

**COLORADO AGRICULTURAL
DEVELOPMENT AUTHORITY**

FINANCIAL STATEMENTS

December 31, 2007 and 2006

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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, 2007 and 2006, 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, 2007 and 2006, 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.

October 30, 2008


BONDI & Co. LLC



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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, 2007. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's total assets increased by \$43,859 or 3.1%.
- The Authority's net assets (total assets minus liabilities) increased \$40,384 or 2.8 %.
- During the year the Authority's total revenues increased \$1,845 or 1.7%.
- During the fiscal year, the Authority completed the following:
 - Provided ten scholarships to 4H and FFA.
 - Issued 12 bonds valued at \$1.816 million to assist beginning farmers in Colorado.
 - Issued one Agricultural Facility Bond for \$2.45 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 long term 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

	2007	2006	\$ Change	% Change
Current Assets	\$120,852	\$10,391	\$110,461	1063.0%
Other Assets	1,353,678	1,420,280	(66,602)	-4.7%
Total Assets	1,474,530	1,430,671	43,859	3.1%
Current Liabilities	3,475	0	3,475	100%
Long Term Liabilities	0	0	0	0%
Unrestricted Net Assets	1,471,055	1,430,671	40,384	2.8%
Total Net Assets	1,471,055	1,430,671	40,384	2.8%

As can be seen from the chart above total net assets increased 2.8% in 2007. 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 slight increase in operating revenue (4%) and a decrease in expenses (4.7%) resulted in an overall increase in net assets of \$40,384. This is an improvement over 2006.

Condensed Statements of Activities

	2007	2006	\$ Change	% Change
Operating Revenue	\$24,994	\$24,039	\$955	4.0%
Non-Operating Revenue	83,403	82,515	\$888	1.1%
Total Revenue	108,397	106,554	1843	1.7%
Operating Expenses	68,013	71,353	(3340)	-4.7%
Non-Operating Expenses	0	0	0	0%
Total Expenses	68,013	71,353	(3,340)	-4.7%
Change in Net Assets	40,384	35,201	5183	
Beginning Net Assets	1,430,671	1,395,470	35,201	2.5%
Ending Net Assets	1,471,055	1,430,671	40,384	2.8%

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

Cost Recovery Through Fees and Charges

	2007	2006	\$ Change	% Change
Operating Revenue	\$24,994	\$24,039	\$955	3.9%
Operating Expenses	68,013	71,353	-3340	-4.7%
% Cost Recovery Through Operating Fees and Charges	36.7%	33.6%	3.1%	9.2%

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 2007 revenue was \$21,297 above what was budgeted and expenses were \$10,324 under the budgeted amount.

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 120,852	\$ 10,391
Total Current Assets	<u>120,852</u>	<u>10,391</u>
OTHER ASSETS		
Investments (Note 2)	<u>1,353,678</u>	<u>1,420,280</u>
Total Assets	<u>1,474,530</u>	<u>1,430,671</u>
LIABILITIES		
Accounts Payable	<u>3,475</u>	<u> </u>
Total Liabilities	<u>3,475</u>	<u> </u>
NET ASSETS		
Unrestricted	<u>1,471,055</u>	<u>1,430,671</u>
Total Net Assets	<u><u>\$ 1,471,055</u></u>	<u><u>\$ 1,430,671</u></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, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Annual Fees	\$ 15,179	\$ 10,451
Loan Closing Fees	9,415	11,388
Application Fees	400	2,200
Total Operating Revenues	24,994	24,039
OPERATING EXPENSES		
Salaries and Benefits		21,115
Contributions	17,350	18,400
Advertising	9,812	6,327
Allocation Application Fee	7,500	7,500
Board Travel	3,777	2,559
Accounting	6,550	3,500
Personal Services	14,978	4,375
Exhibitor/Registration Fees	995	485
Legal	3,000	2,750
Staff Travel	1,648	618
Administration	197	858
Official Functions	1,227	804
Insurance	377	377
Membership Dues	200	200
Printing	34	307
Bank Fees	99	58
Miscellaneous	11	176
Promotional		878
Office Supplies	258	66
Total Operating Expenses	68,013	71,353
NET OPERATING LOSS	(43,019)	(47,314)
NON-OPERATING REVENUES		
Investment Income (Note 2)	78,619	54,651
In-Kind Contributions		21,115
Unrealized Gain on Investments (Note 2)	4,784	6,749
Total Non-Operating Revenues	83,403	82,515
CHANGE IN NET ASSETS	40,384	35,201
NET ASSETS, Beginning of Year	1,430,671	1,395,470
NET ASSETS, End of Year	\$ 1,471,055	\$ 1,430,671

