

**COLORADO AGRICULTURAL  
DEVELOPMENT AUTHORITY**

***FINANCIAL STATEMENTS***

**December 31, 2006 and 2005**

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**Board of Directors  
Colorado Agricultural  
Development Authority  
Lakewood, Colorado**

**Independent Auditors' Report**

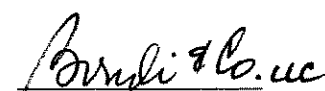
We have audited the accompanying financial statements of the business-type activities of the Colorado Agricultural Development Authority (Authority) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority at December 31, 2006 and 2005, and the changes in its financial position and its cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages i through iv 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

September 25, 2007

  
BONDI & Co. LLC



Affiliate Offices Worldwide

## **COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Authority's annual financial report presents our analysis of the Authority's financial performance during the Fiscal Year which ended December 31, 2006. Please read it in conjunction with the financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Authority's total assets increased by \$33,481 or 2.4%.
- The Authority's net assets (total assets minus liabilities) increased \$35,201 or 2.5 %.
- During the year the Authority's total revenues increased \$16,180 or 17.9%.
- During the fiscal year, the Authority completed the following:
  - Provided ten scholarships to 4H and FFA.
  - Issued 11 bonds valued at \$1.475 million to assist beginning farmers in Colorado.
  - Issued one Agricultural Facility Bond for \$3.3 million.
  - Provided funding for both the Colorado Foundation for Agriculture and the Colorado Agricultural Outlook Forum

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts:

- Management's Discussion and Analysis
- Financial Statements

The financial statements also included notes that explain in more detail some of the information in the financial statements.

### **Required Financial Statements**

The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

#### **Statement of Net Assets**

The statement of Net Assets provides information about the nature and amounts of investments in resources (assets). The Authority does not have any liabilities for the current year.

### Statement of Activities

This statement measures the results of the Authority's operation over the past year and can be used to determine what percentage of the Authority's costs is recovered through its fees and investment income.

## FINANCIAL ANALYSIS OF THE AUTHORITY

One of the important questions asked about the Authority's finances is, "Is the Authority financially sound?" The Statement of Net Assets and the Statement of Activities report information about the Authority's activities in a way that can help answer that question. These two statements report the net assets of the Authority and changes in them. The Authority's net assets (difference between assets and liabilities) are one way to measure the financial health or financial position of the organization. Over time the stability or increases in net assets are one indicator that the Authority's financial health is very strong. Other factors that need to be considered are the low level of annual expenditures experienced by the Authority, the general economy of the state and of the nation.

### NET ASSETS

As part of our analysis, we provide a summary of the Authority's balance sheets as presented below.

#### Condensed Statement of Net Assets

	2006	2005	\$ Change	% Change
Current Assets	\$10,391	\$11,799	(\$1,408)	-11.9%
Other Assets	1,420,280	1,385,391	34,481	2.5%
Total Assets	1,430,671	1,397,190	33,481	2.4%
Current Liabilities	0	1720	0	-100%
Long Term Liabilities	0	0	0	0%
Unrestricted Net Assets	1,430,671	1,395,470		2.5%
Total Net Assets	1,430,671	1,395,470	35,201	2.5%

As can be seen from the chart above total net assets increased 2.5% in 2006. The interest the Authority receives on its investments has improved over the past year and the Authority's financial soundness remains extremely strong. In fact, because of the strong asset position of the Authority, it continues to charge Beginning Farmers only 50% of the annual fee they have agreed to pay.

While the Statement of Net Assets shows the change in financial position of net assets, the Income Statement provides answers as to the nature and source of these changes. As

can be seen in the following table, a significant increase in operating revenue (15%) and a significant decrease in expenses (24.9%) resulted in an overall increase in net assets of \$35,201. This is significant improvement over 2005.

### Condensed Statements of Activities

	2006	2005	\$ Change	% Change
Operating Revenue	\$24,039	\$20,899	\$3140	15%
Non-Operating Revenue	82,515	69,475	\$13,040	18.8%
<b>Total Revenue</b>	<b>106,554</b>	<b>90,374</b>	<b>16,180</b>	<b>17.9%</b>
Operating Expenses	71,353	87,186	(15,873)	-18.2%
Non-Operating Expenses	0	7870	(7870)	-100%
<b>Total Expenses</b>	<b>71,353</b>	<b>95,056</b>	<b>(23,703)</b>	<b>-24.9%</b>
Change in Net Assets	35,201	(4,682)	39,883	
Beginning Net Assets	1,395,470	1,400,152	(4682)	0.33%
<b>Ending Net Assets</b>	<b>1,430,671</b>	<b>1,395,470</b>	<b>35,201</b>	<b>2.5%</b>

The following table shows the amount and percent that operating costs are recovered through fees and charges.

