

---

---

***COLORADO AGRICULTURAL  
DEVELOPMENT AUTHORITY***  
*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2011 AND 2010*

---

---

## **Contents**

---

|  | <b>Page</b> |
|--|-------------|
| <b>Independent Auditors' Report</b> .....                      | 1 - 2       |
| <b>Management's Discussion And Analysis</b> .....              | i - v       |
| <b>Basic Financial Statements:</b>                             |             |
| Statement Of Net Assets.....                                   | 3           |
| Statement Of Revenues, Expenses And Changes In Net Assets..... | 4           |
| Statement Of Cash Flows .....                                  | 5           |
| <b>Notes To The Financial Statements</b> .....                 | 6 - 12      |



RubinBrown LLP  
Certified Public Accountants  
& Business Consultants

1900 16th Street  
Suite 300  
Denver, CO 80202

T 303.698.1883  
F 303.777.4458

W [rubinbrown.com](http://rubinbrown.com)  
E [info@rubinbrown.com](mailto:info@rubinbrown.com)

## Independent Auditors' Report

Board of Directors  
Colorado Agricultural  
Development Authority  
Lakewood, Colorado

We have audited the accompanying basic financial statements of the Colorado Agricultural Development Authority (the Authority), as of and for the years ended December 31, 2011 and 2010, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously present fairly, in all material respects, the financial position of the Authority as of December 31, 2011 and 2010, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages i through v, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted 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.

*RubinBrown LLP*

July 25, 2012

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

This section of the Colorado Agricultural Development Authority's (Authority) annual financial report presents our analysis of the Authority's financial performance during the fiscal year which ended December 31, 2011 and 2010. Please read it in conjunction with the financial statements.

### **FINANCIAL HIGHLIGHTS - 2011**

- The Authority's total assets decreased by \$16,414.
- The Authority's net assets (total assets minus liabilities) decreased \$16,414.
- During the year, the Authority's total revenues decreased \$12,312 or 32.2%.
- During the fiscal year, the Authority completed the following:
  - Provided ten scholarships to 4H and FFA.
  - Issued 4 bonds valued at \$694,627 to assist beginning farmers in Colorado.
  - Provided funding for both the Colorado Foundation for Agriculture and the Colorado Agricultural Outlook Forum.

### **FINANCIAL HIGHLIGHTS - 2010**

- The Authority's total assets decreased by \$16,559.
- The Authority's net assets (total assets minus liabilities) decreased \$16,559.
- During the year, the Authority's total revenues decreased \$11,807 or 23.6%.
- During the fiscal year, the Authority completed the following:
  - Provided ten scholarships to 4H and FFA.
  - Issued 1 bond valued at \$199,150 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 Revenues, Expenses and Changes in Net Assets**

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 are 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 years 2011, 2010 and 2009, at negative \$31,154, negative \$40,737, and negative \$33,762, 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 Revenues, Expenses and Changes in Net Assets 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 and 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>2011</u>         | <u>2010</u>         | <u>\$ Change</u>  | <u>%<br/>Change</u> |
|-------------------------|---------------------|---------------------|-------------------|---------------------|
| Current Assets          | \$ 9,857            | \$ 11,010           | \$ -1,153         | -10.47%             |
| Other Assets            | 1,441,696           | 1,456,957           | -15,261           | -1.05%              |
| Total Assets            | 1,451,553           | 1,467,967           | -16,414           | -1.12%              |
| Current Liabilities     | 0                   | 0                   | 0                 | 0%                  |
| Long-Term Liabilities   | 0                   | 0                   | 0                 | 0%                  |
| Unrestricted Net Assets | 1,451,553           | 1,467,967           | -16,414           | -1.12%              |
| Total Net Assets        | <u>\$ 1,451,553</u> | <u>\$ 1,467,967</u> | <u>\$ -16,414</u> | <u>-1.12%</u>       |

|                         | <u>2010</u>         | <u>2009</u>         | <u>\$ Change</u>  | <u>%<br/>Change</u> |
|-------------------------|---------------------|---------------------|-------------------|---------------------|
| Current Assets          | \$ 11,010           | \$ 16,747           | \$ -5,737         | -34.26%             |
| Other Assets            | 1,456,957           | 1,467,779           | -10,822           | -.74%               |
| Total Assets            | 1,467,967           | 1,484,526           | -16,559           | -1.12%              |
| Current Liabilities     | 0                   | 0                   | 0                 | 0%                  |
| Long-Term Liabilities   | 0                   | 0                   | 0                 | 0%                  |
| Unrestricted Net Assets | 1,467,967           | 1,484,526           | -16,559           | -1.12%              |
| Total Net Assets        | <u>\$ 1,467,967</u> | <u>\$ 1,484,526</u> | <u>\$ -16,559</u> | <u>-1.12%</u>       |

