

**MESA COUNTY  
FEDERAL MINERAL LEASE DISTRICT**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2011

**MESA COUNTY FEDERAL MINERAL LEASE DISTRICT**

**Table of Contents**

**Financial Section**

Independent Auditor’s Report ..... 1  
Management’s Discussion and Analysis ..... 2

**Basic Financial Statements**

Statement of Net Assets..... 5  
Statement of Activities ..... 6  
General Fund Balance Sheet..... 7  
Statement of Revenues, Expenditures, and Changes in Fund Balance..... 8  
Notes to the Financial Statements ..... 9



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

*Certified Public Accountants & Consultants*

www/DalbyCPA.com

464 MAIN STREET • P.O. BOX 430 • GRAND JUNCTION, CO 81502  
PHONE: 970-243-1921 • FAX: 970-243-9214

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

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, and the aggregate remaining fund information of the Mesa 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 Mesa County Federal Mineral Lease 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 4 be presented to supplement the basic financial statements. Such 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. 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 principally 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.

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

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

July 3, 2012

# MESA COUNTY FEDERAL MINERAL LEASE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2011

---

As management of the Mesa County Federal Mineral Lease District, we offer to readers of these financial statements, this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2011. 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. \$1,623,107 was received by the District and the District ended the 2011 year with \$1,618,971 in fund balance.

### Overview of the Financial Statements

This discussion and analysis is 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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, which is considered to be a major fund. The basic governmental fund financial statements can be found on pages 7 and 8 of this report.

**Government-Wide Financial Analysis**

The Mesa County Federal Mineral Lease District was established June 20, 2011. The year ended December 31, 2011 is the District’s first year of existence, and therefore there is no prior year comparison.

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$1,618,971 at December 31, 2011.

Mesa County Federal Mineral Lease District  
Statement of Net Assets  
December 31, 2011

Current Assets		\$	1,623,107
	<i>Total Assets</i>	\$	1,623,107
Net Assets			
Unrestricted		\$	1,623,107
	<i>Total Net Assets</i>	\$	1,623,107

Changes in Net Assets – Governmental activities increased the District’s net assets by \$1.6 million in 2011.

**REVENUES**

General revenues			
Federal mineral lease distribution		\$	1,623,107
	<i>Total Revenues</i>		1,623,107

**EXPENSES**

Government			4,135
	<i>Total Expenses</i>		4,135
Excess (deficiency) before transfers			1,618,971
	<i>Change in Net Assets</i>		1,618,971
Beginning Nets Assets			-
Ending Net Assets		\$	1,618,971

**Financial Analysis of the Governmental 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 fund reported an unassigned fund balance of \$1.6 million.

The District has one major governmental fund, the General fund.

The District has one major governmental fund, the General fund.

1. This is the operating fund for the District. This fund distributes 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. The fund balance ending December 31, 2011 was \$1,618,971.

### **General Fund Budgetary Highlights**

The budget for the District was prepared using all aspects of State of Colorado statutes. On September 14, 2011 the Board of the Mesa County Federal Mineral Lease District adopted and appropriated \$1,623,107 for General Fund expenditures for the 2011 year. During the year the budget was not amended.

### **Economic Factors and the 2012 Budget**

The 2012 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.

The 2012 adopted budget is \$17,523 and was subsequently amended and increased to \$1,618,971. The amended 2012 budget anticipates awarding a \$1.6 million grant to Colorado Mesa University for assistance with its Unconventional Energy Center.

### **Requests for Information**

This financial report is designed to provide a general overview of District's finances for all those with an interest in the government's finances. Questions concerning any of the information contained in this report or requests for additional information should be addressed to the Federal Mineral Lease District, P.O. Box 20000, Grand Junction, CO 81502.

