

**GARFIELD COUNTY  
FEDERAL MINERAL LEASE DISTRICT**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

December 31, 2011



## DALBY, WENDLAND & CO., P.C.

*Certified Public Accountants & Consultants*

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To the Board of Directors  
Garfield County Federal Mineral Lease District  
Rifle, Colorado

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, and the aggregate remaining fund information of the Garfield County Federal Mineral Lease District (the District), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of the District, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America 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 opinion on the basic financial statements is not affected by this missing information.

*Dalby, Wendland & Co., P.C.*

DALBY, WENDLAND & CO., P.C.  
Grand Junction, Colorado

July 27, 2012

**GARFIELD COUNTY FEDERAL MINERAL LEASE DISTRICT**

**STATEMENT OF NET ASSETS**

December 31, 2011

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		<u>General Fund</u>
	<b>ASSETS</b>	
Cash and cash equivalents		\$ 3,522,707
	<b>Total Assets</b>	<u>\$ 3,522,707</u>
	<b>LIABILITIES</b>	
Accounts payable		\$ 644
	<b>Total Liabilities</b>	<u>644</u>
	<b>NET ASSETS</b>	
Restricted		3,173,756
Unrestricted		348,307
	<b>Total Net Assets</b>	<u>3,522,063</u>
	<b>Total Liabilities and Net Assets</b>	<u>\$ 3,522,707</u>

See notes to the financial statements.

**GARFIELD COUNTY FEDERAL MINERAL LEASE DISTRICT**

**STATEMENT OF ACTIVITIES**

For the year ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
General Government	\$ 4,333	\$ -	\$ -	\$ -	\$ (4,333)
<b>Total District</b>	<b>\$ 4,333</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,333)</b>
General revenues:					
					3,526,396
					<u>3,526,396</u>
					3,522,063
Net Assets - beginning of the year					-
Net Assets - end of the year					<u><b>\$ 3,522,063</b></u>

See notes to the financial statements.

**GARFIELD COUNTY FEDERAL MINERAL LEASE DISTRICT**

**BALANCE SHEET**

December 31, 2011

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		<u>General Fund</u>
<b>ASSETS</b>		
Current Assets		
Cash, cash equivalents, investments		\$ 3,522,707
	<i>Total Current Assets</i>	<u>3,522,707</u>
	<i>Total Assets</i>	<u>\$ 3,522,707</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable		\$ 644
	<i>Total Current Liabilities</i>	<u>644</u>
	<i>Total Liabilities</i>	<u>644</u>
<b>FUND BALANCES</b>		
Restricted		3,173,756
Unassigned		348,307
	<i>Total Fund Balances</i>	<u>3,522,063</u>
	<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,522,707</u>

See notes to the financial statements.

**GARFIELD COUNTY FEDERAL MINERAL LEASE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
For the year ended December 31, 2011

		<u>General Fund</u>
<b>REVENUES</b>		
Intergovernmental		<u>\$ 3,526,396</u>
	<i>Total Revenues</i>	3,526,396
 <b>EXPENDITURES</b>		
General Government - administrative		<u>4,333</u>
	<i>Total Expenditures</i>	<u>4,333</u>
	<i>Net Change in Fund Balance</i>	3,522,063
Fund Balances - beginning of the year		<u>-</u>
Fund Balances - end of the year		<u><u>\$ 3,522,063</u></u>

See notes to the financial statements.

**GARFIELD COUNTY FEDERAL MINERAL LEASE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2011

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) 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 preparation of financial statements in conformity with generally accepted accounting principles requires 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.

The District's significant accounting policies are described below.

**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. Garfield County Board of County Commissioners established the Garfield County Federal Mineral Lease Act District on June 13, 2011.

The District is considered to be a discretely presented component unit of Garfield County and therefore is also reported in the Garfield County Comprehensive Annual Financial Report. This separate report can be found at [www.garfieldcounty.us/finance](http://www.garfieldcounty.us/finance).

**Basic Financial Statements**

The basic financial statements include government-wide and fund financial statements. In the government wide Statement of Net Assets, financial information is reflected on a full accrual basis of accounting and the economic resource measurement focus. The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Taxes and other items not classified as program revenues are reported as general revenues. This balance identifies the extent to which a government function is self-funded or draws from general District revenues.

The statement of net assets and statement of activities illustrate the District's financial position as a whole to demonstrate operational accountability, sustainability of the District as an entity, and the change in aggregate financial position resulting from activities of the period.

Fund financial statements are provided to demonstrate fiscal accountability and compliance.

**Fund Financial Statements**

*General fund* is the District's only reported major governmental fund and it accounts for all financial resources of the District. The principal source of revenue is intergovernmental revenue from federal mineral lease funds. Primary expenditures are for administrative expenses and distribution of the federal funds received.

### **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 collectible 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. The District reports one governmental fund.

### **Assets, Liabilities, and Fund Balances**

#### *1. Cash and Cash Equivalents*

Cash and cash equivalents are reported at cost.

#### *2. Net Assets*

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

#### *3. Fund Balance*

The District reports fund balance in accordance with Governmental Accounting Standards Board (GASB) statement #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:

- Non-Spendable - resources which cannot be spent because of their form or must be maintained intact
- Restricted - resources subject to externally enforceable limitations
- Committed - resources constrained by limitations the government imposes upon itself
- Assigned - resources that reflect a government's intended uses
- Un-Assigned - resources which reflect residual net resources.

Committed and assigned fund balances are determined by the District 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 adoption and subsequent amendment of the budget. 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.

**NOTE 2 - 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 amount appropriated in the appropriation.

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

Expenditures may not legally exceed appropriations. Detailed line item records provide management the capability to monitor the budget. As the District was established in 2011, no budget was adopted for the 2011 calendar year. The District has complied with the state budget requirements and filed a budget for calendar year 2012.

**NOTE 3 - DEPOSITS**

The Colorado Public Deposit Protection Act (PDPA) governs the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value equal to at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools. At year end, the bank balance was \$3,522,707 of which - \$250,000 was covered by FDIC and the remaining balance insured through PDPA.

**NOTE 4 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events through July 27, 2012, the date at which the financial statements were available to be issued, and determined that no events have occurred that required disclosure.