### Cost Recovery Through Fees and Charges

	2006	2005	\$ Change	% Change
Operating Revenue	\$24,039	\$20,899	\$3140	15%
Operating Expenses	50,238	57,627	-7389	-12.8%
% Cost Recovery Through Operating Fees and Charges	48%	36%	12%	31.9%

## **BUDGETARY HIGHLIGHTS**

Each year in December the Authority adopts a budget and appropriates funds for the following year. Adjustments to the budget are made at the June meeting if necessary. The annual budget is not included in financial statements but is available upon request. In 2006 revenue was \$43,054 above what was budgeted and expenses were \$544 under the budgeted amount.

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS</b>		
Cash (Note 2)	\$ 10,391	\$ 6,687
Accounts Receivable		5,112
	<u>10,391</u>	<u>11,799</u>
<b>OTHER ASSETS</b>		
Investments (Note 2)	1,420,280	1,385,391
	<u>1,430,671</u>	<u>1,397,190</u>
<b>LIABILITIES</b>		
Accounts Payable		1,720
		<u>1,720</u>
<b>NET ASSETS</b>		
Unrestricted	<u>1,430,671</u>	<u>1,395,470</u>
	<u>\$ 1,430,671</u>	<u>\$ 1,395,470</u>

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



COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>OPERATING REVENUES</b>		
Annual Fees	\$ 10,451	\$ 18,192
Loan Closing Fees	11,388	2,307
Application Fees	<u>2,200</u>	<u>400</u>
 Total Operating Revenues	 <u>24,039</u>	 <u>20,899</u>
<b>OPERATING EXPENSES</b>		
Salaries and Benefits	21,115	29,559
Contributions	18,400	23,748
Advertising	6,327	8,581
Allocation Application Fee	7,500	7,500
Board Travel	2,559	5,056
Accounting	3,500	3,275
Personal Services (Note 5)	4,375	
Exhibitor/Registration Fees	485	2,560
Legal	2,750	2,250
Staff Travel	618	1,310
Administration	858	845
Official Functions	804	625
Subscriptions		468
Promotional	878	397
Insurance	377	377
Membership Dues	200	200
Printing	307	193
Bank Fees	58	170
Miscellaneous	176	50
Office Supplies	<u>66</u>	<u>22</u>
 Total Operating Expenses	 <u>71,353</u>	 <u>87,186</u>
 Net Operating Loss	 <u>(47,314)</u>	 <u>(66,287)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income (Note 2)	54,651	39,916
In-Kind Contributions	21,115	29,559
Unrealized Gain (Loss) on Investments (Note 2)	<u>6,749</u>	<u>(7,870)</u>
 Total Non-Operating Revenues	 <u>82,515</u>	 <u>61,605</u>
 CHANGE IN NET ASSETS	 35,201	 (4,682)
 NET ASSETS, Beginning of Year	 <u>1,395,470</u>	 <u>1,400,152</u>
 NET ASSETS, End of Year	 <u>\$ 1,430,671</u>	 <u>\$ 1,395,470</u>

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

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2006 and 2005

	2006	2005
Cash Flows from Operating Activities:		
Cash Received from Borrowers and Institutions	\$ 29,151	\$ 19,897
Cash Paid to Suppliers	(51,958)	(57,447)
Net Cash Used in Operating Activities	(22,807)	(37,550)
Cash Flows from Investing Activities:		
Interest Income	54,651	39,916
Sale of Investments	199,164	100,000
Purchase of Investments	(227,304)	(109,910)
Net Cash Provided by Investing Activities	26,511	30,006
Net Increase (Decrease) in Cash	3,704	(7,544)
CASH AND CASH EQUIVALENTS, Beginning of Year	6,687	14,231
CASH AND CASH EQUIVALENTS, End of Year	10,391	6,687
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	(47,314)	(66,287)
Non-cash Expenses	21,115	29,559
(Increase) Decrease in Accounts Receivable	5,112	(1,002)
Increase (Decrease) in Accounts Payable	(1,720)	180
Total	24,507	28,737
Net Cash Used By Operating Activities	(22,807)	(37,550)
Non-cash Transactions:		
Unrealized Gain (Loss) on Investments	6,749	(7,870)
In-Kind Contributions	21,115	29,559
In-Kind Expenses	(21,115)	(29,559)
Total	\$ 6,749	\$ (7,870)

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

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado Agricultural Development Authority (Authority) was created June 19, 1981 by an Act of the General Assembly of the State of Colorado. The purpose of the Authority is to provide low interest financing to beginning Colorado farmers, ranchers, and agricultural processors for capital expenditures necessary for agricultural production.

