

COLORADO HOUSING AND FINANCE AUTHORITY

2002 FINANCIAL REPORT



**COLORADO HOUSING
AND FINANCE AUTHORITY**

Investing in Home and Business.

COLORADO HOUSING AND FINANCE AUTHORITY

Financial Statements for the Years Ended December 31, 2002 and 2001 and
Independent Auditors' Reports

Table of Contents

	Page
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	1
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002:	
Balance Sheets	5
Statements of Revenues, Expenses and Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	9
SUPPLEMENTAL INFORMATION:	
Supplemental Balance Sheets by Program as of December 31, 2002	28
Supplemental Statements of Revenue, Expenses and Changes in Net Assets by Program for the Year Ended December 31, 2002	29
Supplemental Statements of Cash Flows by Program for the Year Ended December 31, 2002	30



INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Colorado Housing and Finance Authority
Denver, Colorado

We have audited the accompanying balance sheet of Colorado Housing and Finance Authority (the "Authority") as of December 31, 2002 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. 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 audit. The financial statements of the Authority for the year ended December 31, 2001 were audited by other auditors who have ceased operations, whose report, dated February 22, 2002, expressed an unqualified opinion on those statements. We did not audit the financial statements of Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation, and Village of Yorkshire Corporation, which statements reflect total assets constituting 0.9% and 1.1%, respectively, of total assets at December 31, 2002 and 2001, and total revenues constituting 5.3% and 4.8%, respectively, of total revenues for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation, and Village of Yorkshire Corporation, are based solely on the reports of such other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, such financial statements present fairly, in all material respects, the financial position of the Authority, at December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1(c) to the financial statements, during the year ended December 31, 2002, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

As discussed above, the financial statements of Colorado Housing and Finance Authority as of December 31, 2001, and for the year then ended were audited by other auditors who have ceased operations. As described in Note 1(c), such 2001 financial statements have been revised for the adoption of GASB Statements No. 34, 37, and 38. In our opinion, the reclassifications to the 2001 balance sheet, statement of revenue, expenses and changes in net assets, and statement of cash flows are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of the Authority other than with respect to such reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the presentation of management's discussion and analysis. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying 2002 Supplemental Balance Sheet by Program as of December 31, 2002, Supplementary Schedule of Revenues, Expenses and Changes in Net Assets by Program for the year ended December 31, 2002, and Supplemental Statements of Cash Flows by Program for the year ended December 31, 2002 are presented for the purpose of additional analysis and are not a required part of the 2002 financial statements of the Authority. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2002, is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. These schedules are the responsibility of the Authority's management. Such schedules have been subjected to the auditing procedures applied in our audit of the 2002 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the 2002 financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2003, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

Denver, Colorado
April 25, 2003

Management's Discussion and Analysis

Year Ended December 31, 2002 (Unaudited)

Management of the Colorado Housing and Finance Authority (the "Authority") is providing this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2002. This overview and analysis is required by generally accepted accounting principles ("GAAP") in Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" ("GASB 34"). GASB 34 requires that this overview and analysis provide prior year comparative data except for the year of implementation of the provisions of the statement. Since the year ended December 31, 2002 is the Authority's year of implementation, we have provided prior year comparative data only when it was available and meaningful.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

- As a result of this year's operations, net assets increased to \$198.3 million, or 9.7% over year-end 2001.
- Profitability, as measured by return on average assets, was .8% for 2002. Liquidity, as measured by loans receivable as a percentage of total assets, was at 64.7% at year-end 2002. Leverage, as measured by total net assets as a percentage of total assets (excluding \$208.5 million of assets held to collateralize certain short-term borrowings), was 8.9% at year-end 2002.
- Change in net assets reached \$17.5 million for 2002, a 7.2% increase over 2001. This was primarily due to an increase in other revenues, a net increase in the fair market value of long-term marketable securities, offset by a reduction in investment income.
- New loan production, as measured by loans closed, totaled \$605.1 million for the year. All three production divisions reached record levels: single family loan production increased to \$415.7 million, multi-family loan production increased to \$139.7 million, and commercial business lending increased to \$49.7 million in 2002.
- The Authority increased the amount of taxable debt issued in conjunction with its single family qualified lending program to approximately 45% of the related debt, compared to approximately 34% in 2001. This resulted in \$176 million available to fund loans to low and moderate income borrowers without utilizing tax-exempt bond issuance capacity.
- The Authority provided funding for the acquisition and preservation of a portfolio of twenty multi-family properties, housing 1,407 very-low-income families and seniors.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority, a corporate body and political subdivision of the State of Colorado, is a public purpose financial enterprise and therefore follows enterprise fund accounting. The financial statements consist of three sections: Management's discussion and analysis, the financial statements with notes, and supplementary schedules.

The financial statements report information for all Authority programs and operations. The Balance Sheets include all of the Authority's assets and liabilities. All of the revenues and expenses of the Authority are recorded in the Statements of Revenues, Expenses and Changes in Fund Net Assets. Financial statements by program are presented as supplementary information. These statements separate the financial statements into three segments: Single Family Bond Programs, Multi-Family Bond Programs, and the General Fund, which includes all other Authority activities.

Management's Discussion and Analysis

Year Ended December 31, 2002 (Unaudited)

FINANCIAL ANALYSIS OF THE AUTHORITY

Balance Sheets

The net assets of the Authority increased by \$17.5 million, or 9.7%, from the December 31, 2001 amount. The following tables summarize the changes in assets, liabilities and net assets between December 31, 2002 and 2001 (in thousands):

	2002	2001	Change	
Current Assets	\$ 708,512	\$ 495,854	\$ 212,658	42.9 %
Noncurrent assets:				
Long term marketable securities restricted	132,973	99,754	33,219	33.3
Long term marketable securities unrestricted	14,119	14,162	(43)	(0.3)
Loans receivable	1,531,076	1,358,850	172,226	12.7
Property and equipment, net	33,658	31,663	1,995	6.3
Other real estate owned, net	5,380	7,146	(1,766)	(24.7)
Deferred debt financing costs, net	13,699	16,674	(2,975)	(17.8)
Other assets	8,301	5,933	2,368	39.9
Total assets	\$ 2,447,718	\$ 2,030,036	\$ 417,682	20.6 %
Current liabilities	\$ 326,841	\$ 163,737	\$ 163,104	99.6 %
Noncurrent liabilities:				
Bonds payable, net	1,918,377	1,682,675	235,702	14.0
Notes payable, net	3,844	2,519	1,325	52.6
Deferred fee income	358	298	60	20.1
Total liabilities	\$ 2,249,420	\$ 1,849,229	\$ 400,191	21.6 %
Net assets:				
Invested in capital assets, net of related debt	\$ 5,327	\$ 2,759	\$ 2,568	93.1 %
Restricted	75,323	68,628	6,695	9.8
Unrestricted	117,648	109,420	8,228	7.5
Total Net Assets	\$ 198,298	\$ 180,807	\$ 17,491	9.7 %
Total Liabilities & Net Assets	\$ 2,447,718	\$ 2,030,036	\$ 417,682	20.6 %

The Authority's net assets increased primarily due to an increase in loan production levels in all three production areas – single family, multi-family, and commercial business lending.

Current assets and liabilities grew primarily due to an increase in debt refunding activity and the reinvestment of the proceeds for purposes of preserving tax-exempt bond issuance capacity. \$208.5 million of line-of-credit borrowings and short-term debt obligations were outstanding related to this preservation activity as of December 31, 2002.

Net assets of the single family and multi-family bond funds of \$75 million are classified as restricted. The uses of these funds are directed by the related bond resolutions and indentures of trust.

Management's Discussion and Analysis

Year Ended December 31, 2002 (Unaudited)

Statements of Revenues, Expenses and Changes in Net Assets

The following tables summarize the changes in revenues and expenses between 2002 and 2001 (in thousands):

	2002	2001	Change	
Operating revenues:				
Interest on loans	\$ 86,960	\$ 98,772	\$ (11,812)	(12) %
Investment income	23,521	28,754	(5,233)	(18.2)
Net increase (decrease) in the fair market value of long-term marketable securities	3,904	(230)	4,134	1,797.4
Rental operations	10,569	10,373	196	1.9
Other revenues	12,422	10,738	1,684	15.7
Total operating revenues	\$ 137,376	\$ 148,407	\$ (11,031)	(7.4) %
Nonoperating revenues	222	1,236	(1,014)	(82.0)
Total revenues	\$ 137,598	\$ 149,643	\$ (12,045)	(8.0) %
Operating expenses:				
Interest expense, bonds and notes	\$ 90,852	\$ 103,793	\$ (12,941)	(12.5) %
Salaries and related benefits	10,869	9,892	977	9.9
General operating	10,278	9,462	816	8.6
Other interest expense	1,715	1,822	(107)	(5.9)
Depreciation	2,246	1,693	553	32.7
Provision for losses	4,147	6,666	(2,519)	(37.8)
Total operating expenses	\$ 120,107	\$ 133,328	\$ (13,221)	(9.9) %
Change in net assets	\$ 17,491	\$ 16,315	\$ 1,176	7.2 %

Interest earned on loans of \$87 million and interest expense on bonds and notes of \$90.9 million are the primary components of total revenues and expenses, respectively, for the Authority.

Total operating revenues were \$137.4 million, which is \$11 million less than 2001. Interest on loans decreased \$11.8 million as a result of declining interest rates and high single family loan prepayments, and reflects increased amortization of capitalized fee and down payment assistance balances due to high prepayment speeds. A decrease in interest rates during 2002 also resulted in reduced investment income for the year and was responsible for the net increase in the fair market value of long-term marketable securities of \$3.9 million, compared to a \$230,000 net loss recorded in 2001. Additionally, other revenue grew to \$12.4 million, an increase of \$1.7 million over 2001 as a result of growth in loan servicing and HUD contract administration fees.

Rental operations income of \$10.6 million was generated primarily from rental income from the Authority's Rental Acquisition Program ("RAP"). Under this program, the Authority owns 14 below-market rent multi-family properties, which provide affordable housing to low and moderate-income families.

Management's Discussion and Analysis

Year Ended December 31, 2002 (Unaudited)

Total operating expenses of \$120.1 million decreased \$13.2 million from the \$133.3 million recorded in 2001. This decrease is due to lower interest expense and a decrease in the provision for losses, offset by higher salary and depreciation expense due to the Authority's growth in 2002. Interest expense declined by \$12.9 million as a result of declining interest rates, redemptions of high coupon debt from loan prepayments and reflects increased amortization of capitalized bond premiums due to the high level of bond redemptions.

Salaries and benefits of \$10.9 million include compensation and benefits for the Authority's 175 full-time equivalent (FTE) employees.

