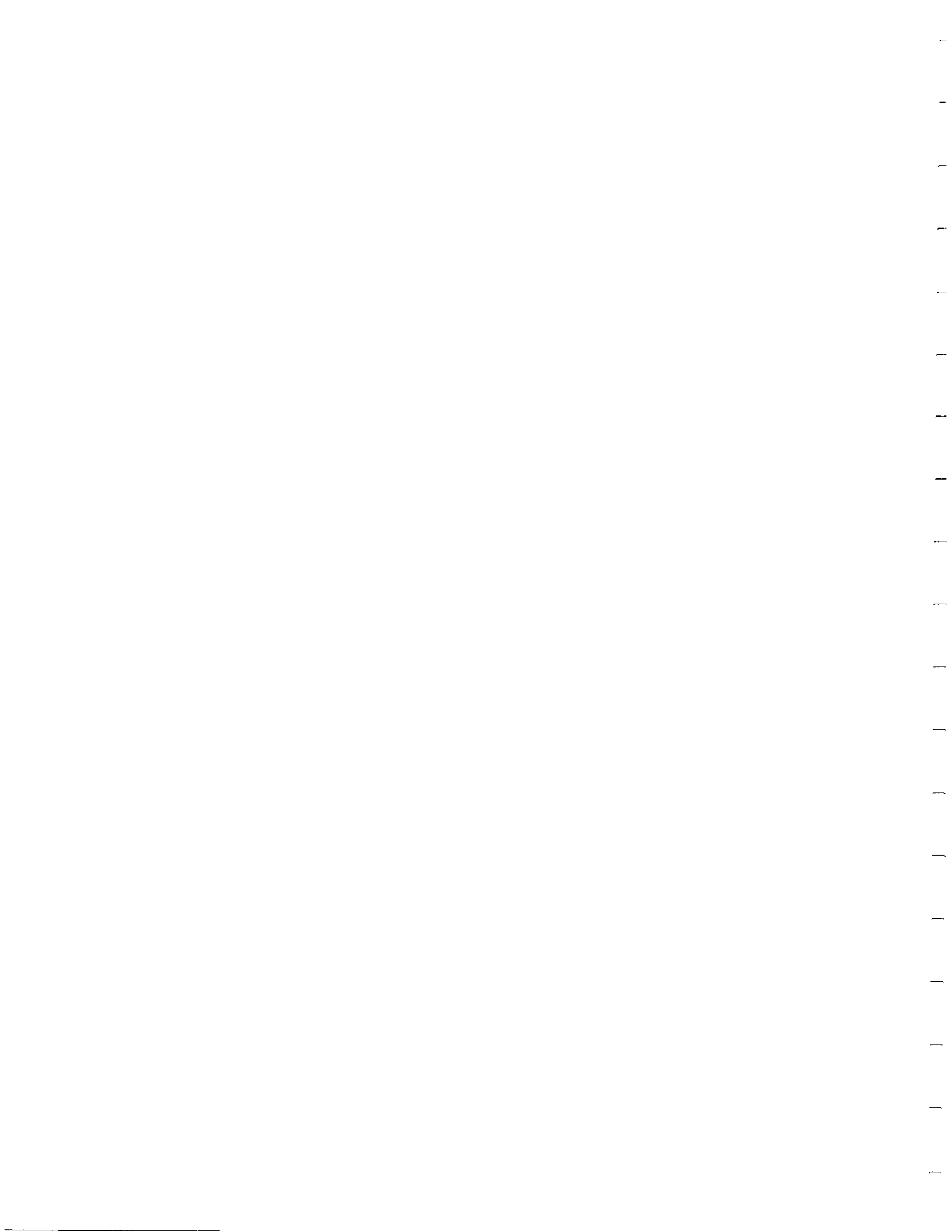

**COLORADO AGRICULTURAL
DEVELOPMENT AUTHORITY**
*FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012*



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Independent Auditors' Report

Board of Directors
Colorado Agricultural Development Authority
Lakewood, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the Colorado Agricultural Development Authority (the Authority), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i - 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 audits 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 8, 2014

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Colorado Agricultural Development Authority's (the Authority) annual financial report presents our analysis of the Authority's financial performance during the fiscal years which ended December 31, 2013 and 2012. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS - 2013

- The Authority's total assets decreased by \$28,763.
- The Authority's net position (total assets minus liabilities) decreased \$28,763.
- During the year, the Authority's total revenues decreased \$10,575 or 43.1%.
- During the fiscal year, the Authority completed the following:
 - Provided ten scholarships to 4H and FFA.
 - Issued 6 bonds valued at \$6,055,000 to assist beginning farmers in Colorado.
 - Provided funding for both the Colorado Foundation for Agriculture and the Colorado Agricultural Outlook Forum.