The Authority is authorized to issue tax-exempt bonds and notes or other obligations, which shall not constitute a debt of the State of Colorado, its legislature, or any political subdivision other than the Authority. Obligations are issued by and are the limited obligations of the Authority, payable solely from collections of the borrowing entity.

The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) as applicable to governmental entities.

The Authority has issued tax-exempt bonds to lending institutions throughout the state. These lending institutions then make loans to farmers and ranchers who qualify. The Authority is not liable for these loans because they have been assigned to the lending institutions.

**Loan Programs**

Loans to Lenders

The Authority has issued bonds totaling \$8,000,000 to assist farmers and ranchers with purchases of farmland, equipment, and breeding livestock. This money has been assigned to lending institutions from around the state, and loans were made to pre-identified borrowers. The lending institutions repay the bonds with funds received as loans are repaid. The Authority is not liable for the bonds because the lending institutions have assumed the liability for repayment of the bonds.

Assets held by the Trustee in the Authority's 1983 *Loans to Lenders Program* consist of payments by lenders that are transferred by the Trustee to the bond holders. The Authority receives an annual payment from the Trustee as a result of this bond issue, which is reflected as income in the financial statements.

This program ended in 1993, where 105 loans were made for a total of \$8,000,000 of the original bond issue.

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Loan Programs (Continued)**

Beginning Farmer Program

The Authority issues tax-exempt bonds to agricultural lenders. Payments made by lenders for bonds pass through the Authority to the borrower to fund the borrower's project. The Authority assigns borrower loan payments to the lender, thereby making those payments, in effect, payments on the bonds.

As of December 31, 2006, the Authority assisted with 297 loans and related bonds issued totaling \$40,550,436 under the *Beginning Farmer Program*. In 2006, 11 loans totaling \$1,475,200 were made to assist beginning farmers and ranchers. As of December 31, 2005, the Authority assisted with 286 loans and related bonds issued totaling \$39,075,236 under the *Beginning Farmer Program*. In 2005, 9 loans totaling \$1,082,929 were made to assist beginning farmers and ranchers.

Separate bonds were issued for specific borrowers to lending institutions beginning in 1983. The purpose of this program was to make low- interest loans to farmers and ranchers. The Authority assigned these loans to the lending institutions; therefore, the lending institutions assume all liability, and the Authority is not liable for repayment of these loans.

Agricultural Sewage Facility Bonds

This program uses tax-exempt bonds to assist with the purchase of equipment and facilities for the handling of agricultural sewage and waste material. A bond for \$10,000,000 was issued for this purpose in 1996 and has since been paid in full. An additional bond in the amount of \$3,300,000 was issued in 2005 for the purpose of building a sewage management facility.

Agricultural Processing Loan Program

This program uses tax-exempt bonds to assist in the purchase of facilities and equipment for the processing of agricultural goods. Four bonds have been issued under this program, totaling \$14,895,000.

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Loan Programs (Continued)**

Summary

Through all of the above programs, the Authority has assisted with 408 loans totaling \$76,745,436.34 as of December 31, 2006, and 395 loans totaling \$75,270,236 as of December 31, 2005. No state money is pledged or at risk under any of these programs.

**Reporting Entity**

In accordance with Governmental Accounting Standards, the Authority has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The Authority is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the Authority officials appoint a voting majority of the organization's governing body, and either it is able to impose its will on that organization, or there is a potential for benefits to, or to impose specific financial burdens on, the Authority. The Authority may also be financially accountable for governmental organizations that are fiscally dependent upon it.

The Authority shares a governing board with the Colorado Agricultural Value-Added Development Board, but it is not considered an includable entity within the Authority's financial statements.

Based on how the Board of the Authority is appointed, and that the Authority is accountable to the State of Colorado, the Authority is presented as a related organization in a footnote disclosure in the State of Colorado's Comprehensive Annual Financial Report, along with other authorities that are considered related organizations.

**Basis of Presentation**

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts, and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Authority's financial statements are prepared on a proprietary fund basis and use the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are annual fees, loan closing fees, and loan application fees. All revenues not meeting this definition are reported as non-operating revenues and expenses. This would include the interest income earned from investments.

Proprietary activities are accounted for, and reported on, in accordance with all Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Budgets**

No budget-to-actual statements have been presented as the Authority is not legally required to adopt budgets. Though not legally required to formally adopt a budget, the Authority does prepare and review an annual budget for the following year at each December Board meeting.

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Cash**

For purposes of the statement of cash flows, cash and cash equivalents include amounts in demand deposits, and short-term investments in certificates of deposit with maturities of three months or less at the date of purchase. The carrying value of cash and cash equivalents approximates the fair value because of the short maturities of those financial instruments.