General operating expenses of \$10.3 million include all operating expenses of the Authority, including professional services, operating and facilities, trustee fees, and travel expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Authority acquired a new loan servicing system in 2002. The \$490,000 cost of this system is being depreciated over a three-year period.

The Authority purchased a multi-family property for \$1.5 million for inclusion in its Rental Acquisition Program. This property is currently undergoing a \$2 million renovation.

Bonds payable increased \$384 million, including a \$148 million increase in the current portion, to \$2.1 billion at December 31, 2002, compared to the prior year-end. The increase was primarily due to the issuance of three single family bond issues resulting in proceeds of \$496 million, and the issuance of four multi-family bond issues resulting in proceeds of \$331 million. In addition, \$15.0 million in private placement bonds were issued in 2002. This new issuance activity was offset by bond maturities and redemptions and scheduled payments totaling \$441 million. More detail on the Authority's debt is presented in detail in Note 4 to the financial statements.

OTHER FINANCIAL ANALYSIS

At the start of 2003, the Authority introduced a significant change to its single family loan programs. The existing grant of down payment assistance was replaced with a second mortgage loan program. This action will improve bond issue residuals under high prepayment scenarios and offers a lower first mortgage rate to the borrower.

There are no currently existing conditions that are expected to have a negative impact on the Authority's future operations.

BALANCE SHEETS

	Years ended December 31,	
	2002	(000's Omitted) 2001
ASSETS		
CURRENT ASSETS:		
Cash and interest bearing accounts	\$ 20,791	\$ 12,929
Short-term marketable securities (at amortized cost which approximates market)	606,803	411,581
Loans receivable - current portion	52,796	46,857
Accrued interest receivable	17,658	16,838
Deferred debt financing costs - current portion	761	1,234
Other assets - current portion	8,843	6,046
Federally assisted program advances	860	369
Total current assets	708,512	495,854
NONCURRENT ASSETS:		
Long-term marketable securities (at fair value) restricted	132,973	99,754
Long-term marketable securities (at fair value) unrestricted	14,119	14,162
Loans receivable, net	1,531,076	1,358,850
Property and equipment, net		
Corporate facilities	5,572	5,116
Rental operations	28,086	26,547
Other real estate owned, net	5,380	7,146
Deferred debt financing costs, net	13,699	16,674
Other assets	8,301	5,933
Total noncurrent assets	1,739,206	1,534,182
TOTAL ASSETS	\$ 2,447,718	\$ 2,030,036
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Bonds payable - current portion	176,126	28,297
Notes payable - current portion	113,378	101,981
Accrued interest payable	27,058	25,224
Accounts payable and other liabilities	7,721	7,529
Federally assisted program advances	860	369
Refundable deposits	1,698	337
Total current liabilities	326,841	163,737
NONCURRENT LIABILITIES:		
Bonds payable, net	1,918,377	1,682,675
Notes payable	3,844	2,519
Deferred fee income	358	298
Total noncurrent liabilities	1,922,579	1,685,492
TOTAL LIABILITIES	\$ 2,249,420	\$ 1,849,229
NET ASSETS		
Invested in capital assets, net of related debt	5,327	2,759
Restricted	75,323	68,628
Unrestricted	117,648	109,420
TOTAL NET ASSETS	198,298	180,807
TOTAL LIABILITIES AND NET ASSETS	\$ 2,447,718	\$ 2,030,036

The accompanying notes are an integral part of these statements.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

	Years Ended December 31,	
	2002	(000's Omitted) 2001
OPERATING REVENUES:		
Interest on loans	\$ 86,960	\$ 98,772
Investment income	23,521	28,754
Net increase (decrease) in fair value of long-term marketable securities	3,904	(230)
Rental operations	10,569	10,373
Other revenues	12,422	10,738
Total operating revenues	137,376	148,407
OPERATING EXPENSES:		
Interest expense, bonds and notes	90,852	103,793
Salaries and related benefits	10,869	9,892
General operating	10,278	9,462
Other interest expense	1,715	1,822
Depreciation	2,246	1,693
Provision for losses	4,147	6,666
Total operating expenses	120,107	133,328
OPERATING INCOME	17,269	15,079
NONOPERATING REVENUES:		
Grant income	222	1,236
Total nonoperating revenues	222	1,236
CHANGE IN NET ASSETS	17,491	16,315
NET ASSETS:		
Beginning of year	180,807	164,492
End of year	\$ 198,298	\$ 180,807

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2002	<i>(000's Omitted)</i>	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received on loans receivable	\$ 98,697		\$ 98,946
Cash received from principal payments on loans	366,043		290,863
Interest received from marketable securities	24,395		29,535
Cash received from rental operations	10,546		10,352
Cash received from other revenues	12,400		9,735
Cash received from sales of other real estate owned	6,795		3,132
Fees received from loan fundings	2,456		1,296
Cash received from accounts payable, federally assisted programs, and escrow	2,095		258
Cash payments/received from other assets	(219)		2,402
Interest paid on bonds and notes	(102,716)		(104,995)
Cash payments for new loan fundings	(567,216)		(315,307)
Cash payments for salaries and related benefits	(10,559)		(10,001)
Cash payments for general operating expenses	(9,301)		(7,810)
Cash payments for other interest	(1,715)		(1,822)
Fees paid on loan fundings	(9,763)		(6,552)
Net cash provided by (used in) operating activities	(178,062)		32
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Proceeds from issuance of bonds payable	841,966		366,060
Proceeds from issuance of notes payable	1,832,955		393,807
Cash received from grants	222		1,236
Cash payments for debt financing costs	(4,437)		(3,732)
Repayment of bonds payable	(434,444)		(284,063)
Repayment of notes payable	(1,820,233)		(391,513)
Cash payments for bond call premiums	(1,549)		(997)
Net cash provided by (used in) noncapital financing activities	414,480		80,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of property and equipment - Corporate facilities	-		2
Proceeds from sale of property and equipment - Rental operations	-		519
Purchases of property and equipment - Corporate facilities	(1,002)		(2,256)
Purchases of property and equipment - Rental operations	(3,240)		(1,071)
Net cash provided by (used in) capital and related financing activities	(4,242)		(2,806)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of long-term marketable securities	65,850		20,096
Purchase of long-term marketable securities	(94,942)		(10,053)
Net cash provided by (used in) investing activities	(29,092)		10,043
Net increase (decrease) in cash and cash equivalents	203,084		88,067
Cash and cash equivalents - beginning of year	424,510		336,443
Cash and cash equivalents - end of year	\$ 627,594		\$ 424,510

The accompanying notes are an integral part of these statements.

(Continued)

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2002	<i>(000's Omitted)</i>	2001
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income	\$	17,269	15,079
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
(Increase) decrease in fair value of investments		(3,904)	230
Depreciation expense		2,246	1,693
Loss on sale of property and equipment		2	(303)
Gain on sale of long-term marketable securities		(103)	-
Accretion of capital appreciation term bonds		644	1,547
Amortization of:			
Deferred debt financing costs		6,832	1,144
Premiums and discounts on bonds, net		(21,172)	(5,704)
Premiums and discounts on long-term marketable securities, net		(78)	(26)
Deferred fee income		(2,304)	(1,585)
Deferred cash assistance expense		15,937	2,611
Service release premium		1,550	603
Mortgage yield recoupment income		(22)	(62)
Provision for losses		4,147	6,666
Principal repayments on loans receivable		366,043	290,863
Sales of other real estate owned		6,795	3,132
New loan fundings		(567,216)	(315,307)
Deferred fee income		2,456	1,296
Deferred cash assistance expense		(9,763)	(6,552)
Gain on sale of OREO		-	(294)
Changes in assets and liabilities:			
Accrued interest receivable		(820)	17
Other assets		(478)	2,024
Accrued interest payable		1,834	1,811
Accounts payable, federally assisted program advances and escrow and refundable deposits		2,043	1,149
Net cash provided by (used in) operating activities	\$	(178,062)	32
Supplemental schedule of non-cash operating, non-capital financing, capital and related financing and investing activities:			
Transfer of mortgage loans to other real estate owned		7,716	9,166
Transfer of loans receivable to other assets		5,582	2,748
Transfer of allowance on loans receivable to allowance on other real estate owned		87	2,719
Transfer of allowance on OREO to allowance on accrued interest receivable		-	340
Offset of note payable to OREO due to risk sharing settlement		-	3,514
Transfer of deferred debt financing costs to defer red refunding (bonds and notes payable)		1,359	1,575
Transfer of deferred fee income to deferred refunding (loans receivable)		145	247
Transfer of other assets to defer red refunding		1,003	-
Transfer of other real estate owned to other assets		2,150	-

The accompanying notes are an integral part of these statements.

(Concluded)

(1) Organization and Summary of Significant Accounting Policies

(a) Authorizing Legislation

Colorado Housing and Finance Authority (the "Authority") is a corporate body and a political subdivision of the State of Colorado established pursuant to the Colorado Housing and Finance Authority Act, Title 29, Article 4, Part 7 of the Colorado Revised Statutes, as amended (the "Act"). The Authority is not a state agency and is not subject to administrative direction by the State. The governing body of the Authority is its Board of Directors. Operations of the Authority commenced in 1974.

The Authority was created for the purpose of making funds available to assist private enterprise and governmental entities in providing housing facilities for low and moderate income families. Under the Act, the Authority is also authorized to finance project and working capital loans to industrial and commercial enterprises of small and moderate size.

In 2001, the Colorado state legislature repealed the limitation on the amount of debt that the Authority can issue. The bonds, notes and other obligations of the Authority do not constitute debt of the State of Colorado.

In 1992, Colorado voters approved an amendment to the State Constitution, Article X, Section 20 which, among other things, imposes restrictions on increases in revenue and expenditures of state and local governments. In the opinion of its bond counsel, the Authority qualifies as an enterprise under the amendment and therefore is exempt from its provisions.

(b) Reporting Entity

In accordance with governmental accounting standards applicable to the reporting entity, the Authority has included

related entities in its financial statements.

The reporting entity definition is based primarily on the concept of financial accountability. The Authority is financially accountable for those units that make up its legal entity as well as its legally separate organizations, because they have the same board of directors and management personnel, and their surplus assets are relinquished to the Authority.

Tanglewood Oaks Apartments Corporation ("Tanglewood"), Hyland Park Centre Corporation ("Hyland Park"), and Village of Yorkshire Corporation ("Yorkshire") have been designated as blended component units and included in the Authority's financial statements. Tanglewood, Hyland Park and Yorkshire are public, non-profit instrumentalities of the Authority, each of which owns and operates a single, separate multi-family rental housing project. Financial information pertaining to the blended component units is presented in Note (1)(l). Separate financial statements for the individual component units may be obtained through the Authority.