As can be seen from the chart above, total net assets decreased \$16,414 in 2011 and decreased \$16,559 in 2010. 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 Statement of Revenues, Expenses and Changes in Net Assets provides answers as to the nature and source of these changes. As can be seen in the following table, a decrease in revenues (-32.2%) and an increase in expenses (22.71%) resulted in an overall decrease in net assets of \$16,414 for the year ended December 31, 2011. Also as can be seen in the following table, a decrease in revenues (-23.6%) and an increase in expenses

(9.7%) resulted in an overall decrease in net assets of \$16,559 for the year ended December 31, 2010

### Condensed Statements of Revenues, Expenses, and Changes in Net Assets

|                        | <u>2011</u>         | <u>2010</u>         | <u>\$ Change</u>  | <u>%<br/>Change</u> |
|------------------------|---------------------|---------------------|-------------------|---------------------|
| Operating Revenue      | \$ 11,236           | \$ 14,110           | \$ -2,874         | -20.37%             |
| Non-Operating Revenue  | 14,740              | 24,178              | -9,438            | -39.04%             |
| <b>Total Revenue</b>   | <b>25,976</b>       | <b>38,288</b>       | <b>-12,312</b>    | <b>-32.16%</b>      |
| Operating Expenses     | 42,390              | 54,847              | -12,457           | -22.71%             |
| Non-Operating Expenses | 0                   | 0                   | 0                 | 0%                  |
| <b>Total Expenses</b>  | <b>42,390</b>       | <b>54,847</b>       | <b>-12,457</b>    | <b>-22.71%</b>      |
| Change in Net Assets   | (16,414)            | (16,559)            | 145               | 0.88%               |
| Beginning Net Assets   | 1,467,967           | 1,484,526           | -16,559           | -1.12%              |
| Ending Net Assets      | <u>\$ 1,451,553</u> | <u>\$ 1,467,967</u> | <u>\$ -16,414</u> | <u>-1.12%</u>       |

  

|                        | <u>2010</u>         | <u>2009</u>         | <u>\$ Change</u>  | <u>%<br/>Change</u> |
|------------------------|---------------------|---------------------|-------------------|---------------------|
| Operating Revenue      | \$ 14,110           | \$ 16,267           | \$ -2,157         | -13.3%              |
| Non-Operating Revenue  | 24,178              | 33,828              | -9,650            | -28.6%              |
| <b>Total Revenue</b>   | <b>38,288</b>       | <b>50,095</b>       | <b>-11,807</b>    | <b>-23.6%</b>       |
| Operating Expenses     | 54,847              | 50,029              | 4,818             | 9.7%                |
| Non-Operating Expenses | 0                   | 0                   | 0                 | 0%                  |
| <b>Total Expenses</b>  | <b>54,847</b>       | <b>50,029</b>       | <b>4,818</b>      | <b>9.7%</b>         |
| Change in Net Assets   | (16,559)            | 66                  | -16,625           | -25,189%            |
| Beginning Net Assets   | 1,484,526           | 1,484,460           | 66                | 0%                  |
| Ending Net Assets      | <u>\$ 1,467,967</u> | <u>\$ 1,484,526</u> | <u>\$ -16,559</u> | <u>-1.12%</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>2011</u>  | <u>2010</u>  | <u>\$ Change</u> | <u>%<br/>Change</u> |
|---|--------------|--------------|------------------|---------------------|
| Operating Revenue                                     | \$ 11,236    | \$ 14,110    | \$ -2,874        | -20.37%             |
| Operating Expenses                                    | 42,390       | 54,847       | -12,457          | -22.71%             |
| % Cost Recovery Through<br>Operating Fees and Charges | <u>26.5%</u> | <u>25.7%</u> | <u>.8%</u>       | <u>3.03%</u>        |

|   | <u>2010</u>  | <u>2009</u>  | <u>\$ Change</u> | <u>%<br/>Change</u> |
|---|--------------|--------------|------------------|---------------------|
| Operating Revenue                                     | \$ 14,110    | \$ 16,267    | \$ -2,157        | -13.3%              |
| Operating Expenses                                    | 54,847       | 50,029       | 4,818            | 9.7%                |
| % Cost Recovery Through<br>Operating Fees and Charges | <u>25.8%</u> | <u>32.5%</u> | <u>-6.7%</u>     | <u>-20.7%</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 2011, total revenue was \$22,624 under what was budgeted, and expenses were \$16,912 under the budgeted amount. In 2010, revenue was \$43,062 under what was budgeted, and expenses were \$16,423 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 For The Years Ended December 31, 2011 And 2010

|                                    | <u>2011</u>         | <u>2010</u>         |
|------------------------------------|---------------------|---------------------|
| <b>Current Assets</b>              |                     |                     |
| Cash and cash equivalents (Note 2) | \$ 9,857            | \$ 11,010           |
| <b>Total Current Assets</b>        | <b>9,857</b>        | <b>11,010</b>       |
| <b>Other Assets</b>                |                     |                     |
| Investments (Note 2)               | 1,441,696           | 1,456,957           |
| <b>Total Assets</b>                | <b>1,451,553</b>    | <b>1,467,967</b>    |
| <b>Net Assets</b>                  |                     |                     |
| Unrestricted                       | 1,451,553           | 1,467,967           |
| <b>Total Net Assets</b>            | <b>\$ 1,451,553</b> | <b>\$ 1,467,967</b> |

**COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**For The Years Ended December 31, 2011 And 2010**

|  | 2011                | 2010                |
|--|---------------------|---------------------|
| <b>Operating Revenues:</b>                     |                     |                     |
| Annual fees                                    | \$ 6,736            | \$ 13,662           |
| Loan closing fees                              | 3,600               | 448                 |
| Application fees                               | 900                 | —                   |
| <b>Total Operating Revenues</b>                | <b>11,236</b>       | <b>14,110</b>       |
| <b>Operating Expenses:</b>                     |                     |                     |
| Contributions                                  | 13,400              | 13,800              |
| Personal services                              | 9,450               | 13,312              |
| Advertising                                    | 8,516               | 9,080               |
| Accounting                                     | 8,445               | 8,983               |
| Official functions                             | 610                 | 632                 |
| Board travel                                   | 531                 | 808                 |
| Insurance                                      | 377                 | 376                 |
| Administration                                 | 271                 | 412                 |
| Exhibitor/registration fees                    | 200                 | 882                 |
| Membership dues                                | 200                 | 200                 |
| Office supplies                                | 170                 | 460                 |
| Staff travel                                   | 157                 | 1,682               |
| Bank fees                                      | 63                  | 75                  |
| Legal  | —                   | 4,075               |
| Printing                                       | —                   | 70                  |
| <b>Total Operating Expenses</b>                | <b>42,390</b>       | <b>54,847</b>       |
| <b>Net Operating Loss</b>                      | <b>(31,154)</b>     | <b>(40,737)</b>     |
| <b>Non-Operating Revenues:</b>                 |                     |                     |
| Investment income (Note 2)                     | 18,342              | 22,143              |
| Unrealized gain (loss) on investments (Note 2) | (3,602)             | 2,035               |
| <b>Total Non-Operating Revenues</b>            | <b>14,740</b>       | <b>24,178</b>       |
| <b>Change In Net Assets</b>                    | <b>(16,414)</b>     | <b>(16,559)</b>     |
| <b>Net Assets - Beginning Of Year</b>          | <b>1,467,967</b>    | <b>1,484,526</b>    |
| <b>Net Assets - End Of Year</b>                | <b>\$ 1,451,553</b> | <b>\$ 1,467,967</b> |

---

# COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

---

## STATEMENT OF CASH FLOWS For The Years Ended December 31, 2011 And 2010

|  | <u>2011</u>        | <u>2010</u>        |
|--|--------------------|--------------------|
| <b>Cash Flows From Operating Activities:</b>   |                    |                    |
| Cash received from borrowers and institutions  | \$ 11,236          | \$ 14,110          |
| Cash paid to suppliers   | (42,390)           | (54,847)           |
| <b>Net Cash Used In Operating Activities</b>   | <b>(31,154)</b>    | <b>(40,737)</b>    |
| <b>Cash Flows From Investing Activities:</b>   |                    |                    |
| Sale of investments  | 30,001             | 35,000             |
| <b>Net Cash Provided By Investing Activities</b>   | <b>30,001</b>      | <b>35,000</b>      |
| <b>Net Decrease In Cash<br/>And Cash Equivalents</b>                                     | <b>(1,153)</b>     | <b>(5,737)</b>     |
| <b>Cash And Cash Equivalents - Beginning Of Year</b>                                     | <b>11,010</b>      | <b>16,747</b>      |
| <b>Cash And Cash Equivalents - End Of Year</b>   | <b>\$ 9,857</b>    | <b>\$ 11,010</b>   |
| <b>Reconciliation Of Net Operating Loss<br/>To Net Cash Used In Operating Activities</b> |                    |                    |
| Net Operating Loss   | \$ (31,154)        | \$ (40,737)        |
| <b>Net Cash Used In Operating Activities</b>   | <b>\$ (31,154)</b> | <b>\$ (40,737)</b> |
| <b>Non-Cash Transactions:</b>  |                    |                    |
| Unrealized gain (loss) on investments  | \$ (3,602)         | \$ 2,035           |
| <b>Total Non-Cash Transactions</b>   | <b>\$ (3,602)</b>  | <b>\$ 2,035</b>    |

---

# COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

---

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 And 2010

### 1. Summary Of Significant Accounting Policies

The Colorado Agricultural Development Authority (the 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

In its 1983 *Loans to Lenders Program*, the Authority issued bonds totaling \$8,000,000 to assist farmers and ranchers with purchases of farmland, equipment and breeding livestock. This money was assigned to lending institutions from around the state, and loans were made to pre-identified borrowers. This program ended in 1993, and 105 loans were made for a total of \$8,000,000 of the original bond issue.

