial Reporting Entity

The 2011 session of the Colorado General Assembly, passed HB11-1218 with the intent of permitting counties to create a Federal Mineral Lease District in order to maximize the amount of federal funding received by counties within the state. Mesa County Board of County Commissioners established the District on June 20, 2011. The District has the authority to distribute funding they receive to areas that are socially or economically impacted by the development, processing, or energy conversion of fuels and minerals leased under the Federal “Mineral Lands Leasing Act.”

The financial statements of the District include all of the integral parts of the District’s operations in accordance with GASB Statement No. 61, *The Financial Reporting Entity* (GASB 61).

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and statement of activities which illustrate the District’s financial position as a whole to demonstrate operational accountability and sustainability of the District as an entity and the change in the aggregate financial position resulting from activities of the period.

In the statement of net position, financial information is reflected on a full accrual basis of accounting and the economic resource measurement focus. The statement of activities demonstrates the degree to which the direct expenses of a function or a segment are offset by program revenues. This balance identifies the extent to which a government function or business segment is self-funded and the extent to which it draws from general District revenues. The District does not have program revenues and all revenue is reported as general revenue.

Fund Financial Statements

The accounts of the District are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

General Fund – The principal source of revenue is intergovernmental revenue. Primary expenditures are for administrative expenses and the distribution of the intergovernmental funds received.

Permanent Fund – In 2017 the board of directors of the District made a permanent fund resolution. The intent was to invest a portion of mineral lease funding to satisfy future community needs. These needs would include community projects that are deemed to have a significant public benefit, as determined by the Board of Directors. It was the intention of the District that the Permanent Fund principal not be expended. Funding decisions which would have the effect of depleting or reducing the principal would only be enacted after a thorough and deliberate process in which the District finds the expenditure is in the long-term best interest of the community. Investment income is expendable as earned.

Basis of Presentation and Measurement Focus

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on a specific activity or attaining certain objectives.

Governmental funds typically are used to account for tax-supported activity using the current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectively within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Investments

Cash and cash equivalents are deposits held in one deposit account to be used for the near-term operations and grant funding of the District.

Investments are stated at fair value, using the market approach (prices general by market transactions involving identical or similar assets) and Level 1 inputs (quoted prices for identical assets in an active market).

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP required the District's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures (expenses). Actual results could differ from the estimates and assumptions used.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the district or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Fund Balance

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the value of fund balance information by providing fund balance classifications which can be more consistently applied and by clarifying the existing governmental fund type definitions. The following classifications describe these categories:

- Nonexpendable – This classification includes resources which cannot be spent because they are non-spendable by form or contractually required to be maintained intact.
- Restricted – This classification includes resources subject to externally enforceable limitations.
- Committed – This classification includes resources constrained by limitations the government imposed upon itself. The District has classified amounts awarded as grants and funds dedicated to a board created permanent fund as committed resources. The District budgeted for grants to be made to certain other governmental units. The grantee has to make approved expenditures for their grants before they are accrued as a liability. As of December 31, 2022, \$700,000 had been approved by the board, but approved expenditures had not been made by the grantees.
- Assigned – This classification included resources that reflect a government's intended uses.
- Unassigned – This classification includes resources which reflect the residual fund balance of the General Fund.

Committed and Assigned fund balances are determined by the District's Board of Directors (the Board) and modifications to these balances must be approved by a majority vote of the Board by passage of a resolution. Commitments are created through appropriation by the Board. When determining categories of fund balance, it is assumed that the type of expenditure determines the primary use of fund balance. Once the commitment or assignment is satisfied, unassigned resources are used. The current order of resource use for spending unrestricted funds is: committed, assigned, and unassigned when the object of the expenditures could be funded by either restricted or unrestricted funds.

New Accounting Pronouncements

For the year ended December 31, 2022, the District implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the District's financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions.

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE B – BUDGET COMPLIANCE

State law requires a budget for the District. The budget must be balanced; expenditures cannot exceed total available revenues and fund balance. No spending agency may expend, or contract to expend, any monies in excess of the amounts appropriated in the appropriations.

The annual budget serves as the foundation for the District's financial planning and control. The budget is prepared in compliance with state statute. The budget may be amended during the year through supplemental appropriations.

Expenditures may not legally exceed appropriations. Detailed line-item records provide management with the capability to monitor the budget.

NOTE C – CASH AND INVESTMENTS

Deposits

Federal Deposit Insurance covers up to \$250,000 in balances per depositor, per insured bank, for each account ownership category. Deposit balances above amounts covered by Federal Deposit Insurance are collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in trust for all uninsured deposits as a group.

The total balance of the District's cash deposits as of December 31, 2022, was \$1,624,353 of which \$250,000 was covered by FDIC and the remaining \$1,374,353 was covered by PDPA.

Investments

Credit Risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including: obligation of the United States and certain United States government agency securities; certain international agency securities; general obligation and revenue bonds of local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements; certain money market funds; guaranteed investment contracts; and corporate or bank debt subject to certain limitations. The District has no investment policy that would further limit its investment choices.

The District has \$1,956,040 invested in ETF funds as of December 31, 2022. There are no quoted market ratings for the individual funds. The underlying assets in the funds are rated from BBB+ to AAA.

The District also had \$47,270 invested in corporate notes with credit qualify ratings as follows:

| <u>S&P Credit Rating</u> | <u>Market Value</u> |
|------------------------------|---------------------|
| A- | \$ 23,191 |
| BBB+ | 14,079 |
| | <u>\$ 47,270</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investments in corporate notes have an average weighted maturity of 5 years.

Foreign Currency Risk

Foreign currency risk resides within investments in emerging market EFT funds. The market value of US dollars invested in ETF funds that are invested in foreign markets is \$348,848 as of December 31, 2022.

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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 include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable inputs for an asset or liability. There were no significant transfers between Levels 1, 2, and 3 of the fair value hierarchy in the current year.

MESA COUNTY FEDERAL MINERAL LEASE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

NOTE C – CASH AND INVESTMENTS - continued

The following table presents the District’s investments within the hierarchical framework.

| | Market Value December 31, 2022 | Quoted Prices in Active Market for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--------------------------|-----------------------------------|--|---|---|
| Cash and Cash Alternates | \$ 18,548 | \$ 18,548 | \$ 0 | \$ 0 |
| US Corporate bonds ETF | 673,916 | 0 | 673,916 | 0 |
| Non-US market stocks ETF | 348,848 | 348,848 | 0 | 0 |
| US market stocks ETF | 933,276 | 933,276 | 0 | 0 |
| Corporate notes | 47,270 | 0 | 47,270 | 0 |
| Total | <u>\$ 2,021,858</u> | <u>\$ 1,300,672</u> | <u>\$ 721,186</u> | <u>\$ 0</u> |

NOTE D – TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, (the Amendment) commonly known as TABOR, which has several limitations including revenue raising, spending abilities, debt limitations, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR, and all revenue currently received by the District is TABOR exempt.

NOTE E – CONTRACTED SERVICES

To make the most efficient and effective use of their powers and responsibilities, the District utilizes a third-party accounting firm to maintain financial records.

NOTE F – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 16, 2023, the date the financial statements were available to be issued.