Management also has concluded that the Authority is not a component unit of any other entity.

(c) Fund Accounting

The Authority has adopted GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as amended by GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and 34", and GASB Statement No. 38, "Certain Financial

Statement Note Disclosures". The objectives of the statements are to establish a basic financial reporting model that will result in greater accountability by governments, while providing more useful information to a wider range of users. This conceptual basis has resulted in a new financial reporting model with several changes that have major implications on governments; however, as a public enterprise, the implications to the Authority are significant but not as broad as to a true governmental entity.

The effect on the financial statements of implementing GASB Statement No. 34, as amended, resulted in the presentation of classified Balance Sheets, reclassification of certain amounts on the Statements of Revenue, Expenses, and Changes in Net Assets, the change from the indirect to the direct method of presenting cash flows from operating activities, classification of net assets, reporting certain additional footnote disclosures, and the inclusion of Management's Discussion and Analysis as required supplemental information.

The financial activities of the Authority are recorded in the funds ("Bond Funds") established under various bond resolutions and in other funds established in connection with the administration of the Authority's programs. All activities of the Authority not performed pursuant to the Single Family and Multi-Family Funds are recorded in the General Fund. These funds are combined into a single column for financial reporting purposes.

The financial statements of the Authority are presented on the basis of the proprietary fund accounting concept.

NOTES TO FINANCIAL STATEMENTS

(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(1) Organization and Summary of Significant Accounting Policies (continued)

The Authority's Board of Directors (the "Board") has designated certain amounts of the unrestricted net assets of the General Fund as of December 31, 2002 and 2001 for various purposes as follows. These designations of net assets are not binding, and can be changed by the Board of Directors.

	2002	2001
Appropriations for loan funds:		
Housing fund	\$ 571	\$ 1,217
Business Finance Fund	29,092	15,577
Housing Opportunity Fund	26,094	19,390
	55,757	36,184
Designations:		
Debt service for General Obligation Bonds -		
Rental Housing and Commercial	18,468	12,159
General operating and working capital	15,084	12,374
Unrealized appreciation of investments	1,241	473
Single and multi-family bonds	27,098	48,230
	61,891	73,236
Total unrestricted net assets	\$ 117,648	\$ 109,420

(c) Fund Accounting (continued)

Revenue and expenses are recognized on an accrual basis. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are interest income on loans and investment income. The Authority also recognizes revenues from rental operations and other revenues, which include loan servicing fees and other administrative fees. Operating expenses include interest expenses, administrative expenses, depreciation, and the provision for losses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The restricted amounts are for the payment of principal, redemption premium, if any, or interest on all outstanding multi-family and single family bond issues, in the event that no other monies are legally available for such payments. The Board may

withdraw all or part of this designated balance only if (i) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and (ii) no default exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

The Authority has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting".

As permitted by GASB Statement 20, the Authority has elected not to adopt any Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, unless so directed by the GASB.

(d) Budget Policies and Procedures

The Authority's budget year is the calendar year. A budget committee consisting of Finance, the Executive Committee and

Human Resources staff reviews the initial drafts, makes necessary changes and presents the budget to the Executive Director for further review and approval. The Board is presented with a draft in November, and a public hearing is conducted. Modifications are made reflecting Board and public input, and the final version is adopted by the Board in December. The Board may modify the budget at any point during the fiscal year, but has chosen to do so only twice in its history; in 2000 and in 1992.

The budget is developed on a full accrual basis with estimations of revenue by source and expenses by object. Funds remaining at the end of one year are budgeted again in the following year, if requested and approved.

(e) Cash

Cash at December 31, 2002 and 2001, primarily includes market interest accounts of which approximately \$1,698,000 and \$1,438,000, respectively, is designated for various General Fund program purposes.

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(1) Organization and Summary of Significant Accounting Policies (continued)

(f) Marketable Securities

The Authority accounts for its investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement 31), which establishes accounting and financial reporting standards for investments held by governmental entities. Statement 31 requires most investments to be recorded at fair value and the recognition of unrealized gains and losses in the statement of revenue and expenses. Statement 31 allows money market investments and participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less to be recorded at amortized cost. The net increase (decrease) in the fair value of long-term marketable securities for 2002 and 2001 is reflected in the statements of revenues, expenses, and changes in net assets for the years presented.

The fair value of the Authority's investments is determined from quoted market prices. Long-term marketable securities are carried at fair value. However, the Authority's long-term marketable securities include investment contracts that have fixed maturities and fixed rates with flexible withdrawal provisions. These investment contracts are not transferable, are not affected by changes in market interest rates, and therefore are carried at current face value. Included in long-term marketable securities are \$132,973,000 and \$99,754,000 at December 31, 2002 and 2001, respectively, which are restricted for future debt service as required under the various bond resolutions. Short-term marketable securities are carried at amortized cost, which approximates market,

and generally mature within 90 days. For purposes of the statements of cash flows, the Authority considers all short-term investments to be cash equivalents. The Authority must authorize all purchases and sales of investments in writing.

(g) Loans Receivable

Mortgage loans are carried net of deferred cash assistance expense, deferred fee income, deferred mortgage yield recoupment income and allowance for loan losses. Generally, single family mortgage loans bear interest at rates ranging from 5.00% to 10.00% per annum, payable monthly over 30 years. Multi-family and business loans bear interest at rates ranging from 1.00% to 12.00% per annum, payable over terms from 20 to 40 years. Servicing of mortgage loans is provided by the Authority and various approved and qualified private lending institutions, on behalf of the Authority. The Authority services approximately 92% of its loans directly.

(h) Fee Income and Expense

Loan and commitment fees, net of related costs, are deferred and amortized into interest income, using the effective interest method, over the lives of the loans. Under the Authority's current Single Family Bond Program, the borrower can choose a loan that provides a cash assistance payment of generally 3% of the loan amount. These payments are deferred and amortized into interest income, using the effective interest method, over the lives of the loans.

(i) Mortgage Yield Recoupment Income

Income in excess of arbitrage limits under the U.S. Treasury regulations is accounted for as an adjustment of the yield on the

respective mortgage loan portfolio to the yield permitted under the regulations. These amounts are classified as reductions of loans receivable, and deferred and amortized over the lives of the respective mortgage loans.

(j) Compensated Absences

Full-time employees accrue vacation leave at the rate of between ten days and twenty days per year, depending on length of service. Partial full-time employees accrue vacation at 80% of full time employees, while part-time employees accrue vacation at 50%. Sick leave accrues to full-time employees at the rate of 9 days per year, and 7.2 days for partial full-time staff. Personal leave accrues to full-time employees at the rate of 2 days per calendar year and part-time employees accrue at 1.6 days. Both sick leave and personal leave are non-vesting and cannot be carried over into the next calendar year. The liability for compensated absences is based on current salary rates, and is included in the financial statements.

(k) Allowance for Losses

The allowance for losses on loans, accrued interest receivable, other real estate owned, and other assets is provided through charges against current operations based on management's periodic review of the loan and other real estate owned portfolios. This review considers such factors as the payment history of the loans, the projected cash flows of the borrowers, estimated value of the collateral, subsidies, historical loss experience for each type of insurance or guarantee (for losses particular to other real estate owned), additional guarantees provided by the borrowers and economic conditions. When this review determines

NOTES TO FINANCIAL STATEMENTS

(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(1) Organization and Summary of Significant Accounting Policies (continued)

that an exposure to loss is probable and can be reasonably estimated, a provision against current operations is made in the amount quantifiable. Loans receivable, accrued interest receivable, other real estate owned and other assets are shown net of an allowance for losses of \$16,230,000, \$0, \$1,554,000, and \$104,000, respectively, for 2002, and \$13,259,000, \$340,000, \$2,447,000, and \$161,000, respectively, for 2001.

(I) Property, Equipment and Rental Real Estate Operations

The office buildings, furniture and equipment are carried at \$5,572,000 and \$5,116,000 at December 31, 2002 and 2001, respectively, representing cost, net of accumulated depreciation of \$4,299,000 and \$3,913,000, respectively. The Authority

purchased an adjacent office building and land in 2001, valued at \$532,000 and \$1,133,000, respectively. The Authority uses the straight-line method of depreciation with estimated useful lives of three to thirty years. The capitalization threshold for corporate and RAP capital assets is \$1,000 and \$500, respectively. Detailed information on capital assets and the related accumulated depreciation is displayed on page 13.

The Authority commenced its Rental Acquisition Program ("RAP") in 1988, when the Board authorized the acquisition, rehabilitation and operation of below-market priced multi-family properties to provide affordable housing to low and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (i) general

obligation and multi-family bond proceeds, (ii) seller-carry notes, and (iii) contributions from the General Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. Further, it is the policy of the Authority to distribute excess surplus equity from the component units semiannually. These distributions are reflected in each component unit's net assets.

As of December 31, 2002, the Authority owned a total of 14 RAP projects, including its three component units, containing 1,434 units. The Authority purchased one RAP property in 2002, with building and land valued at \$1,244,000 and \$292,000, respectively. Selected balance sheet items of the RAP are presented below:

	2002	2001
RAP combined, including component units:		
Property, net of accumulated depreciation of \$10,857,000 and \$9,157,000	\$ 28,086	\$ 26,547
Total assets	36,628	35,785
Total debt	23,522	23,983
Net assets	13,106	11,802
RAP component units only:		
Property, net of accumulated depreciation of \$6,449,000 and \$5,307,000	\$ 18,101	\$ 18,289
Total assets	21,897	21,908
Total debt	17,028	17,302
Net assets	4,868	4,606

All revenue and expenses of these properties, including depreciation and interest, are reflected in the operating results of the Authority's General Fund. RAP revenues are recorded as components of rental operations and other revenues which

includes RAP interest income. Operating and other expenses are recorded in general operating expenses, and interest expense on notes payable and general obligation bond proceeds used to acquire the properties is recorded in other interest expense. A

summary of the operating results of the RAP properties on a stand-alone basis before elimination of intercompany transactions is displayed on page 14.