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Borrowers and Institutions	\$ 24,994	\$ 29,151
Cash Paid to Suppliers	<u>(64,538)</u>	<u>(51,958)</u>
Net Cash Used in Operating Activities	<u>(39,544)</u>	<u>(22,807)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	78,619	54,651
Investments Converted to Cash Equivalents	100,000	
Sale of Investments	55,425	199,164
Purchase of Investments	<u>(84,039)</u>	<u>(227,304)</u>
Net Cash Provided by Investing Activities	<u>150,005</u>	<u>26,511</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	110,461	3,704
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>10,391</u>	<u>6,687</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>120,852</u></u>	<u><u>10,391</u></u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
OPERATING LOSS	<u>(43,019)</u>	<u>(47,314)</u>
Non-cash Expenses		21,115
Increase in Accounts Receivable		5,112
Increase (Decrease) in Accounts Payable	<u>3,475</u>	<u>(1,720)</u>
Total	<u>3,475</u>	<u>24,507</u>
Net Cash Used in Operating Activities	<u><u>(39,544)</u></u>	<u><u>(22,807)</u></u>
NON-CASH TRANSACTIONS		
Unrealized Gain on Investments	4,784	6,749
In-Kind Contributions		21,115
In-Kind Expenses		<u>(21,115)</u>
Total	<u><u>\$ 4,784</u></u>	<u><u>\$ 6,749</u></u>

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

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

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, 2007 and 2006

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, 2007, the Authority assisted with 309 loans and related bonds issued totaling \$42,366,376 under the *Beginning Farmer Program*. In 2007, 12 loans totaling \$1,815,940 were made to assist beginning farmers and ranchers. 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.

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 in the amount of \$3,300,000 was issued in 2005 for the purpose of building a sewage management facility. In 2007, another bond was issued in the amount of \$2,450,000 for the purpose of building a sewage treatment 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.

Summary

Through all of the above programs, the Authority has assisted with 420 loans totaling \$81,011,376 as of December 31, 2007, and 408 loans totaling \$76,745,436 as of December 31, 2006. No state money is pledged or at risk under any of these programs.

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a component unit 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.

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.

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

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.

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Fund Equity

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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>2007</u>	<u>2006</u>
Total Cash and Cash Equivalents	\$ 120,852	\$ 10,391
Total Investments	<u>1,353,678</u>	<u>1,420,280</u>
Total Cash and Investments	<u>\$ 1,474,530</u>	<u>\$ 1,430,671</u>

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

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

NOTE 2: CASH DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2007 and 2006, 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. On October 3, 2008, as part of the Economic Stabilization Act, Congress temporarily increased FDIC insurance from \$100,000 to \$250,000 per depositor through December 31, 2009.

Cash Deposits at December 31, 2007:

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$120,852	\$113,304
Total Cash and Cash Equivalents	<u>\$120,852</u>	<u>\$113,304</u>

Cash Deposits at December 31, 2006:

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

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

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 \$296,467 and \$325,242 as of December 31, 2007 and 2006, 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, 2007 and 2006

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. Effective September 20, 2008, CSAFE implemented temporary rules that divided each participant's ownership interest in all CSAFE's assets into liquid assets and illiquid assets, and placed certain restrictions on redemptions, interest earnings, and new purchases. CSAFE financial statements may be obtained at www.csafe.org. The Authority's money market holdings are not rated.

The Authority's investments as of December 31, 2007, are as follows:

	<u>Market Value</u>	<u>Maturities</u>
Government Term Notes	\$ 1,057,031	6/2008-10/2012
MMA Fund	180	
CSAFE	<u>296,467</u>	
Total Investments	<u>\$ 1,353,678</u>	

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
Certificates of Deposit	100,000	
MMA Fund	567	
CSAFE	<u>325,242</u>	
Total Investments	<u>\$ 1,420,280</u>	

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

NOTE 2: CASH DEPOSITS AND INVESTMENTS (Continued)

Investment income for 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Realized Interest, Gains and Losses	\$ 78,619	\$ 54,651
Net Unrealized Gains	<u>4,784</u>	<u>6,749</u>
Total	<u>\$ 83,403</u>	<u>\$ 61,400</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.