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**COLORADO HOUSING AND FINANCE AUTHORITY**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended December 31, 2008**  
(With summarized Financial Information for 2007)



*Prepared by:*  
*Finance Division*

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# COLORADO HOUSING AND FINANCE AUTHORITY – Annual Financial Report

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# colorado housing and finance authority



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## INTRODUCTORY SECTION

The Colorado Housing and Finance Authority (the “Authority”) is a public enterprise that finances affordable housing, business and economic growth opportunities for residents and businesses of Colorado. Its dual mission is to increase the availability of affordable, decent and accessible housing for lower- and moderate-income Coloradans, and to strengthen the state’s economic development through its programs.

Established by the Colorado General Assembly in 1973, the Authority raises funds through the public and private sale of bonds and notes, which are not obligations of the State of Colorado. The proceeds are loaned to eligible borrowers, including Colorado-owned small and medium-sized businesses, primarily through private lending institutions across the state under the sound fiscal practices of the Authority. The Authority provides home ownership, affordable multi-family housing or Colorado-owned business financing in every Colorado county.

As a self-sustaining organization, the Authority’s operating revenues come from loan and program administration fees, interest charges and investment income. The Authority receives no tax dollars, and its net revenues are reinvested in its programs.

An independent 11-member Board of Directors governs the Authority. The Board is comprised of a member of the Colorado General Assembly, the state auditor, an executive director of a principal department of the state government appointed by the governor, and eight individuals appointed by the governor and confirmed by the State Senate.

## BOARD OF DIRECTORS

Joel S. Rosenstein .....	Board Chair
Eric C. Moore .....	Board Chair Pro Tem
Roxanne Huber .....	Board Secretary/Treasurer
Sally Symanski .....	Board Member
Michele Dressel .....	Board Member
Rosemary Marshall .....	Board Member
John Blumberg .....	Board Member
Joseph A. Garcia .....	Board Member
Kevin Marchman .....	Board Member
Sam Betters .....	Board Member
Mark O’Connor .....	Board Member

## Independent Auditor's Report

Board of Directors  
Colorado Housing and Finance Authority  
Denver, Colorado

We have audited the accompanying financial statements of the business-type activities and each major fund of Colorado Housing and Finance Authority as of and for the year ended December 31, 2008, which collectively comprise Colorado Housing and Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Colorado Housing and Finance Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from Colorado Housing and Finance Authority's December 31, 2007 basic financial statements and, in our report dated March 27, 2008, we expressed unqualified opinions on the basic financial statements.

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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Colorado Housing and Finance Authority as of December 31, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2009 on our consideration of Colorado Housing and Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Clifton Gunderson LLP*

Greenwood Village, Colorado  
April 23, 2009

This section of the Colorado Housing and Finance Authority's (the "Authority") annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal year ended December 31, 2008. This analysis should be read in conjunction with the Authority's financial statements and accompanying notes.

### Financial Highlights

- Net assets as of December 31, 2008, were \$295.7 million, an increase of \$13.3 million, or 4.7%, compared to net assets of \$282.4 million as of December 31, 2007, increasing the Authority's capital position. Net assets as a percent of total assets decreased slightly from 7.85% as of December 31, 2007, to 7.28% as of December 31, 2008.
  
- As reflected in the Statement of Revenues, Expenses and Changes in Net Assets, the increase in net assets of \$13.3 million for 2008 represents an \$8.0 million, or 37.6%, decrease compared to the increase in net assets for 2007 of \$21.3 million. This \$8.0 million decrease was primarily due to a \$13.0 million decrease in net interest income due to increased interest on debt, and a \$4.0 million increase in provision for loan and other real estate losses in 2008 compared to 2007. Partially offsetting these items was a \$6.5 million increase during 2008 in the fair value of investments and a \$3.8 million gain on retirement of debt in other revenue. Profitability, as measured by return on average net assets, was 4.60% in 2008 compared to 7.85% in 2007.
  
- Total net loans receivable as of December 31, 2008, were \$3.2 billion, an increase of \$323.0 million, or 11.2%, compared to the amount outstanding as of December 31, 2007.
  
- The increase in loans receivable was funded primarily by an increase in debt. As of December 31, 2008, total debt outstanding was \$3.7 billion, an increase of \$435.2 million, or 13.4%, compared to the balance at December 31, 2007.

### Overview of the Financial Statements

The basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows and the notes thereto. 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 offer information about the Authority's activities and operations.

The Statement of Net Assets includes all of the Authority's assets and liabilities, presented in order of liquidity. The resulting net assets presented in these statements are displayed as invested in capital assets, net of related debt, restricted or unrestricted. Net assets are restricted when their use is subject to external limits such as bond indentures, legal agreements or statutes. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

All the Authority's current year revenues and expenses are recorded in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the activities of the Authority's operations over the past year, and presents the resulting change in net assets - calculated as revenues less expenses.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operating, noncapital financing, capital financing and

investing activities. The statement provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements. The notes follow the Statement of Cash Flows.

**Authority Funds** – The Authority’s financial statements present the activities of its three funds – the General Fund, the Single Family Fund and the Multi-Family/Business Fund. A description of each of these funds is provided in the notes to the financial statements. Interfund activity is eliminated.

## Analysis of Financial Activities

### Statement of Net Assets

The following table presents condensed information about the financial position of the Authority as of December 31, 2008, and 2007, and changes in the balances of selected items during the fiscal year ended December 31, 2008.