NOTES TO FINANCIAL STATEMENTS
 (Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(1) Organization and Summary of Significant Accounting Policies (continued)
(I) Property, Equipment and Rental Real Estate Operations (continued)

	Balance Dec. 31, 2001	Additions	Disposals	Transfers	Balance Dec. 31, 2002
CORPORATE					
Computer equip/software	\$ 160	755	-	50	965
Office equipment	2,429	44	(157)	(30)	2,286
Furniture & fixtures	1,577	20	(3)	10	1,604
Buildings	3,290	183	-	(30)	3,443
Land	1,573	-	-	-	1,573
Sub-total	9,029	1,002	(160)	-	9,871
Accumulated Depreciation	(3,913)	(544)	158	-	(4,299)
Net Book Value	\$ 5,116				5,572
RENTAL					
Computer equip/software	\$ 6	59	-	(4)	61
Office equipment	-	640	-	2,340	2,980
Furniture & fixtures	4,578	365	-	(2,089)	2,854
Buildings	26,955	1,884	-	(247)	28,592
Land	4,164	292	-	-	4,456
Sub-total	35,703	3,240	-	-	38,943
Accumulated Depreciation	(9,156)	(1,701)	-	-	(10,857)
Net Book Value	\$ 26,547				28,086
Consolidated Net Fixed Assets	\$ 31,663				33,658

	Balance Dec. 31, 2000	Additions	Disposals	Transfers	Balance Dec. 31, 2001
CORPORATE					
Computer equip/software	\$ 180	485	-	(505)	160
Office equipment	1,927	57	(7)	452	2,429
Furniture & fixtures	1,404	16	-	157	1,577
Buildings	2,829	565	-	(104)	3,290
Land	440	1,133	-	-	1,573
Sub-total	6,780	2,256	(7)	-	9,029
Accumulated Depreciation	(3,479)	(440)	6	-	(3,913)
Net Book Value	\$ 3,301				5,116
RENTAL					
Computer equip/software	\$ -	6	-	-	6
Office equipment	-	-	-	-	-
Furniture & fixtures	3,988	590	-	-	4,578
Buildings	26,625	475	(145)	-	26,955
Land	4,229	-	(65)	-	4,164
Sub-total	34,842	1,071	(210)	-	35,703
Accumulated Depreciation	(7,897)	(1,311)	52	-	(9,156)
Net Book Value	\$ 26,945				26,547
Consolidated Net Fixed Assets	\$ 30,246				31,663

NOTES TO FINANCIAL STATEMENTS

(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(1) Organization and Summary of Significant Accounting Policies (continued)**(l) Property, Equipment and Rental Real Estate Operations (continued)**

	2002	2001
RAP combined, including component units:		
Rental operations	\$ 10,569	\$ 10,373
Interest income	57	135
Other revenues	45	-
Gain on sale of property	-	303
General operating expenses	(4,015)	(4,019)
Depreciation expense	(1,700)	(1,562)
Interest expense	(1,715)	(1,822)
Net income	\$ 3,241	\$ 3,408
RAP component units only:		
Rental operations	\$ 7,174	\$ 7,112
Interest income	47	110
Other Revenues	16	-
General operating expenses	(2,519)	(2,878)
Depreciation expense	(1,142)	(798)
Interest expense	(1,246)	(1,264)
Net income	\$ 2,330	\$ 2,282

(m) Deferred Debt Financing Costs and Bond Discounts and Premiums

Costs of debt issuance are deferred and amortized over the lives of the bond issues using the effective interest method. Discounts and premiums on bonds payable are amortized over the lives of the respective bond issues using the effective interest method.

(n) Other Real Estate Owned

Other real estate owned represents real estate acquired through foreclosure and in-substance foreclosures. Other real estate owned is initially recorded at the lower of the investment in the loan or the estimated net realizable value. Subsequent losses are provided for through the allowance for losses.

(o) Other Assets

Included in other assets are prepaid

expenses and unamortized costs of mortgage servicing rights.

(p) Federally Assisted Program Advances

In accordance with and pursuant to contracts between the Authority and the Department of Housing and Urban Development ("HUD"), the Authority administers the Section 8 Housing Assistance Payments ("HAP") Program, and in 2001, became a Performance-Based Contract Administrator ("PBCA"), in certain areas of the State of Colorado. Under these programs, housing assistance payments are made to the owners of rental housing developments on behalf of tenants of limited income who meet the eligibility requirements. HUD advances funds to the Authority for the housing assistance payments and, for certain developments, pays a monthly fee to the Authority for its

administration of the subsidy contracts. The advanced funds held by the Authority are \$860,000 and \$369,000 for 2002 and 2001 respectively. The administrative fees for HAP and PBCA are approximately \$1,342,000 and \$2,069,000 in 2002, respectively, and \$1,318,000 and \$1,114,000 in 2001, respectively, and are recognized as other revenue when earned.

(q) Interest Rate Swap Agreements

The Authority enters into interest rate swap agreements with rated swap counterparties in order to manage the interest rate risk associated with the issuance of certain variable rate bonds. The interest differentials to be paid or received under such swaps are recognized as an increase or decrease in interest expense of the related bond liability. Additional information about the swap agreements is described in Footnote 5.

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(1) Organization and Summary of Significant Accounting Policies (continued)

(r) Other Revenues and Other Interest Expense

Other revenues include interest, rent income from RAP, administrative fees from HAP and PBCA, tax credit program fees, servicing fees, and reimbursements and fees from other programs. Other interest expense includes actual interest costs on debt incurred to finance RAP projects and on borrowings incurred to finance the Authority's facilities and equipment.

(s) Debt Refunding

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price

and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining estimated life of the old or new debt, whichever is shorter, using the effective interest method. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

(t) Risk Management

The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures, purchased insurance and partial

self insurance. Commercial general liability, property losses, business automobile liability, worker's compensation and public officials liability are all managed through purchased insurance. For excess risk exposure, all employee medical claims in excess of \$30,000 per individual and \$896,000 aggregate per year are also covered by the purchase of stop-loss insurance. The Authority is partially self-insured to cover claims that fall within these limits. The claim liability for the years ended December 31, 2002 and December 31, 2001, which is included in Accounts payable and other liabilities, was as follows:

	2002	2001
Beginning Claims Liability	\$ 466,108	\$ 271,226
Period Claims	651,241	534,784
Estimate changes from prior periods	(309,475)	194,882
Claim Payments	(651,241)	(534,784)
Ending Claims Liability	\$ 156,633	\$ 466,108

(u) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

reflected as offsetting assets and liabilities but in 2002 the Authority, to conform to industry practice, has excluded such amounts from both the 2002 and 2001 balance sheets. The Authority is accountable for escrow funds and is contingently liable for them in the event of loss, but the funds are the assets of the parties that provided them.

(w) Reclassifications

Certain reclassifications have been made to the 2001 financial statements to conform to the 2002 presentation.

(v) Mortgage Escrows

Escrow funds held by the Authority on behalf of others of approximately \$9,942,000 and \$7,547,000 at December 31, 2002 and 2001, respectively, are not reflected in the accompanying balance sheets. These amounts had previously been

(2) Cash and Marketable Securities

Investment of the Authority's monies is made in accordance with the Authority's investment guidelines, which have been approved by the Board and are in compliance with the Act and the laws of the

State of Colorado.

Permitted investments under these investment guidelines include obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper rated A-1 or P-1, certificates of deposit, repurchase agreements, money market mutual funds and investment agreements.

The Authority categorizes its cash into three categories as to their risk. Category 1 includes federally insured deposits, or deposits fully collateralized with securities held in the Authority's name. Category 2 includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name. Category 3 includes cash on hand, which is not insured.

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(2) Cash and Marketable Securities (continued)

At December 31, 2002 the Authority had cash deposits with a carrying value of \$20,791,000. These balances are categorized as follows:

Risk Category	2002	2001
1	\$ 466	585
2	20,324	12,344
3	1	-
TOTAL	\$ 20,791	\$ 12,929

All of the Authority's marketable

securities are also categorized into three categories as follows to provide an indication of the level of risk assumed as of December 31, 2002. Category 1 includes those investments, which are insured, or registered securities held by the Authority or its trustee in the Authority's name. Category 2 includes those investments which are uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the Authority's name. Category 3 includes those investments which

are uninsured and unregistered, with securities held by the counterparty or its agent, but not in the Authority's name. Amounts not subject to categorization include money market mutual funds and uncollateralized investment agreements because securities are not issued as evidence of these investments. Short-term marketable securities are carried at amortized cost, which approximates market. Long-term marketable securities are carried at fair value.

Investment Type	Risk Category	2002 Carrying Value	2001 Carrying Value
Categorized:			
U.S. Government & agency obligations	1	\$ 205,878	\$ 83,372
Collateralized investment agreements	2	42,271	214,891
Repurchase agreements	1	9,140	2,915
Uncategorized			
Treasury money market funds		76,362	83,914
Uncollateralized investment agreements		420,244	140,405
Total investments		\$ 753,895	\$ 525,497

Investment agreements meet the requirements of the rating agency providing the rating on the related debt issue, and of the Board in accordance with the Act. Such investments are held by financial institutions having the same or higher ratings as that of the applicable debt issue, and the agreements generally provide for collateralization of balances in the event of

rating agency downgrade of the institution below certain rating requirements.

From time to time, the Authority invests in repurchase agreements. Securities underlying repurchase agreements are limited to those government and agency obligations permitted by the Authority's investment guidelines and have a market value of at least 100% of the cost of the

repurchase agreement. The Authority's collateral interest in the underlying securities is perfected by delivery of the securities to the Authority's trustee.

The following schedule shows the Authority's net increase (decrease) in fair value of long-term marketable securities by program, for the years ended December 31, 2002 and 2001:

Description	2002	2001
General Fund	\$ (32)	\$ 462
Multi-family Housing Insured Mortgage Revenue	2,508	(105)
Multi-family/Project	319	(129)
Single Family Housing Revenue	245	(415)
Taxable Single-Family Mortgage Revenue	22	11
Single Family Revenue	151	(41)
Single Family Program Senior and Subordinate	54	(13)
Single Family Mortgage Bonds	637	-
TOTAL	\$ 3,904	\$ (230)

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(3) Loans Receivable

Loans receivable at December 31, 2002 and 2001 consist of the following:

	2002	2001
General Fund	\$ 122,341	\$ 206,832
Multi-family bond programs:		
Housing Insured Mortgage Revenue	218,608	316,427
Mortgage Revenue	1,953	2,010
Project	214,580	115,350
Adjustable Rate Housing Insured Mortgage Revenue	46,102	-
Single Family bond programs:		
Taxable Revenue	5,768	8,089
Taxable Program Senior and Subordinate Revenue	2,131	2,630
Program	1,154	1,650
Program Senior and Subordinate	14,793	17,164
Revenue Refunding	493,632	623,173
Mortgage	314	468
	458,617	98,964
Total loans receivable	1,579,993	1,392,757
Deferred cash assistance expense	28,237	34,412
Deferred fee income	(8,128)	(8,181)
Deferred mortgage yield recoupment income	-	(22)
Allowance for loan losses	(16,230)	(13,259)
Total loans receivable, net	\$ 1,583,872	\$ 1,405,707

General Fund loans are made up of business, multi-family and single family loans acquired under various programs of the General Fund, loans held as investments, loans backed by bonds within the General Fund, and warehoused loans to be acquired by the Bond Funds. These loans are typically collateralized by mortgages on real property and improvements. At December 31, 2002 and 2001, \$10,600,000 and \$14,449,000 of these loans (ACCESS SBA 504 program), respectively, are secured by first liens ahead of second liens from the Small Business Administration. Additionally, at December 31, 2002 and 2001, \$23,170,000 and

\$17,490,000 of these loans (QIC/QAL program), respectively, are secured by a guarantee of the Small Business Administration or Rural Economic and Community Development Department, formerly Farmers Home Administration.