FINANCIAL HIGHLIGHTS - 2012

- The Authority's total assets decreased by \$21,699.
- The Authority's net position (total assets minus liabilities) decreased \$21,699.
- During the year, the Authority's total revenues decreased \$1,436 or 5.5%.
- During the fiscal year, the Authority completed the following:
 - Provided ten scholarships to 4H and FFA.
 - Issued 4 bonds valued at \$981,000 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 Position

The statement of Net Position 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 Position

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 2013, 2012 and 2011, at negative \$19,941, negative \$31,615, and negative \$31,154, 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 Position and the Statement of Revenues, Expenses and Changes in Net Position reports information about the Authority's activities in a way that can help answer that question. These two statements report the net position of the Authority and changes in them. The Authority's net position (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 position 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 POSITION

As part of our analysis, we provide a summary of the Authority's statements of net position as presented below.

Condensed Statements of Net Position

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	\$ 10,302	\$ 8,242	\$ 2,060	24.99%
Other Assets	1,390,789	1,421,612	(30,823)	-2.17%
Total Assets	1,401,091	1,429,854	(28,763)	-2.01%
Current Liabilities	-	-	-	0.00%
Long-Term Liabilities	-	-	-	0.00%
Unrestricted Net Assets	1,401,091	1,429,854	(28,763)	-2.01%
Total Net Position	\$ 1,401,091	\$ 1,429,854	\$ (28,763)	-2.01%

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	\$ 8,242	\$ 9,857	\$ (1,615)	-16.38%
Other Assets	1,421,612	1,441,696	(20,084)	-1.39%
Total Assets	1,429,854	1,451,553	(21,699)	-1.49%
Current Liabilities	-	-	-	0.00%
Long-Term Liabilities	-	-	-	0.00%
Unrestricted Net Position	1,429,854	1,451,553	(21,699)	-1.49%
Total Net Position	\$ 1,429,854	\$ 1,451,553	\$ (21,699)	-1.49%

As can be seen from the chart above, total net assets decreased \$28,763 in 2013 and decreased \$21,699 in 2012. 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 Position shows the change in financial position of net position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in the following table, a decrease in revenues and an increase in expenses resulted in an overall decrease in net assets of \$28,763 for the year ended December 31, 2013. Also as can be seen in the following table, a decrease in revenues and an increase in expenses resulted in an overall decrease in net assets of \$21,699 for the year ended December 31, 2012.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	\$ 22,787	\$ 14,624	\$ 8,163	55.82%
Non-Operating Revenue	(8,822)	9,916	(18,738)	-188.97%
Total Revenue	13,965	24,540	(10,575)	-43.09%
Operating Expenses	42,728	46,239	(3,511)	-7.59%
Non-Operating Expenses	-	-	-	0%
Total Expenses	42,728	46,239	(3,511)	-7.59%
Change in Net Position	(28,763)	(21,699)	(7,064)	32.55%
Beginning Net Position	1,429,854	1,451,553	(21,699)	-1.49%
Ending Net Position	<u>\$ 1,401,091</u>	<u>\$ 1,429,854</u>	<u>\$ (28,763)</u>	<u>-2.01%</u>

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	\$ 14,624	\$ 11,236	\$ 3,388	30.15%
Non-Operating Revenue	9,916	14,740	(4,824)	-32.73%
Total Revenue	24,540	25,976	(1,436)	-5.53%
Operating Expenses	46,239	42,390	3,849	9.08%
Non-Operating Expenses	-	-	-	0%
Total Expenses	46,239	42,390	3,849	9.08%
Change in Net Position	(21,699)	(16,414)	(5,285)	32.20%
Beginning Net Position	1,451,553	1,467,967	(16,414)	-1.12%
Ending Net Position	<u>\$ 1,429,854</u>	<u>\$ 1,451,553</u>	<u>\$ (21,699)</u>	<u>-1.49%</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>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	\$ 22,787	\$ 14,624	\$ 8,163	55.82%
Operating Expenses	42,728	46,239	-3,511	-7.59%
% Cost Recovery Through Operating Fees and Charges	<u>53.33%</u>	<u>31.63%</u>	<u>21.70%</u>	<u>68.61%</u>

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	\$ 14,624	\$ 11,236	\$ 3,388	30.15%
Operating Expenses	46,239	42,390	3,849	9.08%
% Cost Recovery Through Operating Fees and Charges	<u>31.63%</u>	<u>26.51%</u>	<u>5.12%</u>	<u>19.31%</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 2013, total revenue was \$20,935 under what was budgeted, and expenses were \$5,231 under the budgeted amount. In 2012, total revenue was \$12,060 under what was budgeted, and expenses were \$11,983 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

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COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

December 31, 2013 And 2012

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash	\$ 10,302	\$ 8,242
Other Assets		
Investments	1,390,789	1,421,612
Total Assets	1,401,091	1,429,854
Net Position		
Unrestricted	1,401,091	1,429,854
Total Net Position	\$ 1,401,091	\$ 1,429,854