As of December 31, (in thousands)	2008	2007	\$ Change	% Change
<b>Assets</b>				
<b>Current assets</b>	\$ 647,157	\$ 657,622	\$ (10,465)	-1.6%
<b>Noncurrent assets:</b>				
Investments	244,075	81,313	162,762	200.2%
Loans receivable, net	3,101,117	2,788,844	312,273	11.2%
Capital assets, net	29,606	32,723	(3,117)	-9.5%
Other assets	37,804	36,483	1,321	3.6%
Total noncurrent assets	3,412,602	2,939,363	473,239	16.1%
<b>Total assets</b>	\$ 4,059,759	\$ 3,596,985	\$ 462,774	12.9%
<b>Liabilities</b>				
<b>Current liabilities</b>	\$ 252,938	\$ 137,051	\$ 115,887	84.6%
<b>Noncurrent liabilities:</b>				
Bonds and notes payable, net	3,498,847	3,165,109	333,738	10.5%
Other liabilities	12,307	12,461	(154)	-1.2%
Total noncurrent liabilities	3,511,154	3,177,570	333,584	10.5%
<b>Total liabilities</b>	3,764,092	3,314,621	449,471	13.6%
<b>Net assets:</b>				
Invested in capital assets, net of related debt	29,606	32,723	(3,117)	-9.5%
Restricted by bond indentures	144,216	124,948	19,268	15.4%
Unrestricted	121,845	124,693	(2,848)	-2.3%
<b>Total net assets</b>	295,667	282,364	13,303	4.7%
<b>Total liabilities and net assets</b>	\$ 4,059,759	\$ 3,596,985	\$ 462,774	12.9%

Total loans receivable increased \$323.0 million, or 11.2%, during the current year, of which the noncurrent portion of the increase was \$312.3 million. This increase is largely due to new loan purchases and originations of approximately \$545.8

million, offset by loan repayments and prepayments that resulted in total principal reductions of \$218.0 million. This growth in loans receivable was primarily funded by use of bond proceeds, discussed below, in addition to the use of proceeds from sales and maturities of short-term investments

Current liabilities increased \$115.9 million, or 84.6%, compared to 2007. This increase was primarily due to an increase of \$84.4 million in the amount borrowed under the Authority's line of credit with the Federal Home Loan Bank. Noncurrent bonds and notes payable increased \$333.7 million, or 10.5%, compared to December 31, 2007, as a result of various new bond issues. Additional information on the Authority's debt activities is provided under "Debt Administration".

### Statement of Revenues, Expenses and Changes in Net Assets

The following table presents condensed statements of revenues, expenses and changes in net assets for the years ended December 31, 2008, and 2007, and the change from the prior year.

For the years ended December 31, (in thousands)	2008	2007	\$ Change	% Change
<b>Operating revenues:</b>				
Interest on loans receivable	\$ 171,953	\$ 147,573	\$ 24,380	16.5%
Investment income	26,481	27,727	(1,246)	-4.5%
Net increase in the fair value of investments	8,710	2,245	6,465	288.0%
Rental income	8,424	10,882	(2,458)	-22.6%
Other revenues	21,511	17,625	3,886	22.0%
<b>Total operating revenues</b>	<b>237,079</b>	<b>206,052</b>	<b>31,027</b>	<b>15.1%</b>
<b>Operating expenses:</b>				
Interest on debt	191,587	155,406	36,181	23.3%
Salaries and related benefits	14,936	14,341	595	4.1%
General operating	14,957	16,835	(1,878)	-11.2%
Other interest expense	1,187	1,588	(401)	-25.3%
Depreciation	2,684	2,722	(38)	-1.4%
Provision for losses	4,517	500	4,017	803.4%
<b>Total operating expenses</b>	<b>229,868</b>	<b>191,392</b>	<b>38,476</b>	<b>20.1%</b>
<b>Total operating income</b>	<b>7,211</b>	<b>14,660</b>	<b>(7,449)</b>	<b>-50.8%</b>
<b>Nonoperating revenues and expenses, net</b>	<b>6,092</b>	<b>6,659</b>	<b>(567)</b>	<b>-8.5%</b>
<b>Change in net assets</b>	<b>13,303</b>	<b>21,319</b>	<b>(8,016)</b>	<b>-37.6%</b>
<b>Net assets:</b>				
Beginning of year	282,364	261,045	21,319	8.2%
End of year	\$ 295,667	\$ 282,364	\$ 13,303	4.7%



Interest earned on loans of \$172.0 million, interest income on investments of \$26.5 million and interest expense on debt of \$191.6 million are the primary components of total revenues and expenses of the Authority.

Total operating revenues were \$237.1 million in 2008, an increase of \$31.0 million, or 15.1%, compared to 2007. Interest on loans receivable climbed \$24.4 million, or 16.5%, over the 2007 amount. This increase is primarily the result of a 13.3% increase in average loans outstanding.

Also contributing to the increase in operating revenues was a net increase in the fair value of investments of \$6.5 million in 2008 compared to an increase in fair value of \$4.7 million in 2007. This increase was due to a decline in market rates in 2008 and in 2007. In addition, loan servicing income, reflected in other revenues, increased \$1.8 million, or 18.4%, compared to 2007. The Authority services in excess of 99% of its loans receivable, for which it receives a monthly fee.

Total operating expenses of \$229.9 million for 2008 increased \$38.5 million, or 20.1%, compared to 2007. The rise was largely attributable to a \$36.2 million, or 23.3%, increase in interest expense on debt. This increase was due primarily to an increase in interest rates from 2007 to 2008.

Operating expenses also increased as a result of a provision for loan and other real estate losses of \$4.5 million in 2008 compared to a provision of \$0.5 million in 2007.

Reflected in nonoperating revenues and expenses are \$6.1 million in gains on the sales of various apartment complexes owned by the Authority, discussed in more detail below in "Capital Assets".