Multi-family bond program loans are collateralized by first mortgages on applicable real estate, and, in most cases, are further insured by an agency of the United States government.

Single family bond program loans are collateralized by first mortgages on applicable real property, and in the case of loans with a loan-to-value ratio of 80% or

more, are either insured by private mortgage insurance or the Federal Housing Administration or guaranteed by the Veterans Administration or Rural Economic and Community Development Department.

All loans receivable of the Authority are originated in the State of Colorado, with a majority of the underlying collateral in the Front Range and Denver metropolitan areas. Single family program loans are made to low and moderate income families. Multi-family housing borrowers are non-profit and for-profit developers, while commercial borrowers are generally for-profit entities, doing business throughout Colorado.

NOTES TO FINANCIAL STATEMENTS

(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(3) Loans Receivable (continued)

At December 31, 2002 and 2001, the amounts available in the Bond Funds for additional investments in new loans, are as follows:

	2002	2001
Single family mortgage program*	\$ 122,851	\$ 143,650
Multi-family mortgages and projects	139,776	32,942
	\$ 262,627	\$ 176,592

* These amounts will be used to acquire single family mortgage loans warehoused in the Authority's General Fund of \$0 and \$92.8 million, at December 31, 2002 and 2001, respectively.

(4) Bonds and Notes Payable

The aggregate principal amounts of bonds and notes payable at December 31, 2002 and 2001 are shown below. Interest is payable semiannually unless otherwise noted.

Description and due date	Interest rate (%)	2002	2001
General Fund:			
General Obligation Bonds:			
1992 Series A	2003-2030	9.125	\$ 3,265
1998 Series A	2003-2017	4.40 to 5.25	\$ 3,285
		1,410	1,465
ACCESS Programs:			
1991 Series A	2003-2011	9.15	1,055
1991 Series B	2003-2011	8.50	6,890
1995 Series A	2003-2015	7.67	2,530
1997 Series A	2003-2018	7.22	2,517
1999 Series A	2003-2018	6.49	3,247
		2,894	5,533
QIC Program:			
1994 Series A		6.51	-
1995 Series A		7.60	96
1997 Series A	2003-2023	6.56	-
1999 Series A	2003-2024	5.71	868
2000 Series A	2003-2025	6.755	64
		4,927	1,043
		477	6,534
		8,355	7,048
SMART Program:			
2000 Series A	2003-2020	6.152	8,471
Taxable Mortgage Revenue: <i>(principal and interest payable monthly)</i>			
2000 Series A	2003-2020	6.914	4,158
2000 Series B	2003-2020	6.675	11,905
2001 Series AP	2003-2021	6.135	2,429
2001 Series AV	2003-2021	6.625	13,364
		4,189	23,175
		6,314	6,703
Single Family Taxable Mortgage Revenue: <i>(principal and interest payable monthly)</i>			
2002 Series AP	2003-2021	5.662	6,314
		6,314	-
Taxable Rental Project Revenue: <i>(principal and interest payable monthly)</i>			
2002 Series AV	2003-2022	5.550	6,985
		6,985	-

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001

(Amounts for all notes in tabular format are in thousands.)

(4) Bonds and Notes Payable (continued)

Description and due date	Interest rate (%)	2002	2001
Multi-family Mortgage Revenue Bond:			
1994 Series A	7.25	\$ -	\$ 60
		68,180	103,086
Multi-family Housing Insured			
Mortgage Revenue Bonds:			
1982 Series A	9.00	-	18,550
1982 Series B	6.00	-	11,645
1991 Series A	2003-2026	2,470	2,485
1992 Series A	8.00 to 8.30	-	77,335
1993 Series A	2003-2029	16,105	16,305
1995 Series A	2003-2037	11,750	11,850
1995 Series B	2003-2037	14,040	14,135
1995 Series C	2003-2015	12,705	12,790
1996 Series A	2003-2037	27,885	35,540
1996 Series B	2003-2037	8,695	8,780
1996 Series C	2003-2038	15,000	15,100
1997 Series A	2003-2038	12,885	19,365
1997 Series B	2003-2038	23,115	23,410
1997 Series C	2003-2039	37,085	53,450
1998 Series A	2003-2039	20,310	20,465
1998 Series B	2003-2040	7,240	7,260
1999 Series A	2003-2041	34,185	34,705
1999 Series B	2003-2041	5,515	5,550
1999 Series C	2003-2041	16,485	18,115
		265,470	406,835
Multi-family Mortgage Revenue Bonds:			
(Principal and interest payable monthly):			
Series 1978-3	2003-2017	6.50	1,219
Series 1980-1	2003-2021	10.50	734
		1,953	2,010
Multi-family/Project Bonds:			
<i>*(Principal and interest payable quarterly on some of the bonds.)</i>			
2000 Series A	2003-2032	5.225 to 6.15	66,630
2000 Series B*	2003-2042	3.90 to 7.39	31,380
2001 Series A	2003-2043	2.75 to 5.65	37,985
2002 Series A	2003-2042	2.45 to 5.70	48,005
2002 Series B	2003-2032	Variable (weekly)	64,600
2002 Series C	2003-2042	2.55 to 5.30	142,720
		391,320	163,955
Adjustable Rate Multi-family Housing Insured Mortgage Revenue Bonds:			
2002 Series AA	2003-2030	Variable (weekly)	75,720
			-

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001

(Amounts for all notes in tabular format are in thousands.)

(4) Bonds and Notes Payable (continued)

Description and due date	Interest rate (%)	2002	2001
Taxable Single Family Mortgage Revenue Bonds:			
1998 Issue I	2003-2018	6.65	
		\$ 5,105	\$ 8,670
Taxable Single Family Program Senior and Subordinate Bonds:			
1993 Issue A	2005-2011	7.625	
		815	1,600
Single Family Revenue Bonds:			
1985 Series A	2005-2009	11.125	
		697	760
1985 Series B	2017	8.75	
		885	1,475
1993 Refunding Series A	2005-2008	7.00	
		3,664	4,161
		5,246	6,396
Single Family Program Bonds:			
1998 Series C	2003-2029	4.50 to 5.625	
		15,006	17,082
Single Family Program Senior and Subordinate Bonds:			
1992 Series A		6.30 to 8.70	
			10,010
1994 Series B	2003-2024	5.75 to 7.50	
		1,260	2,250
1994 Series C	2003-2024	6.00 to 7.90	
		1,465	2,295
1994 Series D-I	2003-2024	5.70 to 8.00	
		1,400	1,955
1994 Series D-II	2003-2025	5.65 to 8.125	
		885	1,725
1994 Series E	2003-2024	5.95 to 8.125	
		1,065	2,255
1994 Series F	2003-2025	6.75 to 8.625	
		450	1,080
1995 Series A	2003-2025	5.80 to 8.00	
		3,490	5,520
1995 Series B	2003-2025	5.70 to 7.90	
		3,225	6,115
1995 Series C	2003-2025	5.20 to 7.65	
		5,265	8,685
1995 Series D	2003-2026	5.20 to 7.38	
		14,185	19,470
1996 Series A	2003-2027	5.00 to 7.40	
		11,630	18,895
1996 Series B	2003-2027	5.20 to 7.65	
		9,750	15,900
1996 Series C	2003-2027	5.15 to 7.55	
		9,995	17,840
1997 Series A	2003-2027	4.65 to 7.25	
		15,425	24,050
1997 Series B	2003-2028	4.90 to 7.00	
		14,435	23,425
1997 Series C	2003-2028	5.00 to 6.875	
		16,420	24,035
1998 Series A	2003-2029	4.75 to 6.60	
		25,315	35,885
1998 Series B	2003-2029	4.625 to 6.55	
		26,529	36,228
1998 Series D	2003-2029	4.25 to 6.35	
		36,540	47,655
1999 Series A	2003-2030	4.375 to 6.45	
		34,640	42,695
1999 Series B	2003-2030	4.875 to 6.80	
		37,670	52,485
1999 Series C	2003-2031	4.70 to 7.20	
		42,950	61,035

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001

(Amounts for all notes in tabular format are in thousands.)

(4) Bonds and Notes Payable (continued)

Description and due date	Interest rate (%)	2002	2001	
Single Family Program Senior and Subordinate Bonds, continued:				
2000 Series A	2003-2031	5.75 to 7.54	\$ 24,005	\$ 41,000
2000 Series B	2003-2031	5.35 to 7.47	24,390	36,550
2000 Series C	2003-2031	5.70 to 8.40	33,225	49,550
2000 Series D	2003-2032	5.15 to 7.43	31,650	40,000
2000 Series E	2003-2032	5.15 to 7.10	31,400	35,000
2001 Series A	2003-2032	5.00 to 6.50	39,270	40,000
2001 Series B	2003-2033	5.00 to 6.77	52,275	55,490
2001 Series C	2003-2033	4.875 to 6.375	57,770	61,365
			607,974	820,443
Single Family Revenue Refunding Bonds:				
1994 Series A	2003-2011	5.00 to 5.30	195	420
Single Family Mortgage Bonds:				
2001 Series AA	2003-2041	5.25	131,840	131,840
2002 Series A	2003-2032	4.55 to 5.65	93,260	–
2002 Series B	2003-2032	1.60 to 5.40	179,340	–
2002 Series C	2003-2036	1.55 to 4.95	223,000	–
			627,440	131,840
Mortgage notes:				
September 12, 2007		6.50	1,679	–
September 4, 2020		1.00	796	837
June 22, 2025		1.00	715	742
July 1, 2004		4.50	713	732
April 1, 2002		11.47	–	49
March 31, 2003		–	43	85
November 30, 2005		–	40	70
Lines of credit:				
January 31, 2002		2.00	–	5,659
January 2, 2003		1.366 and 1.47	113,127	87,000
February 1, 2002		2.45	–	9,133

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(4) Bonds and Notes Payable (continued)