##### 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.

## COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

### Notes To The Financial Statements (*Continued*)

---

As of December 31, 2011, the Authority assisted with 328 loans and related bonds issued totaling \$46,042,403 under the *Beginning Farmer Program*. In 2011, four loans totaling \$694,627 were made to assist beginning farmers and ranchers. As of December 31, 2010, the Authority assisted with 324 loans and related bonds issued totaling \$45,347,776 under the *Beginning Farmer Program*. In 2010, one loan for \$199,150 was 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 439 loans totaling \$84,687,403 as of December 31, 2011, and 435 loans totaling \$83,992,776 as of December 31, 2010. No state money is pledged or at risk under any of these programs.

#### **Reporting Entity**

In accordance with GAAP, 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.

## COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

### Notes To The Financial Statements *(Continued)*

---

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 Authority's Board 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 Authority operates as a proprietary fund. 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 statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net 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.

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 revenues 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 application fees. All revenues not meeting this definition are reported as non-operating revenues and expenses. This category 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) Accounting Standards Codification (ASC) issued on or before, but not after, November 30, 1989.

# COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

## Notes To The Financial Statements *(Continued)*

---

### **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.

### **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 GAAP, 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.

## **2. Cash Deposits And Investments**

|                                   | <u>2011</u>         | <u>2010</u>         |
|-----------------------------------|---------------------|---------------------|
| Cash and cash equivalents         | \$ 9,857            | \$ 11,010           |
| Investments                       | 1,441,696           | 1,456,957           |
| <b>Total Cash And Investments</b> | <b>\$ 1,451,553</b> | <b>\$ 1,467,967</b> |

## COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

### Notes To The Financial Statements *(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. The 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 State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. As part of the Dodd-Frank Wall Street Reform and Customer Protection Act passed by Congress on July 21, 2010, a separate and unlimited deposit insurance coverage is provided for accounts that meet the definition of “non-interest-bearing transaction account,” which is separate from the \$250,000 coverage provided for other types of accounts. This additional coverage is effective through December 31, 2012. At December 31, 2011, the Authority’s cash deposits had a book balance of \$9,857 and a corresponding bank balance of \$10,848. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the bank. Of the bank balance, \$10,848 was covered by federal depository insurance. At December 31, 2010, the Authority’s cash deposits had a book balance of \$11,010 and a corresponding bank balance of \$10,414. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the bank. Of the bank balance, \$10,414 was covered by federal depository insurance

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, 2011 and 2010, the Authority’s deposits were not exposed to custodial credit risk, as all deposits were insured by the FDIC or collateralized in accordance with PDPA.

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

## COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

### Notes To The Financial Statements (Continued)

---

- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- 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 concentration in securities from specific issuers; a business sector, excluding U.S. Treasury Securities; or single classes of securities.

Concentration Of Credit Risk - The Authority has limits to the percentage of its portfolio that can be invested in certain types of investments.

The Authority had invested \$288,378 and \$397,817 as of December 31, 2011 and 2010, respectively, in the 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 maintains a Standard & Poor's principal stability fund rating of AAAM. The State Securities Commissioner administers and enforces all state statutes governing CSAFE. CSAFE financial statements may be obtained at [www.csafe.org](http://www.csafe.org).

The Authority's investments as of December 31, 2011, were as follows:

|                          | <u>Market Value</u> | <u>Maturities</u> | <u>Rating</u> |
|--------------------------|---------------------|-------------------|---------------|
| Government term notes    | \$ 1,153,318        | 10/2016 - 11/2016 | AA+           |
| CSAFE                    | 288,378             |                   | AAAm          |
| <b>Total Investments</b> | <b>\$ 1,441,696</b> |                   |               |

**COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY**  
Notes To The Financial Statements *(Continued)*

---

The Authority's investments as of December 31, 2010, were as follows:

|                          | <u>Market Value</u> | <u>Maturities</u> | <u>Rating</u> |
|--------------------------|---------------------|-------------------|---------------|
| Government term notes    | \$ 1,057,140        | 03/2014 - 12/2014 | AAA           |
| CSAFE                    | 397,817             |                   | AAAm          |
| Money market             | 2,000               |                   | P-1           |
| <b>Total Investments</b> | <b>\$ 1,456,957</b> |                   |               |

### **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 (the 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.

### **4. Risk Management**

The Authority is exposed to various risks of loss related to torts; 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.