### **Capital Assets**

Capital assets, net of accumulated depreciation, as of December 31, 2008, totaled \$29.6 million, a decrease of \$3.1 million, or 9.5%, compared to the amount as of December 31, 2007. The majority of this investment in capital assets is related to the Authority's ownership of four apartment complexes that provide housing to lower and moderate income families. During 2007 the Authority sold six complexes for a total gain of \$6.7 million. In 2008, the Authority sold an additional six properties for a total gain of \$6.1 million.

The only significant additions during 2008 were the implementation of a new debt management and property management application and enhancements to a software application related to single family and multi-family origination.

Additional information regarding the Authority's capital assets can be found in the notes to the financial statements.

### **Debt Administration**

As of December 31, 2008, the Authority had \$3.5 billion in bonds and notes payable outstanding and \$149.0 million outstanding under borrowing agreements with the Federal Home Loan Bank. This debt is secured by various assets and, in certain cases, the general obligation pledge of the Authority. The long-term ratings on the debt of the Single Family Fund and the Multi-Family/Business Fund range from A1 to Aaa by Moody's Investors Service (Moody's) and A+ to AAA by Standard & Poor's (S&P), depending on the underlying collateral. The Authority issuer's credit rating on the general obligation debt is A1/A+ by Moody's and S&P, respectively.

In 2008 the Authority issued \$589.2 million in debt related to its lending programs. Of this amount, \$349.0 million was issued pursuant to the Authority's single family lending program and is reflected in the Single Family Fund, \$239.8 million was for the multi-family/business lending program and is reflected in the Multi-Family/Business Fund. Partially offsetting these new debt issues were maturities of short-term debt related to the Authority's private activity bond volume cap preservation program, scheduled debt payments, early redemptions and refundings of various debt issues.

Additional information of the Authority's long-term and short-term debt can be found in the notes to the financial statements.

**Colorado Housing and Finance Authority**  
**Statement of Net Assets**

December 31, 2008

(with summarized financial information for December 31, 2007)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2008	2007
<b>Assets</b>						
Current assets:						
Cash	\$ 28,872	\$ -	\$ 483	\$ -	\$ 29,355	\$ 30,955
Investments	103,808	240,731	134,784	-	479,323	501,063
Loans receivable	10,923	67,256	29,391	(635)	106,935	96,167
Accrued interest receivable	3,829	15,629	6,753	(196)	26,015	24,052
Deferred debt financing costs, net	17	654	193	-	864	931
Other assets	4,000	535	130	-	4,665	4,454
Due (to) from other funds	(51,468)	31,051	20,417	-	-	-
<b>Total current assets</b>	<b>99,981</b>	<b>355,856</b>	<b>192,151</b>	<b>(831)</b>	<b>647,157</b>	<b>657,622</b>
Noncurrent assets:						
Investments	4,484	175,764	63,827	-	244,075	81,313
Loans receivable, net	316,769	1,950,412	852,351	(18,415)	3,101,117	2,788,844
Capital assets - non-depreciable	6,635	-	-	-	6,635	7,016
Capital assets - depreciable, net	22,971	-	-	-	22,971	25,707
Other real estate owned, net	36	1,620	723	-	2,379	2,097
Deferred debt financing costs, net	314	11,773	3,471	-	15,558	16,767
Other assets	19,867	-	-	-	19,867	17,619
<b>Total noncurrent assets</b>	<b>371,076</b>	<b>2,139,569</b>	<b>920,372</b>	<b>(18,415)</b>	<b>3,412,602</b>	<b>2,939,363</b>
<b>Total assets</b>	<b>\$ 471,057</b>	<b>\$ 2,495,425</b>	<b>\$ 1,112,523</b>	<b>\$ (19,246)</b>	<b>\$ 4,059,759</b>	<b>\$ 3,596,985</b>
<b>Liabilities</b>						
Current liabilities:						
Short-term debt	\$ 164,985	\$ -	\$ -	\$ -	\$ 164,985	\$ 64,545
Bonds payable, current portion	182	6,908	11,304	-	18,394	13,515
Notes payable, current portion	73	-	-	-	73	3,956
Accrued interest payable	944	30,481	15,035	(196)	46,264	32,086
Federally assisted program advances	110	-	-	-	110	708
Accounts payable and other liabilities	21,929	747	436	-	23,112	22,241
<b>Total current liabilities</b>	<b>188,223</b>	<b>38,136</b>	<b>26,775</b>	<b>(196)</b>	<b>252,938</b>	<b>137,051</b>
Noncurrent liabilities:						
Bonds payable, net	102,402	2,378,020	1,017,413	-	3,497,835	3,164,023
Notes payable	20,062	-	-	(19,050)	1,012	1,086
Other liabilities	8,919	2,181	1,207	-	12,307	12,461
<b>Total noncurrent liabilities</b>	<b>131,383</b>	<b>2,380,201</b>	<b>1,018,620</b>	<b>(19,050)</b>	<b>3,511,154</b>	<b>3,177,570</b>
<b>Total liabilities</b>	<b>319,606</b>	<b>2,418,337</b>	<b>1,045,395</b>	<b>(19,246)</b>	<b>3,764,092</b>	<b>3,314,621</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	10,556	-	-	19,050	29,606	32,723
Restricted by bond indentures	-	77,088	67,128	-	144,216	124,948
Unrestricted	140,895	-	-	(19,050)	121,845	124,693
<b>Total net assets</b>	<b>151,451</b>	<b>77,088</b>	<b>67,128</b>	<b>-</b>	<b>295,667</b>	<b>282,364</b>
<b>Total liabilities and net assets</b>	<b>\$ 471,057</b>	<b>\$ 2,495,425</b>	<b>\$ 1,112,523</b>	<b>\$ (19,246)</b>	<b>\$ 4,059,759</b>	<b>\$ 3,596,985</b>

