

Garfield County Federal Mineral Lease District

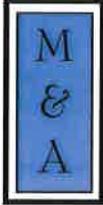
**Financial Statements
December 31, 2013**



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December 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Garfield County Federal Mineral Lease District
Glenwood Springs, Colorado**

We have audited the accompanying financial statements of the governmental activities and each major fund of Garfield County Federal Mineral Lease District (the "District"), as of and for the year ended December 31, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 each major fund, and the aggregate remaining fund information of Garfield County Federal Mineral Lease District as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

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Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B 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 Management's Discussion and Analysis in Section B 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, LLC
April 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



Garfield County Federal Mineral Lease District

Management's Discussion and Analysis
December 31, 2013

As management of the Garfield County Federal Mineral Lease District (the "District"), we offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2013.

Financial Highlights

- *The District's net position decreased by (\$856,922) in December 31, 2013. The decrease relates to the grants expended during the year.*
- *Although the District is allowed 10% of its funding for administrative expenses, the District spent 98% of its expenses on providing program grants.*

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's general purpose financial statements. The District's general purpose financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

Financial Statements

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

The Balance Sheet / Statement of Net Assets presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance or net assets. The Balance Sheet column presents the financial position focusing on short-term available resources and is reported on a modified accrual basis of accounting. The Statement of Net Assets column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities shows how the government's fund balance and net assets changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures, and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The District's financial statements can be found on pages C1 through C2 of this report.

Notes to the Financial Statements

The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The notes to the financial statements can be found on pages D1 through D5 of this report.

Financial Analysis of the District

Garfield County Federal Mineral District's Net Position

	<u>2013</u>	<u>2012</u>
Assets:		
Current and other assets	\$ 6,648,651	\$ 6,292,246
Capital assets	10,525	8,674
Total Assets	<u>\$ 6,659,176</u>	<u>\$ 6,300,920</u>
Liabilities:		
Current liabilities	\$ 3,374,680	\$ 2,159,503
Total Liabilities	<u>\$ 3,374,680</u>	<u>\$ 2,159,503</u>
Net Position:		
Net investment in capital assets	\$ 10,525	\$ 8,674
Unrestricted	3,273,971	4,132,743
Total Net Position	<u>\$ 3,284,496</u>	<u>\$ 4,141,417</u>

At the end of the 2013 fiscal year, the District is able to report positive balances net assets. The net assets held by the District reflect federal mineral lease payments that were distributed to the State of Colorado, Department of Local Affairs (DOLA), who in turn, distributed payments to the counties, municipalities, and federal mineral lease districts within the State impacted by federal mineral leasing activity.

Garfield County Federal Mineral District's Net Position

	<u>2013</u>	<u>2012</u>
Revenues:		
Federal mineral lease payments	\$ 2,213,892	\$ 3,769,875
Other revenues	100,084	17
Total Revenues	<u>\$ 2,313,976</u>	<u>\$ 3,769,892</u>
Expenses:		
Project expenses	\$ 3,094,233	\$ 3,082,193
Other expenses	76,664	68,345
Total Expenses	<u>\$ 3,170,897</u>	<u>\$ 3,150,538</u>
Change in Net Position	(856,921)	619,354
Net Position - January 1	4,141,417	3,522,063
Net Position - December 31	<u>\$ 3,284,496</u>	<u>\$ 4,141,417</u>

Other revenues consisted primarily of forfeited or retained grants that were recorded as a payable and ultimately not earned by the recipient. This could be due to not meeting the grant requirements or project expenditures being less than originally anticipated.

Budget Variances

The District had the following significant budget variances:

	<u>Variance from Budget</u>	<u>Reason</u>
Expenditures:		
Administration:		
Operations	8,588	Supplies under budget

Capital Assets and Debt Administration

The District had minimal office assets or debt during the year or at year end.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Garfield County Federal Mineral Lease District, P.O. Box 2477, Glenwood Springs, Colorado 81602.

FINANCIAL STATEMENTS



**Garfield County Federal Mineral Lease District
Balance Sheet/
Statement of Net Position
December 31, 2013**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and cash equivalents	6,648,651	-	6,648,651
Furniture and Equipment	-	10,525	10,525
Total Assets	<u>6,648,651</u>	<u>10,525</u>	<u>6,659,176</u>
Liabilities:			
Accounts payable	479	-	479
Payroll liabilities	729	-	729
Grants payable	3,373,473	-	3,373,473
Total Liabilities	<u>3,374,681</u>	<u>-</u>	<u>3,374,681</u>
Fund Balance/Net Position:			
Fund Balance:			
Unassigned	3,273,970	(3,273,970)	-
Total Fund Balance	<u>3,273,970</u>	<u>(3,273,970)</u>	-
Total Liabilities and Fund Balance	<u>6,648,651</u>		
Net Position:			
Net investment in capital assets		10,525	10,525
Unrestricted		3,273,970	3,273,970
Total Net Position		<u>3,284,495</u>	<u>3,284,495</u>

The accompanying notes are an integral part of these financial statements.