Description and due date	Interest rate (%)	2002		2001	
Unsecured notes payable:					
June 30, 2003	Variable	\$	5	\$	89
December 31, 2003	Variable		104		104
			117,222		104,500
Total bonds and notes payable			2,181,646		1,766,837
Discounts/premiums, net			38,016		53,112
Deferred refunding amounts			(7,937)		(4,477)
Total bonds and notes payable, net		\$	2,211,725	\$	1,815,472

Included in several of the bond issues shown above are Capital Appreciation Term Bonds ("CATB"). The principal amounts of these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at maturity and as reflected in the accompanying balance sheets at December 31, 2002 and 2001 are as follows:

Description, due date and type	Interest rate (%)	Maturity	Appreciated Balances		
			2002	2001	
Single Family Revenue Bonds:					
1985 Series A	2005-2009 CATB	11.125	\$ 2,465	\$ 697	\$ 760
1993 Refunding Series A	2005-2008 CATB	7.00	4,762	3,664	4,161
Single Family Senior and Subordinate Bonds:					
1998 Series B	2025-2029 CATB	5.5	6,053	1,618	1,533
Single Family Program Bonds:					
1998 Series C	2020- 2029 CATB	5.625	12,265	3,676	3,477

Also included in the Bonds and Notes Payable section above are both Single Family and Multi-Family Bonds which carry the Authority's General Obligation pledge. These bonds have been issued as subordinate debt or class III obligations and are broken out below:

Description	2002	2001
Single Family Program Subordinate Bonds	\$ 13,575	\$ 18,160
Single Family Mortgage Bonds, Class III	32,000	-
Multi-Family/Project Bonds, Class III	21,390	21,760
	\$ 66,965	\$ 39,920

Changes in Bonds and Notes Payable

Bonds and Notes Payable activity for the year ended December 31, 2002, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds payable	\$ 1,662,337	\$ 842,610	\$ 440,523	\$ 2,064,424
Notes payable*	104,500	1,832,955	1,820,233	117,222
Unamortized premium	53,112	0	15,096	38,016
Deferred Refunding	(4,477)	(3,766)	(306)	(7,937)
	\$ 1,815,472	\$ 2,671,799	\$ 2,275,546	\$ 2,211,725

* Balance includes the Authority's three lines of credit.

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(4) Bonds and Notes Payable (continued)

Bonds and notes payable sinking fund installments and maturities subsequent to December 31, 2002 are as follows:

	Single Family		Multi-Family		General Fund		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 142,815	\$ 66,998	\$ 8,393	\$ 34,807	\$ 24,918	\$ 3,630	\$ 113,378	\$ 156
2004	23,135	62,006	19,552	35,304	12,942	2,336	773	142
2005	34,064	60,608	12,008	34,517	4,952	1,826	91	123
2006	31,400	58,795	9,208	34,059	2,373	1,634	71	122
2007	30,877	57,156	9,719	33,616	1,395	1,521	1,751	121
2008-2012	143,587	261,165	58,862	159,730	5,498	6,277	371	51
2013-2017	159,200	217,643	81,751	140,569	3,190	4,729	390	32
2018-2022	207,412	164,759	104,950	115,416	10,907	3,021	295	12
2023-2027	189,809	106,257	99,980	86,369	895	747	102	2
2028-2032	172,876	51,232	229,830	55,439	1,110	220	-	-
2033-2037	142,495	17,341	62,250	21,984	-	-	-	-
2038-2042	-	-	37,960	5,073	-	-	-	-
Total	\$ 1,277,670*	\$ 1,123,960	\$ 734,463	\$ 756,883	\$ 68,180	\$ 25,941	\$ 117,222	\$ 761

* Reflects \$15.9 million of accretion of principal value on capital appreciation bonds.

Assets of the various Bond Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the various Bond Funds and are held in cash, marketable securities or investment agreements. At December 31, 2002 and 2001, these assets were at least equal to the amounts required to be restricted.

As of December 31, 2002 and 2001, the Authority had a \$0 and \$49,000, respectively, note payable to a bank under its Taxable Multi-family Rental Housing Rehabilitation Program. The note is secured by the pledge of, and is being repaid with the principal and interest payments on, the mortgage loan participations which were acquired with the note proceeds. In the event of default of any underlying mortgage loan, the Authority is obligated to the bank

for up to one-third of any deficiency of amounts due the bank upon foreclosure or other conversion of the defaulted loan. The Authority receives an ongoing fee representing .25% of the unpaid balance of its participation interest.

The Authority has an agreement with the Federal Home Loan Bank of Topeka (FHLB) for borrowings of up to \$150,000,000. Amounts drawn under the agreement bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and/or investment securities. There are no commitment fees associated with this agreement. As of December 31, 2002 and 2001, the outstanding borrowings under this agreement were \$113,127,000 and \$87,000,000, respectively.

The Authority also has a revolving, unsecured, commercial bank line of credit for borrowings of up to \$30,000,000. Amounts drawn under the agreement bear interest fixed at .62% per annum above the London Interbank Offered Rate (LIBOR).

This line of credit agreement terminates on July 25, 2003. The Authority agrees to pay an unused line usage fee at the rate of 0.15% per annum, payable in arrears on the last day of each calendar quarter until the Maturity Date, and on the Maturity Date. The fee is based upon the amount by which the daily average of the aggregate principal amount of the borrowings outstanding are less than the line of credit. As of December 31, 2002 and 2001, the outstanding borrowings under this agreement were \$0 and \$9,133,000.

The Authority has an agreement with another bank for a secured line of credit authorizing borrowings of up to \$6,000,000. The agreement provides for the Authority to borrow an amount based on the prior month's average daily balance of custodial funds held in a non-interest bearing account at the bank. Amounts drawn under the agreement bear interest fixed at 1% per annum, and are invested with the bank in a money market savings account. The line of credit agreement terminates on

NOTES TO FINANCIAL STATEMENTS

(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(4) Bonds and Notes Payable (continued)

July 1, 2003. There are no commitment fees associated with this agreement. As of December 31, 2002 and 2001, the outstanding borrowings under this agreement were \$0 and \$5,659,000.

The Authority has issued certain conduit Multi-family Housing Revenue Bonds and Industrial Development Bonds, the proceeds of which were made available to various developers and corporations for rental

housing and commercial purposes. As of December 31, 2002, \$186,993,000 and \$76,470,000, respectively, of these bonds were outstanding. The corresponding amounts outstanding as of December 31, 2001 were \$188,290,000 and \$54,350,000, respectively. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and

corresponding debt service payments are generally guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

(5) Interest Rate Swaps

The Authority has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Authority makes periodic fixed interest rate payments in exchange for

receiving variable rate payments. The swap agreements are used to create synthetic fixed rates on the underlying variable rate bonds. The swap agreement notional amounts are amortized in accordance with

the scheduled and/or anticipated reductions in the related bond liability. The table below contains the terms of the interest rate swap agreements with the associated bond issues:

Associated Bond Issue	Swap Effective Date	Outstanding Notional Amount	Fixed Rate Paid by the Authority	Floating Rate Received from Counterparties	Termination Date
Multi-Family/Project Bonds:					
2000 Series A A-1, Class I	03/21/00	\$ 12,750	5.235%	VRDO's Rate ¹	10/01/20
2000 Series A A-1, Class III	03/21/00	18,500	5.225%	VRDO's Rate ¹	04/01/25
2000 Series A A-2, Class I	03/21/00	11,545	5.800%	VRDO's Rate ¹	04/01/15
2000 Series B B-1, Class I	10/19/00	7,655	7.390%	LIBOR ² , plus .25%	07/01/20
2002 Series A A-1, Class I	01/29/03	9,410	5.100%	VRDO's Rate ¹	10/01/22
2002 Series C C-1, Class I	04/01/03	10,920	6.129%	VRDO's Rate ¹	10/01/32
2002 Series C C-2, Class I	10/01/03	70,715	5.124%	VRDO's Rate ¹	10/01/32
2002 Series C C-4, Class I	10/01/03	31,960	5.044%	VRDO's Rate ¹	10/01/32
Multi-Family Housing Insured Mortgage Revenue Bonds:					
2002 Series AA AA	07/03/02	35,000	6.068%	VRDO's Rate ¹	10/01/23
Single Family Mortgage Bonds:					
2001 Series AA AA-1, Class I	10/04/01	50,000	5.290%	VRDO's Rate ¹	11/01/13
2001 Series AA AA-2, Class I	10/04/01	46,840	4.600%	VRDO's Rate ¹	05/01/31
2002 Series A A-1, Class I	04/25/02	41,000	5.499%	VRDO's Rate ¹	11/01/13
2002 Series A A-3, Class I	04/25/02	19,090	4.749%	VRDO's Rate ¹	11/01/21
2002 Series B B-1, Class I	10/24/02	15,000	5.529%	VRDO's Rate ¹	05/01/22
2002 Series B B-2, Class I	07/18/02	50,000	5.285%	VRDO's Rate ¹	11/01/13
2002 Series B B-3, Class I	07/18/02	40,000	4.506%	VRDO's Rate ¹	11/01/21
2002 Series C C-1, Class I	10/24/02	30,000	5.350%	VRDO's Rate ¹	11/01/32
2002 Series C C-2, Class I	10/24/02	60,000	4.362%	VRDO's Rate ¹	11/01/11
2002 Series C C-3, Class I	10/24/02	40,000	4.422%	VRDO's Rate ¹	05/01/22

¹ Variable rate demand obligation

² London inter-bank offered rates

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(5) Interest Rate Swaps (continued)

The Authority is potentially exposed to loss in the event of nonperformance by the counterparties under the agreements, or

from early termination of the swap agreements. However, the Authority does not anticipate such nonperformance and expects

to hold the swap agreements to the stated termination dates.

(6) Debt Refundings

On July 3, 2002, the Authority issued its Adjustable Rate Multi-Family Housing Insured Mortgage Revenue Bonds 2002 Series AA, in the aggregate principal amount of \$75,720,000. Proceeds of the bonds and other surpluses were used to refund its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds 1992 Series A in the amount of \$75,720,000. Included in the bond issue are variable rate bonds with interest rates within 2002 ranging from a weekly high of 1.85% which could result in a decrease in aggregate debt service requirements of \$33,857,000 and an approximate economic gain to the Authority of \$35,551,000, to a weekly low of 1.05%, which could result in a decrease in aggregate debt service requirements of \$41,219,000, and an approximate economic gain to the Authority of \$40,830,000.

On May 15, 2002, the Authority issued its Multi-Family/Project Bonds, 2002 Series A, in the aggregate principal amount of \$48,005,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Multi-Family/Project Bonds, 2000 Series A in the amount of \$19,450,000. The refunding resulted in effectively no change in the aggregate debt service requirements and no economic gain to the Authority because the refunded

obligations were variable rate debt, which had identical terms to the refunding debt. The purpose of this refunding was for tax compliance.