The accompanying notes are an integral part of these statements

**Colorado Housing and Finance Authority**  
**Statement of Revenues, Expenses and Changes in Net Assets**

For the year ended December 31, 2008

(with summarized financial information for the year ended December 31, 2007)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2008	2007
<b>Operating revenues:</b>						
Interest on loans receivable	\$ 15,635	\$ 106,005	\$ 51,813	\$ (1,500)	\$ 171,953	\$ 147,573
Investment income	1,807	15,937	8,737	-	26,481	27,727
Net increase (decrease) in the fair value of investments	41	5,317	3,352	-	8,710	2,245
Rental income	8,424	-	-	-	8,424	10,882
Loan servicing income	11,306	-	-	-	11,306	9,547
Section 8 administration fees	4,255	-	-	-	4,255	4,561
Other revenues	2,080	3,870	-	-	5,950	3,517
<b>Total operating revenues</b>	<b>43,548</b>	<b>131,129</b>	<b>63,902</b>	<b>(1,500)</b>	<b>237,079</b>	<b>206,052</b>
<b>Operating expenses:</b>						
Interest on debt	8,990	118,313	65,784	(1,500)	191,587	155,406
Salaries and related benefits	14,936	-	-	-	14,936	14,341
General operating	14,160	519	278	-	14,957	16,835
Other interest expense	1,187	-	-	-	1,187	1,588
Depreciation	2,684	-	-	-	2,684	2,722
Provision for losses	2,985	5,372	(3,840)	-	4,517	500
<b>Total operating expenses</b>	<b>44,942</b>	<b>124,204</b>	<b>62,222</b>	<b>(1,500)</b>	<b>229,868</b>	<b>191,392</b>
<b>Total operating income (loss)</b>	<b>(1,394)</b>	<b>6,925</b>	<b>1,680</b>	<b>-</b>	<b>7,211</b>	<b>14,660</b>
<b>Nonoperating revenues and expenses:</b>						
Federal grant receipts	101,882	-	-	-	101,882	97,100
Federal grant payments	(101,882)	-	-	-	(101,882)	(97,100)
Gains on sales of capital assets	6,092	-	-	-	6,092	6,659
<b>Total nonoperating revenues, net</b>	<b>6,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,092</b>	<b>6,659</b>
<b>Income before transfers</b>	<b>4,698</b>	<b>6,925</b>	<b>1,680</b>	<b>-</b>	<b>13,303</b>	<b>21,319</b>
<b>Transfers from (to) other funds</b>	<b>(10,663)</b>	<b>(4,508)</b>	<b>15,171</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>(5,965)</b>	<b>2,417</b>	<b>16,851</b>	<b>-</b>	<b>13,303</b>	<b>21,319</b>
<b>Net assets:</b>						
Beginning of year	157,416	74,671	50,277	-	282,364	261,045
End of year	\$ 151,451	\$ 77,088	\$ 67,128	\$ -	\$ 295,667	\$ 282,364

The accompanying notes are an integral part of these statements

**Colorado Housing and Finance Authority**  
**Statement of Cash Flows**

For the year ended December 31, 2008

(with summarized financial information for the year ended December 31, 2007)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2008	2007
<b>Cash flows from operating activities:</b>						
Principal payments received on loans receivable & receipts from dispositions of other real estate owned	\$ 14,257	\$ 163,900	\$ 42,328	\$ (2,458)	\$ 218,027	\$ 212,637
Interest payments received on loans receivable	15,471	104,142	51,816	(1,515)	169,914	145,874
Payments for fundings of loans receivable	(504,872)	(3,449)	(37,450)	-	(545,771)	(607,000)
Receipt (payment) for loan transfers between funds	421,469	(371,567)	(49,902)	-	-	-
Receipts from rental operations	8,431	-	-	-	8,431	10,953
Receipts from other revenues	18,324	3,820	-	-	22,144	15,632
Payments for salaries and related benefits	(15,444)	-	-	-	(15,444)	(14,048)
Payments for goods and services	(17,240)	(1,008)	(408)	-	(18,656)	(20,038)
All other, net	701	-	-	-	701	4,255
Net cash used by operating activities	(58,903)	(104,162)	6,384	(3,973)	(160,654)	(251,735)
<b>Cash flows from noncapital financing activities:</b>						
Proceeds from issuance of short-term debt	5,911,850	-	-	-	5,911,850	3,362,860
Proceeds from issuance of bonds	-	348,327	238,947	-	587,274	554,843
Proceeds from replacement of interest rate swaps	2,691	44,022	76,290	-	123,003	-
Receipts from federal grant programs	101,851	-	-	-	101,851	98,135
Payments for federal grant programs	(101,882)	-	-	-	(101,882)	(98,327)
Principal paid on short-term debt	(5,811,410)	-	-	-	(5,811,410)	(3,306,515)
Principal paid on bonds	(9,919)	(64,021)	(225,180)	-	(299,120)	(342,032)
Payments on termination of interest rate swaps	(2,234)	(16,014)	(61,202)	-	(79,450)	-
Principal paid on notes payable	(3,957)	-	-	-	(3,957)	(72)
Interest paid on short-term debt	(2,702)	-	-	-	(2,702)	(3,318)
Interest paid on bonds	(5,848)	(104,656)	(56,816)	1,187	(166,133)	(144,199)
Interest paid on notes payable	(257)	-	-	-	(257)	(12)
Transfers (to) from other funds	17,005	(17,835)	830	-	-	-
Net cash provided by noncapital financing activities	95,188	189,823	(27,131)	1,187	259,067	121,363
<b>Cash flows from capital and related financing activities:</b>						
Purchase of capital assets	(5,411)	-	-	-	(5,411)	(3,640)
Proceeds from the disposal of capital assets	11,934	-	-	-	11,934	16,002
Principal paid on capital-related debt	(2,458)	-	-	2,458	-	(849)
Interest paid on capital-related debt	(1,515)	-	-	328	(1,187)	(1,590)
Net cash provided by capital and related financing activities	2,550	-	-	2,786	5,336	9,923
<b>Cash flows from investing activities:</b>						
Proceeds from maturities and sales of investments	1,695,886	1,237,947	789,436	-	3,723,269	4,043,101
Purchase of investments	(1,738,583)	(1,338,078)	(777,688)	-	(3,854,349)	(3,945,309)
Income received from investments	1,779	14,470	9,482	-	25,731	27,247
Net cash provided (used) by investing activities	(40,918)	(85,661)	21,230	-	(105,349)	125,039
<b>Net increase (decrease) in cash</b>	(2,083)	-	483	-	(1,600)	4,590
Cash at beginning of year	30,955	-	-	-	30,955	26,365
Cash at end of year	\$ 28,872	\$ -	\$ 483	\$ -	\$ 29,355	\$ 30,955