Garfield County Federal Mineral Lease District
Statement of Revenues, Expenditures and Changes in Fund Balance/
Statement of Activities
For the Year Ended December 31, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Federal mineral lease payments	2,213,892	-	2,213,892
Forfeited or retained grants	99,483	-	99,483
Investment income	602	-	602
Total Revenues	<u>2,313,977</u>	<u>-</u>	<u>2,313,977</u>
Expenditures/Expenses:			
Administrative expenses	40,602	2,027	42,629
Employee expenses	34,037	-	34,037
Project expenses	3,094,233	-	3,094,233
Capital outlay	3,879	(3,879)	-
Total Expenditures/Expenses	<u>3,172,751</u>	<u>(1,852)</u>	<u>3,170,899</u>
Change in Net Position	(858,774)	1,852	(856,922)
Fund Balance/Net Position:			
Beginning	<u>4,132,744</u>		<u>4,141,417</u>
Ending	<u>3,273,970</u>		<u>3,284,495</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS



**Garfield County Federal Mineral Lease District
Notes to the Financial Statements
December 31, 2013**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (Continued)

3. Fund Balance

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of a targeted reserve positions and management calculates targets and reports them annually to Board of Directors.

4. Grants Payable

The District provides grants to local governments to help alleviate the impact of mineral leasing activity. The District records these grants as payable upon approval of the grant. Grants are paid out upon completion of the project and substantiation of grant expenditures.

II. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds and the fiduciary fund are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

III. Detailed Notes on All Funds

A. Deposits and Investments

At year end all deposits and investments were held by Alpine Bank. 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. The 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 the aggregate uninsured deposits.

The State Regulatory Commissions 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.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

**Garfield County Federal Mineral Lease District
Notes to the Financial Statements
December 31, 2013**

III. Detailed Notes on All Funds

B. Capital Assets

The District had the following capital assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Furniture and Equipment	9,668	3,878	-	13,546
Total capital assets being depreciated	<u>9,668</u>	<u>3,878</u>	<u>-</u>	<u>13,546</u>
Less accumulated depreciation for:				
Furniture and Equipment	(994)	(2,027)	-	(3,021)
Total accumulated depreciation	<u>(994)</u>	<u>(2,027)</u>	<u>-</u>	<u>(3,021)</u>
Total capital assets, net	<u>\$ 8,674</u>	<u>1,851</u>	<u>-</u>	<u>\$ 10,525</u>

IV. Other Notes

A. Lease Agreement

On January 22, 2013 the District entered into a lease agreement with Alpine Professional Building Partnership for office space. The lease required monthly payments of \$1,100 and has a term through December 31, 2016. The rent is required to increase annually according to the Consumer Price Index provided by the U.S. Department of Labor, Bureau of Labor Statistics.

REQUIRED SUPPLEMENTARY INFORMATION



Garfield County Federal Mineral Lease District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2013

	2013			Final Budget Variance Positive (Negative)	2012 Actual
	Original Budget	Final Budget	Actual		
Revenues:					
Federal mineral lease payments	3,700,000	2,213,892	2,213,892	-	3,769,875
Forfeited or retained grants	-	99,339	99,483	144	-
Investment income	-	613	602	(11)	17
Total Revenues	3,700,000	2,313,844	2,313,977	133	3,769,892
Expenditures:					
Administration:					
Bank fees	500	34	34	-	9
Contract services	17,400	9,013	9,013	-	27,109
Facilities and equipment	16,500	15,664	15,536	128	5,445
Operations	17,670	20,979	12,391	8,588	22,407
Other expenses	2,055	4,951	2,951	2,000	2,593
Travel and meetings	6,000	927	677	250	877
Employee expenses	34,700	31,239	34,037	(2,798)	8,910
Capital outlay	-	-	3,879	(3,879)	9,668
Project expenses	3,600,000	3,094,130	3,094,233	(103)	3,082,193
Total Expenditures	3,694,825	3,176,937	3,172,751	4,186	3,159,211
(Deficiency) of Revenues Over Expenditures	5,175	(863,093)	(858,774)	4,319	610,681
Fund Balance - Beginning	3,831,041	4,132,744	4,132,744	-	3,522,063
Fund Balance - Ending	3,836,216	3,269,651	3,273,970	4,319	4,132,744

The accompanying notes are an integral part of these financial statements.