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For The Years Ended December 31, 2013 And 2012

	2013	2012
Operating Revenues		
Annual fees	\$ 11,287	\$ 11,686
Loan closing fees	10,325	1,888
Application fees	1,175	1,050
Total Operating Revenues	22,787	14,624
Operating Expenses		
Contributions	11,050	14,051
Personal services	12,269	10,819
Advertising	6,267	10,152
Accounting	9,214	8,683
Official functions	771	620
Board travel	1,823	528
Insurance	377	377
Administration	395	421
Exhibitor/registration fees	—	200
Membership dues	200	200
Office supplies	48	51
Staff travel	138	99
Bank fees	38	38
Miscellaneous	138	—
Total Operating Expenses	42,728	46,239
Net Operating Loss	(19,941)	(31,615)
Nonoperating Revenues		
Net investment income	14,565	19,694
Unrealized loss on investments	(23,387)	(9,778)
Total Nonoperating Revenues (Expenses)	(8,822)	9,916
Change In Net Position	(28,763)	(21,699)
Net Position - Beginning Of Year	1,429,854	1,451,553
Net Position - End Of Year	\$ 1,401,091	\$ 1,429,854

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

For The Years Ended December 31, 2013 And 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Cash received from borrowers and institutions	\$ 22,787	\$ 14,624
Cash paid to suppliers	(42,728)	(46,239)
Net Cash Used In Operating Activities	(19,941)	(31,615)
Cash Flows From Investing Activities		
Proceeds from sale of investments	22,001	30,000
Net Increase (Decrease) In Cash	2,060	(1,615)
Cash - Beginning Of Year	8,242	9,857
Cash - End Of Year	\$ 10,302	\$ 8,242
Reconciliation Of Net Operating Loss		
To Net Cash Used In Operating Activities		
Net Operating Loss	\$ (19,941)	\$ (31,615)
Noncash Transactions		
Net investment income	\$ 14,565	\$ 19,694
Unrealized loss on investments	(23,387)	(9,778)

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 And 2012

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.

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.

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

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 Financial Statements (*Continued*)

As of December 31, 2013, the Authority assisted with 337 loans and related bonds issued totaling \$48,328,403 under the Beginning Farmer Program. In 2013, 5 loans totaling \$1,305,000 were made to assist beginning farmers and ranchers. In 2012, 4 loans totaling \$981,000 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. As of December 31, 2013, the Authority has issued four bonds totaling \$20,500,000 under this program. In 2013, one bond was issued in the amount of \$4,750,000 for the purpose of water pollution control.

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 449 loans totaling \$91,723,403 as of December 31, 2013. 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.

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.

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

Notes To Financial Statements (*Continued*)

Based on how the Authority's Board is appointed, and whether 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 position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Basis Of Accounting

Basis of accounting refers to when revenues and 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 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 nonoperating 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 nonoperating revenues and expenses. This category would include net investment income and unrealized gains/losses from investments.

Budgets

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

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

Cash Equivalents

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. The Authority had no cash equivalents at December 31, 2013.

Investments

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

Net Position

Net position represents the difference between assets and liabilities. Net position is represented as restricted when there are limitations imposed by creditors, grantors or laws and regulations of other governments. All other net position is reported as unrestricted. The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position 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.

2. Cash Deposits And Investments

	<u>2013</u>	<u>2012</u>
Cash	\$ 10,302	\$ 8,242
Investments	<u>1,390,789</u>	<u>1,421,612</u>
Total Cash And Investments	\$ 1,401,091	\$ 1,429,854

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

Notes To 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 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 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. At December 31, 2013, the Authority's cash deposits had a book balance of \$10,302 and a corresponding bank balance of \$12,105. 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, \$12,105 was covered by federal depository insurance. At December 31, 2012, the Authority's cash deposits had a book balance of \$8,242 and a corresponding bank balance of \$9,513. 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, \$9,513 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, 2013 and 2012, the Authority's deposits were not exposed to custodial credit risk, as all deposits were insured by 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
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
Notes To Financial Statements (Continued)

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 \$275,605 and \$280,641 as of December 31, 2013 and 2012, 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.

The Authority's investments as of December 31, 2013, were as follows:

	<u>Market Value</u>	<u>Maturities</u>	<u>Rating</u>
Jefferson County, CO COPs	\$ 213,332	12/2016	AA
U.S. agencies	901,852	11/2017 - 4/2018	AA+
CSAFE	275,605		AAAm
Total Investments	\$ 1,390,789		

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

The Authority's investments as of December 31, 2012, were as follows:

	<u>Market Value</u>	<u>Maturities</u>	<u>Rating</u>
Jefferson County, CO COPs	\$ 220,486	12/2016	AA
U.S. agencies	920,485	4/2017 - 11/2017	AA+
CSAFE	280,641		AAAm
Total Investments	\$ 1,421,612		

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.