The accompanying notes are an integral part of these statements

Continued on the next page.

## Colorado Housing and Finance Authority

### Statement of Cash Flows *(continued)*

For the year ended December 31, 2008

*(with summarized financial information for the year ended December 31, 2007)*

*(in thousands of dollars)*

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2008	2007
<b>Reconciliation of operating income to net cash used by operating activities:</b>						
Operating income	\$ (1,394)	\$ 6,925	\$ 1,680	\$ -	\$ 7,211	\$ 14,660
Adjustments to reconcile operating income to net cash used by operating activities:						
Depreciation expense	2,684	-	-	-	2,684	2,722
Amortization of service release premiums	1,988	-	-	-	1,988	1,931
Amortization of deferred loan fees/costs, net	(399)	1,051	(367)	-	285	783
Provision for losses	2,985	5,372	(3,840)	-	4,517	500
Equity in income of joint venture	-	-	-	-	-	(159)
Amortization/accretion of premiums and discounts on investments, net	-	-	-	-	-	-
(Gain) loss on sale of investment	-	-	-	-	-	-
Amortization of premiums on bonds	-	-	-	-	-	-
Amortization of bond issuance costs	-	-	-	-	-	-
(Increase) decrease in fair value of investments	(41)	(5,317)	(3,352)	-	(8,710)	(2,245)
Investment income	(1,807)	(15,937)	(8,737)	-	(26,481)	(27,727)
Interest on debt	10,175	118,312	65,786	(1,500)	192,773	156,994
Changes in assets and liabilities:						
Loans receivable and other real estate owned	(70,734)	(212,170)	(44,657)	(2,458)	(330,019)	(393,456)
Accrued interest receivable on loans	(164)	(1,863)	3	(15)	(2,039)	(3,629)
Other assets	(1,907)	(535)	(132)	-	(2,574)	(5,634)
Due to/from other funds	-	-	-	-	-	-
Accounts payable and other liabilities	(289)	-	-	-	(289)	3,525
<b>Net cash used by operating activities</b>	<b>\$ (58,903)</b>	<b>\$ (104,162)</b>	<b>\$ 6,384</b>	<b>\$ (3,973)</b>	<b>\$ (160,654)</b>	<b>\$ (251,735)</b>

The Authority defines cash and cash equivalents as cash deposits.

The accompanying notes are an integral part of these statements.

## **(1) Organization and Summary of Significant Accounting Policies**

### **(a) Authorizing Legislation and Reporting Entity**

**Authorizing Legislation** - The Colorado Housing and Finance Authority (the "Authority") is a body corporate and a political subdivision of the State of Colorado (the "State") 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 is not a component unit of the State or any other entity.

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

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

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.

**Blended Component Units** - Hyland Park Centre Corporation ("Hyland Park"), Tanglewood Oaks Apartments Corporation ("Tanglewood"), and Village of Yorkshire Corporation ("Yorkshire") have been designated as blended component units and included in the Authority's financial statements. Hyland Park, Tanglewood and Yorkshire are public, non-profit instrumentalities of the Authority, each of which owns and operates a single, separate multi-family rental housing project. The Authority is financially accountable for these units because they have the same board of directors and management personnel, and their surplus assets are relinquished to the Authority. Separate financial statements for the individual component units may be obtained through the Authority.

### **(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Measurement Focus and Basis of Accounting** - The Authority's funds are accounted for as enterprise funds for financial reporting purposes. All funds utilize the economic resource measurement focus and accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements for its funds, as well as those of the Financial Accounting Standards Board issued before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements. After November 30, 1989, the Authority only applies applicable GASB pronouncements.

**Financial Statement Presentation** – The Authority's financial statements include a classified Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets formatted to report operating and nonoperating revenues and expenses, a Statement of Cash Flows presented using the direct method and notes to the financial statements. The Authority's financial statements present its funds in separate columns. Summarized financial information for 2007 has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position, results of operations and cash flows on an entity-wide basis. However, the summarized financial information is not intended to present the financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States of America.

The financial activities of the Authority are recorded in three funds which are consolidated for reporting purposes and are described below.

*General Fund* – The General Fund is the Authority’s primary operating fund. It accounts for all financial activity not specifically pledged for the repayment of bonds in the other funds.

*Single Family Fund* – The Single Family Fund accounts for bonds issued and assets pledged for payment of the bonds under the related indentures. Loans acquired by this fund with the proceeds of single family bond issues include FHA, conventional, USDA Rural Development and VA loans made under various loan programs.

*Multi-Family/Business Fund* – The Multi-Family/Business Fund accounts for bonds issued and assets pledged for payment of the bonds under the related indentures. Loans acquired by this fund with the proceeds of multi-family and business (sometimes referred to as project) bond issues include loans made for the purchase, construction or rehabilitation of multi-family rental housing. In addition, business loans are made to both for-profit and non-profit organizations primarily for the purpose of acquisition or expansion of their facilities or for the purchase of equipment.

