

***COLORADO AGRICULTURAL  
DEVELOPMENT AUTHORITY***

**FINANCIAL STATEMENTS**

**December 31, 2008 and 2007**

## TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	i - iv
Basic Financial Statements:	
Statement of Net Assets	2
Statement of Revenues, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 13



**BONDI & Co. LLC**

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT CONSULTANTS

44 INVERNESS DRIVE EAST  
ENGLEWOOD, COLORADO 80112

[www.bondico.com](http://www.bondico.com)

(303) 799-6826 PHONE  
(800) 250-9083 TOLL-FREE

(303) 799-6926 FAX

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

### Independent Auditors' Report

We have audited the accompanying basic financial statements of the Colorado Agricultural Development Authority (Authority), as of and for the years ended December 31, 2008 and 2007, 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 that 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 financial position of the Authority as of December 31, 2008 and 2007, and the changes in its financial position and its cash flows 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.

August 5, 2009

  
**BONDI & Co. LLC**

## **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, 2008. Please read it in conjunction with the financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Authority's total assets increased by \$9,930 or .7 %.
- The Authority's net assets (total assets minus liabilities) increased \$13,405 or .9 %.
- During the year the Authority's total revenues decreased \$26,777 or 24.7%.
- During the fiscal year, the Authority completed the following:
  - Provided ten scholarships to 4H and FFA.
  - Issued 7 bonds valued at \$1.586 million to assist beginning farmers in Colorado.
  - 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.

### Statement of Cash Flows

The cash flow statement portrays the true cash basis operations of the Authority. The cash flow statement reflects the Authority's reliance of investment income to supplement operating and cash basis losses each year. The Authority had negative cash flows from operations for the 2008 and 2007, at -\$55,343 and -\$39,544, respectively.

## 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

	<u>2008</u>	<u>2007</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	\$ 11,149	\$ 120,852	\$ (109,703)	-90.8%
Other Assets	1,473,311	1,353,678	119,633	8.8%
Total Assets	1,484,460	1,474,530	9,930	.7%
Current Liabilities	0	3,475	(3,475)	-100%
Long Term Liabilities	0	0	0	0%
Unrestricted Net Assets	1,484,460	1,471,055	13,405	.9%
Total Net Assets	<u>\$ 1,484,460</u>	<u>\$ 1,471,055</u>	<u>\$ 13,405</u>	<u>.9%</u>

As can be seen from the chart above total net assets increased .9% in 2008. 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 decrease in revenues (-24.7%) and a slight increase in expenses (.3%) still resulted in an overall increase in net assets of \$13,405.

### Condensed Statements of Activities

	<u>2008</u>	<u>2007</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	\$ 16,347	\$ 24,994	\$ (8,647)	-34.6%
Non-Operating Revenue	65,273	83,403	(18,130)	-21.7%
<b>Total Revenue</b>	<b>81,620</b>	<b>108,397</b>	<b>(26,777)</b>	<b>-24.7%</b>
Operating Expenses	68,215	68,013	202	.3%
Non-Operating Expenses	0	0	0	0%
<b>Total Expenses</b>	<b>68,215</b>	<b>68,013</b>	<b>202)</b>	<b>.3%</b>
Change in Net Assets	13,405	40,384	-26,979	-66.8%
Beginning Net Assets	<u>1,471,055</u>	<u>1,430,671</u>	<u>40,384</u>	<u>2.8%</u>
Ending Net Assets	<u>\$ 1,484,460</u>	<u>\$ 1,471,055</u>	<u>\$ 13,405</u>	<u>.9%</u>

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

## Cost Recovery through Fees and Charges

	<u>2008</u>	<u>2007</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	\$ 16,347	\$ 24,994	\$ (8,647)	-34.6%
Operating Expenses	<u>68,215</u>	<u>68,013</u>	<u>202</u>	<u>0.3%</u>
% Cost Recovery Through Operating Fees and Charges	<u>24%</u>	<u>36.7%</u>	<u>-12.7%</u>	<u>-34.6%</u>

### 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 2008, revenue was \$480 under what was budgeted and expenses were \$19,382 under the budgeted amount.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Authority. Questions concerning any of the information in this report or requests for additional financial information should be addressed to:

Colorado Agricultural Development Authority  
700 Kipling Street  
Suite 4000  
Lakewood, CO 80215-5894

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents (Note 2)	\$ 11,149	\$ 120,852
Total Current Assets	<u>11,149</u>	<u>120,852</u>
<b>OTHER ASSETS</b>		
Investments (Note 2)	<u>1,473,311</u>	<u>1,353,678</u>
Total Assets	<u>1,484,460</u>	<u>1,474,530</u>
<b>LIABILITIES</b>		
Accounts Payable	<u>                    </u>	<u>3,475</u>
Total Liabilities	<u>                    </u>	<u>3,475</u>
<b>NET ASSETS</b>		
Unrestricted	<u>1,524,859</u>	<u>1,471,055</u>
Total Net Assets	<u><u>\$ 1,524,859</u></u>	<u><u>\$ 1,471,055</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, 2008 and 2007