On April 25, 2002, the Authority issued its Single Family Mortgage Bonds 2002 Series A, in the aggregate principal amount of \$94,065,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1992 Series A in the amount of \$9,975,000. Included in the bond issue are variable rate bonds with interest rates within 2002 ranging from a weekly high of 1.95% which could result in a decrease in aggregate debt service requirements of \$5,510,000 and an approximate economic gain to the Authority of \$5,474,000, to a weekly low of 1.05% which could result in a decrease in aggregate debt service requirements of \$6,971,000 and an approximate economic gain to the Authority of \$6,832,000.

On October 4, 2001, the Authority issued its Single Family Mortgage Bonds 2001 Series AA, in the aggregate principal amount of \$131,840,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Housing Revenue Refunding Bonds, 1991 Series A, and 1996 Series AA in the amount of

\$81,840,000. The refunding resulted in an increase in the aggregate debt service requirement of \$9,447,000 and an approximate economic gain to the Authority of \$21,917,000.

On August 2, 2001, the Authority issued its Single Family Program Senior and Subordinate Bonds 2001 Series C, in the aggregate principal amount of \$61,365,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1991 Series C and D in the amount of \$11,625,000. The refunding resulted in a decrease in the aggregate debt service requirement of \$3,178,000 and an approximate economic gain to the Authority of \$2,245,000.

On May 30, 2001, the Authority issued its Single Family Program Senior and Subordinate Bonds 2001 Series B, in the aggregate principal amount of \$55,840,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1991 Series A and B in the amount of \$6,210,000. The refunding resulted in a decrease in the aggregate debt service requirement of \$1,243,000 and an approximate economic gain to the Authority of \$1,196,000.

NOTES TO FINANCIAL STATEMENTS

(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(6) Debt Refundings, continued

Economic gain or loss is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate.

In accordance with Governmental Accounting Standards Board Statement No. 23, the following deferred amounts related to the 2002 and 2001 refunding transactions are being amortized over the

estimated remaining lives of the old debt, if shorter than the estimated lives of the refunding debt:

Description	2002	2001
Multi-Family Housing Insured Mortgage Revenue Bonds, 1992 Series A		
Deferred debt financing	\$ 1,044	\$ -
Call Premium	1,380	-
Multi-Family/Project Bonds, 2000 Series A		
Deferred debt financing	199	-
Single Family Program Senior and Subordinate Bonds, 1992 Series A		
Deferred fee income	(144)	-
Deferred debt financing	116	-
Call Premium	169	-
Single Family Housing Revenue Refunding Bonds, 1991 Series A, and 1996 Series AA:		
Deferred fee income	-	44
Deferred debt financing costs	-	1,345
Call premium	-	617
Single Family Program Senior and Subordinate Bonds, 1991 Series C and D:		
Deferred fee income	-	(205)
Deferred debt financing costs	-	155
Call premium	-	233
Single Family Program Senior and Subordinate Bonds, 1991 Series A and B:		
Deferred fee income	-	(86)
Deferred debt financing costs	-	76
Call premium	-	146
Total deferred amount	\$ 2,764	\$ 2,325

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2002 and 2001

(7) Retirement Plans

Employees of the Authority are members of the Public Employees' Retirement Association of Colorado ("PERA"), which is a cost-sharing multi-employer public employee retirement system plan.

Generally all employees are required to participate in PERA. Under the plan, State statute provides that members are eligible for full retirement benefits at age 50 with at least 30 years of service with a participating employer, at age 55 with at least 25 years of service, at age 65 with at least 5 years of service, or by earning 35 or more years of credited service. Reduced retirement benefits are available at age 50 with at least 25 years service, at age 55 with at least 20 years of service, and at age 60 with at least 5 years of service. Additionally, disability and survivors benefits are available. Benefits are vested after five years of service.

On May 6, 1997, the Governor signed into law House Bill 97-1082, which changed the benefit formula for each year of service over 20 from 1.5 percent of Highest Average Salary per year to 2.5 percent with a 100 percent maximum. All current benefit recipients with more than 20 years of service had their benefit recalculated. Benefit payments dated July 31, 1997 and later reflect this new calculation. The legislation also establishes a two-tier disability retirement program applicable to members who apply for disability on or after January 1, 1999.

House Bill 00-1458, passed in the 2000 legislative session, changed the retirement eligibility for members who are 55 year of age or older and retiring June 1, 2000, or later, with age plus year of service totaling 80 or more. These members may retire without a reduction for early retirement. The

reduction for early retirement for some members with age plus years of service totaling less than 80 was also lowered. In addition, beginning March 1, 2000, the annual increase for PERA benefits was 3.5 percent compounded annually, and was no longer tied to the Consumer Price Index.

Under the plan, State statute requires the Authority and participating employees to contribute 9.19% and 8%, respectively for 2002, and 9.43% and 8%, respectively for 2001, of the employees' gross salaries, as defined by the plan. The Authority's total eligible payroll for participating employees was \$8,221,000 and \$7,585,000 for 2002 and 2001, respectively. Contributions by the Authority and employees approximated \$755,000 and \$666,000, respectively, for 2002, while for 2001 the amounts were \$715,000 and \$605,000, respectively.

The pension benefit obligation, which is the actuarial measure of the present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users of the Authority's financial statements assess PERA's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERA and other pension programs and among employees. As of December 31, 2001, the date of the latest available audited information, the total accrued liability and total net assets available for benefits of the Municipal Division of PERA, in which the Authority's pension contributions and benefits are

included, were \$1,746,761,000 and \$1,601,852,000, respectively. There were no unfunded liabilities in the Municipal Division as of December 31, 2001.

PERA, as a separate entity, issues its own annual financial statements, included in which is historical ten-year trend information for all contributions to the retirement system.

Included in the Authority's general obligation debt are bonds payable to PERA of \$48,746,000 and \$78,713,000 at December 31, 2002 and 2001, respectively.

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program ("VIP"), established under Section 401(k) of the Internal Revenue Code. Participants may invest a percentage of their annual gross salaries up to the annual IRS limit of their gross salaries. The Authority contributes 1% of each participating employee's salary and in addition, matches at the rate of 50% of the first 5% of the participating employee's contribution. In addition, the Authority participates in PERA's MatchMaker Program, which uses a portion of the employer's contributions as a dollar-for-dollar match to the 401(k) plan, not to exceed 3.5% of the employee's gross salary. Contributions to the matchmaker program were \$214,000 and \$138,000 for 2002 and 2001 respectively.

The Authority also offers a deferred compensation plan for the purpose of providing retirement income for employees. This defined contribution plan is qualified under Section 457 in the Internal Revenue Code. The Authority does not contribute to this plan. The plan is administered by an independent trustee.

Supplemental Information
BALANCE SHEETS BY PROGRAM

	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals	
					(000's Omitted) 2002	2001
ASSETS						
CURRENT ASSETS:						
Cash and interest-bearing accounts	\$ 20,749	\$ -	\$ 42	\$ -	\$ 20,791	\$ 12,929
Short-term marketable securities	163,962	255,927	186,914	-	606,803	411,581
Loans receivable - current portion	3,714	33,418	16,218	(554)	52,796	46,857
Accrued interest receivable	2,437	9,472	5,852	(103)	17,658	16,838
Deferred debt financing costs - current portion	24	579	158	-	761	1,234
Other assets - current portion	8,695	73	75	-	8,843	6,046
Federally assisted program advances	860	-	-	-	860	369
Due to (from) other programs	(31,300)	30,431	869	-	-	-
Total current assets	169,141	329,900	210,128	(657)	708,512	495,854
NONCURRENT ASSETS:						
Long-term marketable securities restricted	1,725	61,651	69,597	-	132,973	99,754
Long-term marketable securities unrestricted	14,119	-	-	-	14,119	14,162
Loans receivable, net	107,694	969,131	470,306	(16,055)	1,531,076	1,358,850
Property and equipment:						
Corporate facilities	5,572	-	-	-	5,572	5,116
Rental operations	28,086	-	-	-	28,086	26,547
Other real estate owned, net	1,243	1,070	3,067	-	5,380	7,146
Deferred debt financing costs, net	441	10,416	2,842	-	13,699	16,674
Other assets	8,301	-	-	-	8,301	5,933
Total noncurrent assets	167,181	1,042,268	545,812	(16,055)	1,739,206	1,534,182
TOTAL ASSETS	\$ 336,322	\$1,372,168	\$ 755,940	\$ (16,712)	\$ 2,447,718	\$ 2,030,036
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Bonds payable - current portion	\$ 24,918	\$ 142,815	\$ 8,393	\$ -	\$ 176,126	\$ 28,297
Notes payable - current portion	113,378	--	-	-	113,378	101,981
Accrued interest payable	1,342	17,286	8,533	(103)	27,058	25,224
Accounts payable and other liabilities	7,077	247	397	-	7,721	7,529
Federally assisted program advances	860	-	-	-	860	369
Refundable deposits	1,698	-	-	-	1,698	337
Total current liabilities	149,273	160,348	17,323	(103)	326,841	163,737
NONCURRENT LIABILITIES:						
Bonds payable, net	43,263	1,155,673	719,441	-	1,918,377	1,682,675
Notes payable, net	20,453	-	-	(16,609)	3,844	2,519
Deferred fee income	358	-	-	-	358	298
Total noncurrent liabilities	64,074	1,155,673	719,441	(16,609)	1,922,579	1,685,492
TOTAL LIABILITIES	213,347	1,316,021	736,764	(16,712)	2,249,420	1,849,229
NET ASSETS						
Invested in capital assets, net of related debt	5,327	-	-	-	5,327	2,759
Restricted	-	56,147	19,176	-	75,323	68,628
Unrestricted	117,648	-	-	-	117,648	109,420
TOTAL NET ASSETS	122,975	56,147	19,176	-	198,298	180,807
TOTAL LIABILITIES AND NET ASSETS	\$ 336,322	\$1,372,168	\$ 755,940	\$ (16,712)	\$ 2,447,718	\$ 2,030,036

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

Supplemental Information
 STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS BY PROGRAM