Interfund activity is eliminated, reflected in the “Eliminations” column of the statements.

### **(c) Summary of Significant Accounting Policies**

**Investments** – Investments of the Authority, with the exception of nonparticipating investment agreements which are reported at cost, are carried at fair value based on quoted market prices. Investments with a maturity of one year or less are valued at amortized cost, which approximates fair value.

**Loans Receivable** – Mortgage loans receivable are carried at their unpaid principal balance net of deferred down payment assistance expense, deferred fee income and an allowance for estimated loan losses. Deferred down payment assistance expense and deferred fee income are capitalized and amortized over the life of the loan using the effective interest method. Virtually all mortgage loans receivable are serviced by the Authority.

**Allowance for Loan Losses** - The allowance for loan losses is provided through charges against current operations based on management’s periodic review of the loan portfolio. 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, guarantees, mortgage insurance, historical loss experience for each loan type, additional guarantees provided by the borrowers and economic conditions. When this review determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations is made.

**Capital Assets** – The Authority’s capital assets consist of two components. Corporate capital assets include those capital assets other than those used in its Rental Acquisition Program (RAP) activities. The Authority commenced its RAP operations in 1988 when the Board authorized the acquisition, rehabilitation and operation of multi-family properties to provide affordable housing to lower and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (1) general obligation and multi-family bond proceeds, (2) seller-carry notes, and (3) contributions from the General Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. As of December 31, 2008, the Authority owned a total of four RAP projects, including its three component units, containing 917 units.

Capital assets are defined by the Authority as assets with an initial, individual cost of \$2,500 in the case of corporate capital assets and \$1,500 in the case of RAP capital assets. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives, ranging from 3-30 years.

**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.

**Bond and Note Issuance Costs** - Costs of debt issuance are deferred and amortized over the lives of the bond issues using the effective interest method.



**Other Assets** - Included in other assets are unamortized costs of mortgage servicing rights. Mortgage servicing rights are amortized over the life of the related loans using the effective interest method.

**Bond Discounts and Premiums** - Discounts and premiums on bonds payable are amortized over the lives of the respective bond issues using the effective interest method.

**Debt Refundings** - For current and advance refundings resulting in defeasance of debt reported by the Authority, 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 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.

**Interest Rate Swap Agreements** - The Authority enters into interest rate swap agreements with rated swap counterparties in order to (1) provide lower cost fixed rate financing for its loan production needs through synthetic fixed rate structures; and (2) utilize synthetic fixed rate structures with refunding bonds in order to generate cash flow savings. 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 provided in Note 7.

**Compensated Absences** - Employees accrue paid time off at a rate based on length of service. Employees may accrue and carry over 150% of their annual paid time off benefit. The liability for compensated absences is based on current salary rates and is reflected in the financial statements.

**Operating and Nonoperating Revenues and Expenses** - The Authority distinguishes operating revenues and expenses from nonoperating 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 expense, administrative expenses, depreciation, and the provision for loan losses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority's nonoperating revenues and expenses consist primarily of pass-through amounts related to the Authority's role as a contract administrator of the U.S. Department of Housing and Urban Development's Section 8 subsidy program. Under the Section 8 subsidy program, tenants pay 30% of their income toward rent and the balance is paid by federal subsidy.

**Budget Policies** - The Authority's budget year is the calendar year. The budget is developed on a full accrual basis with estimations of revenue by source and expenses by object. The Authority is not subject to the Local Budget Government Law of Colorado pursuant to Title 29, Article 1, Part 1 of the Colorado Revised Statutes.

**New Accounting Principles** - The Authority has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. No new statements needed to be adopted for the fiscal year ending December 31, 2008.

The GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which provides guidance on internally generated computer software, and Statement No. 53, *Accounting and Reporting for Derivative Instruments* which provides guidance on swap agreements. The Authority is currently studying the statements and plans on adoption when required, which will be in the fiscal year ending December 31, 2010.

**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.

**Reclassifications** - Certain prior year amounts have been reclassified to conform to current year presentation.

**(2) Cash and Investments**

For General Fund investments, the Authority is authorized by means of a Board-approved investment policy to invest in notes, bonds and other obligations issued or guaranteed by the U.S. government and certain governmental agencies. Additionally, the Authority is permitted to invest, with certain restrictions as to concentration of risk, collateralization levels, maximum periods to maturity, and/or underlying rating levels applied, in revenue or general obligations of states and their agencies, certificates of deposits, U.S. dollar denominated corporate or bank debt, commercial paper, repurchase agreements backed by U.S. government or agency securities, money market mutual funds and investment agreements. The Authority is also subject to permissible investments as authorized by Title 24, Article 75, Part 6 of the Colorado Revised Statutes (CRS). Permissible investments pursuant to the CRS are either identical to or less restrictive than the Authority's investment policy. In addition, each of the trust indentures established under the Authority's bond programs contain requirements as to permitted investments of bond fund proceeds, which may be more or less restrictive than the Authority's investment policy for General Fund monies. Pursuant to temporary IRS regulations, the Authority has acquired and is holding \$147,280,000 of its own bonds as investments. These investments are included in the disclosures below under State & political subdivision obligations.