**MESA COUNTY FEDERAL MINERAL LEASE DISTRICT**

**STATEMENT OF NET ASSETS**

December 31, 2011

---

		<u>General Fund</u>
	<b>ASSETS</b>	
Cash and cash equivalents		\$ 1,618,971
		<u>1,618,971</u>
		<i>Total Assets</i>
	<b>NET ASSETS</b>	
Unrestricted		1,618,971
		<u>1,618,971</u>
		<i>Total Net Assets</i>
		<u>\$ 1,618,971</u>

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

**MESA COUNTY FEDERAL MINERAL LEASE DISTRICT**

STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General Government	\$ 4,136	\$ -	\$ -	\$ -	\$ (4,136)
Total District	<u>\$ 4,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(4,136)</u>
General revenues:					
					1,623,107
					<u>1,623,107</u>
					1,618,971
					-
					<u>\$ 1,618,971</u>

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



**MESA COUNTY FEDERAL MINERAL LEASE DISTRICT**

**BALANCE SHEET**

December 31, 2011

---

	<u>General Fund</u>
<b>ASSETS</b>	
Current assets	
Cash, cash equivalents, Investments	\$ 1,618,971
	<i>Total Current Assets</i> 1,618,971
	<i>Total Assets</i> <u>\$ 1,618,971</u>
 <b>FUND BALANCES</b>	
Committed	\$ 1,618,971
	<i>Total Fund Balances</i> <u>1,618,971</u>
	<i>Total Liabilities and Fund Balances</i> <u>\$ 1,618,971</u>

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

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget- Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Intergovernmental	\$ 1,623,107	\$ 1,623,107	\$ 1,623,107	\$ -
<i>Total Revenues</i>	1,623,107	1,623,107	1,623,107	-
<b>EXPENDITURES</b>				
Current				
General Government	1,623,107	1,623,107	4,136	1,618,971
<i>Total Current</i>	1,623,107	1,623,107	4,136	1,618,971
Excess deficiency of revenues over under expenditures	-	-	1,618,971	1,618,971
<b>NET CHANGE IN FUND BALANCE</b>	-	-	<b>1,618,971</b>	<b>1,618,971</b>
Fund Balances - beginning of the year	-	-	-	-
Fund Balances - ending of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,618,971</u>	<u>\$ 1,618,971</u>

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

# MESA COUNTY FEDERAL MINERAL LEASE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

---

### 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 more significant of the District's accounting policies are described below.

#### 1. **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 Government established the Federal Mineral Lease District (District) on June 20, 2011 by the Board of County Commissioners.

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

#### 2. **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 is 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.

#### 3. **Fund Financial Statements**

*The District reports one major governmental fund:*

**General Fund.** This is the only operating fund for the District. This fund accounts for the financial resources of the District. The principal source of revenue is intergovernmental revenue. Primary expenditures are for administrative expenses and distribution of the federal funds received.

#### **4. 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.

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

##### *1. Cash and Cash equivalents*

Cash and cash equivalents and investments 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.

An intergovernmental agreement was accepted by Mesa County and the District in August 2011 in order to make the most efficient and effective use of their powers and responsibilities. The County Finance division assists the District by providing administrative, budget, financial, bookkeeping and accounting services to the district. This agreement is valid for one year and subject to renegotiation.

---

**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 \$1,618,971 of which - \$250,000 was covered by FDIC and the remaining \$1,368,971 was covered by PDPA.

---

**NOTE 4 - SUBSEQUENT EVENTS**

---

The District was given a distribution of \$1,623,107 in the 2011 fiscal year. At the end of fiscal year 2011 the board of the District was still in process of reviewing grant applications, however they agreed to move forward with an application from Colorado Mesa University. This grant was subsequently awarded on February 27, 2012.

On June 25, 2012 the Mesa County, Colorado Board of county Commissioners restructured the District with resolution MCM 2012-57. This restructuring was due to statutory changes from Colorado Senate Bill 12-31. These changes included altering the terms of the existing directors, reinforcing the District's independence, terms for removal of a director, boundaries of the District, length of existence, terms of dissolution and frequency of meetings.