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***COLORADO AGRICULTURAL  
DEVELOPMENT AUTHORITY***  
*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2016 AND 2015*

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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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic 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, 2016 and 2015, 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.

### ***Emphasis Of Matter***

As discussed in Note 2, the Authority adopted the provisions of the Governmental Accounting Standards Board *Statement No. 72, Fair Value Measurement and Application*, effective for the year ended December 31, 2016. Our opinions were not modified with respect to this matter.

### ***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*

May 22, 2017

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**COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY**

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**STATEMENT OF NET POSITION**

**December 31, 2016 And 2015**

	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash	\$ 9,694	\$ 10,226
<b>Other Assets</b>		
Investments	1,341,261	1,364,390
<b>Total Assets</b>	<u>1,350,955</u>	<u>1,374,616</u>
<b>Net Position</b>		
Unrestricted	1,350,955	1,374,616
<b>Total Net Position</b>	<u>\$ 1,350,955</u>	<u>\$ 1,374,616</u>

# COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For The Years Ended December 31, 2016 And 2015

	2016	2015
<b>Operating Revenues</b>		
Annual fees	\$ 14,690	\$ 8,760
Loan closing fees	5,903	3,069
Application fees	650	150
<b>Total Operating Revenues</b>	<b>21,243</b>	<b>11,979</b>
<b>Operating Expenses</b>		
Contributions	13,750	11,750
Personal services	13,800	12,575
Advertising	8,509	5,180
Accounting	13,369	12,023
Official functions	1,701	642
Board travel	—	1,665
Insurance	348	348
Exhibitor/registration fees	125	295
Administration	319	308
Membership dues	200	200
Office supplies	113	46
Printing	—	293
Staff travel	194	396
Bank fees	39	74
<b>Total Operating Expenses</b>	<b>52,467</b>	<b>45,795</b>
<b>Net Operating Loss</b>	<b>(31,224)</b>	<b>(33,816)</b>
<b>Nonoperating Revenues</b>		
Net investment income	17,765	16,637
Unrealized loss on investments	(10,202)	(4,996)
<b>Total Nonoperating Revenues</b>	<b>7,563</b>	<b>11,641</b>
<b>Change In Net Position</b>	<b>(23,661)</b>	<b>(22,175)</b>
<b>Net Position - Beginning Of Year</b>	<b>1,374,616</b>	<b>1,396,791</b>
<b>Net Position - End Of Year</b>	<b>\$ 1,350,955</b>	<b>\$ 1,374,616</b>

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# COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

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## STATEMENT OF CASH FLOWS For The Years Ended December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from borrowers and institutions	\$ 21,243	\$ 11,979
Cash paid to suppliers	(52,467)	(45,795)
<b>Net Cash Used In Operating Activities</b>	<b>(31,224)</b>	<b>(33,816)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	30,692	30,001
<b>Net Decrease In Cash</b>	<b>(532)</b>	<b>(3,815)</b>
<b>Cash - Beginning Of Year</b>	<b>10,226</b>	<b>14,041</b>
<b>Cash - End Of Year</b>	<b>\$ 9,694</b>	<b>\$ 10,226</b>
<b>Reconciliation Of Net Operating Loss To Net Cash Used In Operating Activities</b>		
Net operating loss	\$ (31,224)	\$ (33,816)
<b>Noncash Transactions</b>		
Net investment income	\$ 17,765	\$ 16,637
Unrealized gain (loss) on investments	(10,202)	(4,996)

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# COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2016 And 2015

### 1. Summary Of Significant Accounting Policies

The Colorado Agricultural Development Authority (the Authority) was created on 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**

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

As of December 31, 2016, the Authority assisted with 357 loans and related bonds issued totaling \$53,581,203 under the Beginning Farmer Program. In 2016, 11 loans totaling \$2,600,000 were made to assist beginning farmers and ranchers. In 2015, 5 loans totaling \$1,558,800 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, 2016, the Authority has issued four bonds totaling \$20,500,000. No bonds were issued in 2016 or 2015 under this program.

#### 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 469 loans totaling \$96,976,203 as of December 31, 2016. 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**

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### 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

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## 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, 2016 or 2015.

### Investments

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

### 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>2016</u>	<u>2015</u>
Cash	\$ 9,694	\$ 10,226
Investments	1,341,261	1,364,390
<b>Total Cash And Investments</b>	<b>\$ 1,350,955</b>	<b>\$ 1,374,616</b>

## **COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY**

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### 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, 2016, the Authority's cash deposits had a book balance of \$9,694 and a corresponding bank balance of \$14,107. 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, \$14,107 was covered by federal depository insurance. At December 31, 2015, the Authority's cash deposits had a book balance of \$10,226 and a corresponding bank balance of \$11,713. 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, \$11,713 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, 2016 and 2015, 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

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### 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 \$235,649 and \$247,935 as of December 31, 2016 and 2015, 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.

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, 2016, were as follows:

	<u>Market Value</u>	<u>Maturities</u>	<u>Rating</u>
<b>Bonds:</b>			
U.S. agencies	\$ 169,703	2/28/2007	AA+
Federal Home Loan Bank Bonds	935,909	1/28/17-4/28/17	AA+
<b>Pooled Investments:</b>			
CSAFE	235,649		AAAm
<b>Total Investments</b>	<u>\$ 1,341,261</u>		

## COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY

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### Notes To Financial Statements (Continued)

The Authority's investments as of December 31, 2015, were as follows:

	<u>Market Value</u>	<u>Maturities</u>	<u>Rating</u>
<b>Bonds:</b>			
Jefferson County, CO COPs	\$ 204,808	12/1/2016	AA+
U.S. agencies	516,300	11/2017-4/2018	AA+
Federal Home Loan Bank Bonds	395,347	4/30/2020	AA+
<b>Pooled Investments:</b>			
CSAFE	247,935		AAAm
<b>Total Investments</b>	<b>\$ 1,364,390</b>		

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of December 31, 2016 and December 31, 2015, respectively:

- 2016 - Bonds of \$1,105,612 are valued using a matrix pricing model (Level 2 inputs).
- 2015 - Bonds and COPs of \$1,116,455 are valued using a matrix pricing model (Level 2 inputs).

### 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.