As of December 31, 2008, the Authority had the following investments:

Investment Type	Investment Maturities (In Years)				Total	2007
	Less Than 1	1-5	6-10	More Than 10		
Money market mutual fund	\$ 153,140	\$ -	\$ -	\$ -	\$ 153,140	\$ 2,011
External investment pool	87,109	-	-	-	87,109	42,999
Repurchase agreement	4,469	-	-	-	4,469	327
U.S. Treasury	-	-	-	632	632	3,177
U.S. Government agencies	12,177	9,441	19,373	57,366	98,357	159,806
State & political subdivision obligations	-	-	-	157,263	157,263	10,541
Investment agreements - uncollateralized	202,217	-	-	-	202,217	356,903
Investment agreements - collateralized	20,211	-	-	-	20,211	6,612
<b>Total</b>	<b>\$ 479,323</b>	<b>\$ 9,441</b>	<b>\$ 19,373</b>	<b>\$ 215,261</b>	<b>\$ 723,398</b>	<b>\$ 582,376</b>

**Interest Rate Risk** – The Authority manages interest rate risk in the General Fund by generally limiting the maximum maturity date of an investment to seven years. Of the General Fund's \$108,292,000 in investments, 96% have maturities of less than one year.

In the Single Family and Multi-Family/Business Funds, the Authority matches maturities to anticipated cash flows. Of the \$214,629,000 in investments with a maturity of more than ten years held by these funds, 57% are debt service reserves.

**Credit Risk** – The following table provides credit ratings of the Authority’s investments as determined by Moody’s Investors Service and/or Standard and Poor’s.

<b>Investment Type</b>	<b>Rating</b>
Money market mutual fund	Aaa/AAAm
External investment pool	Aaa/AAAm
Repurchase agreement	Unrated & Aaa/AAAm
U.S. Government agencies	Aaa/AAA
State & political subdivision obligations	Baa1/AA- to Aaa/AAA
Investment agreements - uncollateralized	Unrated
Investment agreements - collateralized	Unrated

The rating for the repurchase agreements in the above table is the rating of the underlying securities. 89% of the investments in securities issued by state and political subdivisions are rated AAA. Investment agreements meet the requirements of the rating agency providing the rating on the related debt issue, and of the Board’s investment policy.

As of December 31, 2008, the Authority had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local governmental entities in Colorado to pool funds available for investment. COLOTRUST is reflected in the above tables as an external investment pool. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similar to a money market fund and each share’s fair value is \$1.00.

**Concentration of Credit Risk** – The Authority has various maximum investment limits both by type of investment and by issuer to prevent inappropriate concentration of credit risk. The following table provides information on issuers in which the Authority has investments representing more than 5% of its total investments or of the respective funds.

<b>Issuer</b>	<b>Total</b>	<b>General Fund</b>	<b>Single Family</b>	<b>Multi-Family/ Business</b>
Federal National Mortgage Association	7.21%		5.16%	14.85%
Colorado Housing and Finance Authority	20.36%		31.36%	8.39%
Colostrust	12.04%	80.34%		
Dreyfus Cash Management Fund	12.19%	6.50%	19.49%	
Federal Home Loan Bank		11.07%		
Financial Guaranty Insurance Company				6.57%
Wells Fargo Heritage Money Market Fund	8.97%			31.83%
Natixis Funding Corporation	8.96%		8.44%	14.94%
Transamerica Occidental Life Insurance Company	5.81%		10.09%	
Trinity Funding Company	8.93%		15.51%	
West LB AG				7.45%

**Custodial Credit Risk – Investments** – For an investment, custodial credit risk is the risk that, in the event of the failure of the issuer, the Authority will not be able to recover the value of its investment or collateral securities that are in the

possession of an outside party. All securities owned by the Authority are either in the custody of the related bond indenture trustees or held in the name of the Authority by a party other than the issuer of the security.

**Custodial Credit Risk - Cash Deposits** – In the case of cash deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. At December 31, 2008, the Authority’s cash deposits had a carrying amount of \$29,355,000. All deposit accounts were either covered by the Federal Deposit Insurance Corporation or collateralized in accordance with the Public Deposit Protection Act.

Included in cash deposits are escrow deposits in the amount of \$20,139,000 held in a fiduciary capacity. These escrow deposits are primarily held for the payment of property taxes and insurance on behalf of the Authority’s mortgagors.

### (3) Loans Receivable, Other Real Estate Owned and Related Allowances

Loans receivable at December 31, 2008, and 2007, consist of the following:

	2008	2007
General Fund	\$ 341,252	\$ 275,003
Single Family Fund:		
Program Senior and Subordinate Mortgage	89,623	103,310
	1,926,597	1,703,903
Total Single Family Fund loans	2,016,220	1,807,213
Multi-Family/Business Fund:		
Insured Mortgage Revenue	86,298	99,527
Multi-Family/Project	801,728	743,750
Total Multi-Family/Business Fund loans	888,026	843,277
Less intercompany loans, included in Multi-Family/Project above	(19,050)	(21,508)
Total loans receivable	3,226,448	2,903,985
Payments in process	(3,554)	(5,639)
Deferred cash assistance expense	7,797	7,833
Deferred fee income	(10,639)	(10,767)
Allowance for loan losses	(12,000)	(10,401)
Total loans receivable, net	\$ 3,208,052	\$ 2,885,011

Loans in the Single Family Fund and the Multi-Family/Business Fund in the table above are grouped based on the related bond type (see Note 6 for additional information).

General Fund loans are made up of single family, multi-family and business finance loans acquired under various programs of the General Fund, warehoused loans to be acquired by the Single Family and Multi-Family/Business Funds, loans held as investments, and loans backed by bonds within the General Fund. These loans are typically collateralized by mortgages on real property and improvements. Certain of these loans are also guaranteed by agencies of the United States government.

Single family bond program loans are collateralized by mortgages on applicable real property, and in the case of loans with a loan-to-value ratio of 80% or more, are generally either insured by private mortgage insurance or the Federal Housing Administration or guaranteed by the Veterans Administration or Rural Economic and Community Development Department.