	2008	2007
<b>OPERATING REVENUES:</b>		
Annual Fees	\$ 12,283	\$ 15,179
Loan Closing Fees	3,714	9,415
Application Fees	350	400
Total Operating Revenues	16,347	24,994
<b>OPERATING EXPENSES:</b>		
Contributions	23,581	
Personal Services	12,040	14,978
Accounting	8,729	6,550
Allocation Application Fee	7,500	
Advertising	5,597	
Board Travel	3,007	
Legal	1,750	
Staff Travel	1,665	
Exhibitor/Registration Fees	1,315	995
Official Functions	777	
Office Supplies	549	
Printing	517	
Administration	440	197
Insurance	377	
Membership Dues	200	
Bank Fees	87	99
Miscellaneous	84	11
Total Operating Expenses	68,215	22,830
NET OPERATING LOSS	(51,868)	2,164
<b>NON-OPERATING REVENUES:</b>		
Investment Income (Note 2)	62,778	78,619
Unrealized Gain on Investments (Note 2)	2,495	
Total Non-Operating Revenues	65,273	78,619
CHANGE IN NET ASSETS	13,405	80,783
NET ASSETS, Beginning of Year	1,511,454	1,430,671
NET ASSETS, End of Year	\$ 1,524,859	\$ 1,511,454

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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Borrowers and Institutions	\$ 16,347	\$ 24,994
Cash Paid to Suppliers	<u>(71,690)</u>	<u>(64,538)</u>
Net Cash Used in Operating Activities	<u>(55,343)</u>	<u>(39,544)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Income	62,778	78,619
Investments Converted to Cash Equivalents	45,640	100,000
Redemption of Certificate of Deposit	(100,000)	
Reinvestment of Investment Income	(62,778)	
Sale of Investments		55,425
Purchase of Investments		<u>(84,039)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(54,360)</u>	<u>150,005</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(109,703)</b>	<b>110,461</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b><u>120,852</u></b>	<b><u>10,391</u></b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u><u>11,149</u></u></b>	<b><u><u>120,852</u></u></b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
<b>OPERATING LOSS</b>	<b><u>(51,868)</u></b>	<b><u>(43,019)</u></b>
Increase (Decrease) in Accounts Payable	<u>(3,475)</u>	<u>3,475</u>
Total	<u>(3,475)</u>	<u>3,475</u>
Net Cash Used in Operating Activities	<u><u>\$ (55,343)</u></u>	<u><u>\$ (39,544)</u></u>
<b>NON-CASH TRANSACTIONS:</b>		
Unrealized Gain on Investments	<u>\$ 2,495</u>	<u>\$ 4,784</u>
Total	<u><u>\$ 2,495</u></u>	<u><u>\$ 4,784</u></u>

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

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

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, 2008 and 2007

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, 2008, the Authority assisted with 316 loans and related bonds issued totaling \$43,952,126 under the *Beginning Farmer Program*. In 2008, 7 loans totaling \$1,585,750 were made to assist beginning farmers and ranchers. 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.

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 427 loans totaling \$82,597,126 as of December 31, 2008, and 420 loans totaling \$81,011,376 as of December 31, 2007. 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, 2008 and 2007

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 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, 2008 and 2007

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, 2008 and 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments**

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

**Net Assets**

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>2008</u>	<u>2007</u>
Cash and Cash Equivalents	\$ 11,149	\$ 120,852
Investments	<u>1,473,311</u>	<u>1,353,678</u>
Total Cash and Investments	<u>\$ 1,484,460</u>	<u>\$ 1,474,530</u>

The Colorado Public Deposit Protection Act (PDPA) requires 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

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2008 and 2007

NOTE 2: CASH DEPOSITS AND INVESTMENTS (Continued)

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, 2008 and 2007, 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.

Cash Deposits at December 31, 2008:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured	\$ 11,149	\$ 14,518
Total Cash and Cash Equivalents	<u>\$ 11,149</u>	<u>\$ 14,518</u>

Cash Deposits at December 31, 2007:

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

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,

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2008 and 2007

NOTE 2: CASH DEPOSITS AND INVESTMENTS (Continued)

- 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 \$415,487 and \$296,467 as of December 31, 2008 and 2007, 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. 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

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2008 and 2007

NOTE 2: CASH DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk (Continued)

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. The Authority's money market holdings are not rated. In February 2009, the S&P placed the 'AAAm' principal stability fund rating on the CSAFE on CreditWatch with negative implications. CSAFE financial statements may be obtained at [www.csafe.org](http://www.csafe.org).

The Authority's investments as of December 31, 2008, are as follows:

	<u>Market Value</u>	<u>Maturities</u>
Government Term Notes	\$ 1,057,824	6/2012 - 3/2013
CSAFE	415,487	
Total Investments	<u>\$ 1,473,311</u>	

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	296,467	
Total Investments	<u>\$ 1,353,678</u>	

Investment income for 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Realized Interest, Gains and Losses	\$ 62,778	\$ 78,619
Net Unrealized Gains	2,495	4,784
Total	<u>\$ 65,273</u>	<u>\$ 83,403</u>

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2008 and 2007

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.