Years Ended December 31,

	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals	
					2002 <i>(000's Omitted)</i>	2001
OPERATING REVENUES:						
Interest on loans	\$ 12,177	\$ 42,016	\$ 34,013	\$ (1,246)	\$ 86,960	\$ 98,772
Investment income	3,084	12,348	8,089	-	23,521	28,754
Net increase (decrease) in FMV of securities	(10)	1,087	2,827	-	3,904	(230)
Rental operations	10,569	-	-	-	10,569	10,373
Other revenues	12,461	-	(39)	-	12,422	10,738
Program fees	4,705	(1,255)	(3,450)	-	-	-
Total operating revenues	42,986	54,196	41,440	(1,246)	137,376	148,407
OPERATING EXPENSES:						
Interest expense, bonds and notes	8,100	46,349	38,090	(1,687)	90,852	103,793
Salaries and related benefits	10,869	-	-	-	10,869	9,892
General operating	9,725	315	238	-	10,278	9,462
Other interest expense	1,274	-	-	441	1,715	1,822
Depreciation	2,246	-	-	-	2,246	1,693
Provision for losses	996	81	3,070	-	4,147	6,666
Total operating expenses	33,210	46,745	41,398	(1,246)	120,107	133,328
OPERATING INCOME	9,776	7,451	42	-	17,269	15,079
NONOPERATING REVENUES:						
Grant income	222	-	-	-	222	1,236
Total nonoperating revenues	222	-	-	-	222	1,236
INCOME BEFORE TRANSFERS	9,998	7,451	42	-	17,491	16,315
TRANSFERS (TO) FROM OTHER PROGRAMS	798	4	(802)	-	-	-
CHANGE IN NET ASSETS	10,796	7,455	(760)	-	17,491	16,315
NET ASSETS:						
Beginning of year	112,179	48,692	19,936	-	180,807	164,492
End of year	\$ 122,975	\$ 56,147	\$ 19,176	\$ -	\$ 198,298	\$ 180,807

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

Supplemental Information
STATEMENT OF CASH FLOWS BY PROGRAM

	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals	
					<i>(000's Omitted)</i>	
					2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:						
Interest received on loans receivable	\$ 10,262	56,127	33,554	(1,246)	98,697	98,946
Cash received from principal payments on loans	33,981	264,214	67,848	-	366,043	290,863
Interest received from marketable securities	2,986	13,655	7,754	-	24,395	29,535
Cash received from rental operations	10,546	-	-	-	10,546	10,352
Cash received from other revenues	12,439	-	(39)	-	12,400	9,735
Cash received from sales of other real estate owned	(1,557)	1,066	7,286	-	6,795	3,132
Fees received from loan fundings	2,444	-	12	-	2,456	1,296
Cash received from accounts payable, federally assisted programs, and escrow	2,535	243	(683)	-	2,095	258
Cash payments/received from other assets	(8,307)	5,183	2,905	-	(219)	2,402
Interest paid on bonds and notes	(8,120)	(60,882)	(35,401)	1,687	(102,716)	(104,995)
Cash payments for new loan fundings	(272,878)	(192,291)	(102,047)	-	(567,216)	(315,307)
Cash payments for salaries and related benefits	(10,559)	-	-	-	(10,559)	(10,001)
Cash payments for general operating expenses	(8,748)	(315)	(238)	-	(9,301)	(7,810)
Cash payments for other interest	(1,274)	-	-	(441)	(1,715)	(1,822)
Fees paid on loan fundings	(5,251)	(4,512)	-	-	(9,763)	(6,552)
Cash due to (from)	343,664	(315,368)	(28,296)	-	-	-
Net cash provided by (used in) operating activities	102,163	(232,880)	(47,345)	-	(178,062)	32
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Proceeds from issuance of bonds payable	14,516	496,405	331,045	-	841,966	366,060
Proceeds from issuance of notes payable	1,832,955	-	-	-	1,832,955	393,807
Cash received from grants	222	-	-	-	222	1,236
Equity transfers	798	4	(802)	-	-	-
Cash payments for debt financing costs	(9)	(3,176)	(1,252)	-	(4,437)	(3,732)
Repayment of bonds payable	(49,419)	(221,720)	(163,305)	-	(434,444)	(284,063)
Repayment of notes payable	(1,820,233)	-	-	-	(1,820,233)	(391,513)
Cash payments for bond call premiums	-	(169)	(1,380)	-	(1,549)	(997)
Net cash provided by (used in) noncapital financing activities	(21,170)	271,344	164,306	-	414,480	80,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from sale of property and equipment -						
Corporate facilities	-	-	-	-	-	2
Rental operations	-	-	-	-	-	519
Purchases of property and equipment						
Corporate facilities	(1,002)	-	-	-	(1,002)	(2,256)
Rental operations	(3,240)	-	-	-	(3,240)	(1,071)
Net cash provided by (used in) capital and related financing activities	(4,242)	-	-	-	(4,242)	(2,806)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales and maturities of						
long-term marketable securities	29,094	17,653	19,103	-	65,850	20,096
Purchase of long-term marketable securities	(28,311)	(30,359)	(36,272)	-	(94,942)	(10,053)
Net cash provided by (used in) investing activities	783	(12,706)	(17,169)	-	(29,092)	10,043
Net increase (decrease) in cash and cash equivalents						
	77,534	25,758	99,792	-	203,084	88,067
Cash and cash equivalents - beginning of year	107,177	230,169	87,164	-	424,510	336,443
Cash and cash equivalents - end of year	184,711	255,927	186,956	-	627,594	424,510

Supplemental Information
 STATEMENT OF CASH FLOWS BY PROGRAM

	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals	
					(000's Omitted)	
					2002	2001
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income	9,776	7,451	42	-	17,269	15,079
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
(Increase) decrease in fair value of investments	10	(1,087)	(2,827)	-	(3,904)	230
Depreciation expense	2,246	-	-	-	2,246	1,693
Loss on sale of property and equipment	2	-	-	-	2	(303)
Gain on sale of long-term marketable securities	-	-	(103)	-	(103)	-
Accretion of capital appreciation term bonds	-	644	-	-	644	1,547
Amortization of:						
Deferred debt financing costs	594	5,716	522	-	6,832	1,144
Premiums and discounts on bonds, net	-	(22,893)	1,721	-	(21,172)	(5,704)
Premiums and discounts on long-term marketable securities, nets	(9)	7	(76)	-	(78)	(26)
Deferred fee income	(1,707)	(30)	(567)	-	(2,304)	(1,585)
Deferred cash assistance expense	549	15,388	-	-	15,937	2,611
Service release premium	1,550	-	-	-	1,550	603
Mortgage yield recoupment income	(22)	-	-	-	(22)	(62)
Provision for losses	996	81	3,070	-	4,147	6,666
Principal repayments on loans receivable	33,981	264,214	67,848	-	366,043	290,863
Sales of other real estate owned	(1,557)	1,066	7,286	-	6,795	3,132
New loan fundings	(272,878)	(192,291)	(102,047)	-	(567,216)	(315,307)
Deferred fee income	2,444	-	12	-	2,456	1,296
Deferred cash assistance expense	(5,251)	(4,512)	-	-	(9,763)	(6,552)
Gain on sale of OREO	-	-	-	-	-	(294)
Changes in assets and liabilities:						
Accrued interest receivable	(824)	51	(47)	-	(820)	17
Other assets	(8,566)	5,183	2,905	-	(478)	2,024
Accrued interest payable	(614)	2,002	446	-	1,834	1,811
Accounts payable, federally assisted program advances and escrow and refundable deposits	2,484	243	(684)	-	2,043	1,149
Cash due to (from)	338,959	(314,113)	(24,846)	-	-	-
Net cash provided by (used in) operating activities	102,163	(232,880)	(47,345)	-	(178,062)	32
Supplemental schedule of non-cash operating, non-capital financing, capital and related financing and investing activities:						
Transfer of mortgage loans to other real estate owned	304	1,206	6,206	-	7,716	9,166
Transfer of loans receivable to other assets	239	5,343	-	-	5,582	2,748
Transfer of allowance on loans receivable to allowance on other real estate owned	-	-	87	-	87	2,719
Transfer of allowance on OREO to allowance on accrued interest receivable	-	-	-	-	-	340
Offset of note payable to OREO due to risk sharing settlement	-	-	-	-	-	3,514
Transfer of deferred debt financing costs to deferred refunding (bonds and notes payable)	-	116	1,243	-	1,359	1,575
Transfer of deferred fee income to deferred refunding (loans receivable)	-	145	-	-	145	247
Transfer of other assets to deferred refunding	-	-	1,003	-	1,003	-
Transfer of other real estate owned to other assets	-	-	2,150	-	2,150	-

Board of Directors

Year Ended December 31, 2002



CHFA is governed by an 11-member board of directors: a member of the General Assembly appointed by the Speaker of the House and Majority Leader of the Senate; the state auditor; a member of the governor's cabinet; and eight others appointed by the governor and confirmed by the senate, including a mortgage banker; real estate expert; and six at-large members representing the general public, with strong consideration to a member trained in architecture and another trained in city or regional planning.

(Left to Right, Starting with Top Row)

Joseph Blake, CHFA Board Chair, President/CEO Denver Metro Chamber of Commerce

John (Jay) Davidson, CHFA Board Chair Pro Tem, Chairman/CEO First American State Bank

Michael Cooke, CHFA Board Secretary/Treasurer, Executive Director, Department of Regulatory Agencies

Jo Ellen Davidson, private consultant

Michele Dressel, President, Mortgage Division, Alpine Banks of Colorado

Joe Garcia, President, Pikes Peak Community College

Joanne Hill, Colorado State Auditor

Senator James Isgar, Colorado General Assembly

Dr. Nancy McCallin, Director, Colorado Office of Planning and Budgeting

Jeff Roemer, Vice President, Fuller and Company

Jesse Thomas, community advocate

Financial and Legal Consultants

Year Ended December 31, 2002

Bond Underwriters

Lehman Brothers Inc
New York, New York

George K. Baum & Company
Denver, Colorado

Newman and Associates Inc
Denver, Colorado

Stifel, Nicolaus & Company Inc
Hanifen, Imhoff Division
Denver, Colorado

A.G. Edwards & Sons Inc
Denver, Colorado

U.S. Bancorp Piper Jaffray
Denver, Colorado

RBC Dain Rauscher
Denver, Colorado

Harvestons Securities Inc
Denver, Colorado

Saloman Smith Barney
New York, New York

Banc of America Securities LLC
Atlanta, Georgia

Gates Capital Corporation
Denver, Colorado

Merchant Capital LLC
Montgomery, Alabama

Trustees and Paying Agents

Wells Fargo Bank West NA
Denver, Colorado

Zions First National Bank
Denver, Colorado

U. S. Bank
Denver, Colorado

The Bank of New York
New York, New York

Bond Counsel
Sherman & Howard LLC
Denver, Colorado

Disclosure Counsel
Hogan & Hartson LLP
Denver, Colorado

Rebate Consultant

Kutak Rock Consulting
Omaha, Nebraska

Financial Advisor
Swap Financial Group LLC
South Orange, New Jersey

Auditors

Arthur Anderson LLP
Denver, Colorado

Pedro Gonzales & Company PC
Denver, Colorado