**Investments**

Investments are reported at fair value, which is determined using quoted market prices.

**Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

**Comparative Data**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2: CASH DEPOSITS AND INVESTMENTS

	<u>2006</u>	<u>2005</u>
Total Deposits	\$ 110,391	\$ 106,687
Total Investments	<u>1,320,280</u>	<u>1,285,391</u>
Total Cash and Investments	<u>\$ 1,430,671</u>	<u>\$ 1,392,078</u>
Reconciliation to financial statements:		
	<u>2006</u>	<u>2005</u>
Cash	\$ 10,391	\$ 6,687
Investments	<u>1,420,280</u>	<u>1,385,391</u>
Total	<u>\$ 1,430,671</u>	<u>\$ 1,392,078</u>

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005

NOTE 2: CASH DEPOSITS AND INVESTMENTS (Continued)

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 specified by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate 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 reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2006 and 2005, the Authority's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Commission (FDIC) or collateralized in accordance with PDPA.

Cash Deposits at December 31, 2006:

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$110,391	\$111,306
Total Cash and Cash Equivalents	<u>\$110,391</u>	<u>\$111,306</u>

Cash Deposits at December 31, 2005:

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$106,687	\$103,577
Total Cash and Cash Equivalents	<u>\$106,687</u>	<u>\$103,577</u>



COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005

NOTE 2: CASH DEPOSITS AND INVESTMENTS (Continued)

Colorado Revised Statutes, and the Authority's investment policy, specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include the following types of obligations:

- Bankers' acceptance of certain banks,
- Obligations of the United States and certain U.S. government agency securities,
- Certain international agency securities,
- General obligation and revenue bonds of U.S. local government agencies,
- Commercial paper,
- Local government investment pools,
- Written repurchase agreements collateralized by certain authorized securities,
- Certain money market funds, and
- Guaranteed investment contracts.

Interest Rate Risk – The Authority's investment policy states that the Authority will appropriately diversify the investment portfolio among investment types and maturities as a means of limiting its exposure to fair value losses arising from prevailing market interest rates.

Credit Risk – The Authority's investment policy limits investments in higher risk instruments, such as derivatives, and limits over-concentration in securities from specific issuers, a business sector, excluding U.S. Treasury Securities, or single class of securities.

Concentration of Credit Risk - The Authority has no investment policy that would further limit its investment choices and places no limit on the amount the Authority may invest in any one issuer.

The Authority had invested \$325,242 and \$299,656 as of December 31, 2006 and 2005, respectively, in Colorado Surplus Asset Fund (CSAFE). CSAFE is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. CSAFE operates similarly to a money market fund, and each share is equal in value to \$1.00.

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005

NOTE 2: CASH DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk (Continued) - The designated custodial bank provides safekeeping and depository services to CSAFE in connection with the direct investment and withdrawal functions of CSAFE. All securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by CSAFE. Investments of CSAFE consist of U.S. Treasury and U.S. agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. agency securities. CSAFE is rated AAA by Standard & Poor's.

The Authority's investments as of December 31, 2006, are as follows:

	<u>Market Value</u>	<u>Maturities</u>
Government Term Notes	\$ 994,471	6/2008-7/2010
MMA Fund	567	
CSAFE	<u>325,242</u>	
Total Investments	<u>\$ 1,320,280</u>	

The Authority's investments as of December 31, 2005, are as follows:

	<u>Market Value</u>	<u>Maturities</u>
Government Term Notes	\$ 985,722	6/2008-9/2009
MMA Fund	13	
CSAFE	<u>299,656</u>	
Total Investments	<u>\$ 1,285,391</u>	

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005

NOTE 2: CASH DEPOSITS AND INVESTMENTS (Continued)

Investment income for 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Realized Interest, Gains and Losses	\$ 54,651	\$ 39,916
Net Unrealized Gain (Loss)	<u>6,749</u>	<u>(7,870)</u>
Total	<u>\$ 61,400</u>	<u>\$ 32,046</u>

NOTE 3: TAX SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, also known as the TABOR Amendment, which has several limitations, including those for revenue, expenditures, property taxes, and issuance of debt. The Amendment is complex and subject to judicial interpretation. In the opinion of management, the Authority is not subject to the provisions of the Amendment since it does not have the power to levy taxes or issue debt, and is thus not a "District" as defined in the Amendment.

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, as well as theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Authority carries commercial insurance for the risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Limits of insurance coverage remain unchanged in the past three years.

NOTE 5: RELATED PARTY TRANSACTIONS

On September 1, 2006, the Board entered into a one-year agreement with a consulting company owned by one of the Board members for specific services defined by the Board, and detailed in the agreement.