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

Activity in the allowance for loan losses for the year ended December 31, 2008, was as follows:

<b>Beginning Balance</b>	<b>Provision</b>	<b>Net Charge-offs</b>	<b>Ending Balance</b>
\$ (10,401)	\$ (4,733)	\$ 3,134	\$ (12,000)

**(4) Capital Assets and Rental Acquisition Program (RAP)**

Capital assets activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Non-depreciable capital assets:</b>				
Land	\$ 5,653	\$ -	\$ (868)	\$ 4,785
Construction in progress	1,363	4,601	(4,114)	1,850
Total non-depreciable capital assets	7,016	4,601	(4,982)	6,635
<b>Depreciable capital assets:</b>				
Cost:				
Computer equipment/software	5,924	2,823	-	8,747
Furniture and equipment	613	441	-	1,054
Rental property - non-building related	1,861	399	(802)	1,458
Buildings and related improvements	35,041	1,261	(8,914)	27,388
Total depreciable capital assets	43,439	4,924	(9,716)	38,647
Less accumulated depreciation:				
Computer equipment/software	(2,504)	(1,182)	-	(3,686)
Furniture and equipment	(185)	(102)	-	(287)
Rental property - non-building related	(855)	(228)	541	(542)
Buildings and related improvements	(14,188)	(1,172)	4,199	(11,161)
Total accumulated depreciation	(17,732)	(2,684)	4,740	(15,676)
Total depreciable capital assets, net	25,707	2,240	(4,976)	22,971
Total capital assets, net	\$ 32,723	\$ 6,841	\$ (9,958)	\$ 29,606

As discussed in Note 1(c), the Authority’s capital assets consist of two components, corporate capital assets and RAP capital assets. Summary capital assets activity for these two components for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Corporate activities:</b>				
Cost	\$ 16,296	\$ 4,704	\$ -	\$ 21,000
Accumulated depreciation	(4,831)	(1,656)	-	(6,487)
Net	11,465	3,048	-	14,513
<b>RAP activities:</b>				
Cost	34,159	707	(10,584)	24,282
Accumulated depreciation	(12,901)	(1,028)	4,740	(9,189)
Net	21,258	(321)	(5,844)	15,093
Total capital assets, net	\$ 32,723	\$ 2,727	\$ (5,844)	\$ 29,606

Summary financial information for the Authority’s RAP activities as of December 31, 2008, and for the year then ended is provided below:

<b>As of December 31, 2008</b>	
Property, net of accumulated depreciation	\$ 15,093
Total assets	\$ 18,672
Total liabilities	\$ 15,370
Net assets	\$ 3,302
<b>For the year ended December 31, 2008</b>	
Rental income	\$ 8,407
Gains on sales of properties	6,092
Other revenues	49
General operating expenses	(4,764)
Depreciation expense	(1,029)
Interest expense	(1,187)
Operating income	\$ 7,568

**(5) Short-term Debt**

The Authority has agreements with the Federal Home Loan Bank of Topeka (FHLB) for collateralized borrowings in an amount not to exceed the lending limit internally established by the FHLB. Borrowings under these agreements are used to support the Authority’s various lending programs, including warehousing of loans in the General Fund, and activities related to the Authority’s private activity bond volume cap preservation program. Amounts drawn under the agreements bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and/or investments. There are no commitment fees associated with these agreements.

The Authority also has a revolving, unsecured, commercial bank line of credit agreement for borrowings of up to \$30,000,000. Amounts drawn under the agreement bear interest fixed at 0.65% per annum above the London Interbank Offered Rate. This line of credit agreement terminates on July 24, 2009. The Authority pays an unused line fee at the rate of 0.25% per annum, payable in arrears on the last day of each calendar. The fee is based upon the amount by which the daily average of the aggregate principal amount of the borrowings outstanding is less than the line of credit.

Through August 2008, the Authority additionally had an agreement with a commercial bank for a secured line of credit authorizing borrowings of up to \$10,000,000. The Authority borrowed 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 this agreement bear interest fixed at .75% per annum, and are invested with the bank in money market instruments. There are no commitment fees associated with this agreement.

Short-term debt activity for the year ended December 31, 2008, was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Lines of credit	\$ 64,545	\$ 5,911,850	\$ (5,811,410)	\$ 164,985

**(6) Long-term Liabilities**

The Authority issues bonds and notes payable to finance its lending programs. Proceeds from long-term debt of the Single Family and Multi-Family/Business Funds are used for funding of single family, multi-family and business loans. Long-term debt of the General Fund (including notes payable) is used to finance single family and business loans related to various private placements, the Authority’s RAP activities and for general corporate purposes. The aggregate principal amounts of bonds and notes payable outstanding as of December 31, 2008, and 2007, are shown in the table on the following pages. Interest is payable semi-annually unless otherwise noted. Interest rates on variable debt are reset on a weekly basis by the remarketing agents.



Colorado Housing and Finance Authority – Notes to Financial Statements (tabular amounts are in thousands)

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Description and due date	Interest rate (%)	2008	2007
<b>Bonds payable:</b>			
<b>General Fund</b> (all General Fund bonds carry the Authority's general obligation pledge):			
General Obligation Bonds:			
1992 Series A	2009-2030	9.125	
		\$ 3,090	\$ 3,130
1998 Series A	2009-2017	4.70 to 5.25	
		980	1,060
Total General Obligation Bonds		4,070	4,190
Single Family:			
Taxable Mortgage Revenue Bonds: (* principal and interest payable monthly)			
2000 Series A*	2009-2020	6.914	
			1,144
2000 Series B*	2009-2020	6.675	
			165
2001 Series AP*	2009-2021	6.135	
			1,665
2001 Series AV*	2009-2021	6.625	
			67
2002 Series AP*	2009-2022	5.662	
			207
2004 Series A*	2009-2034	4.95	
			1,318
2004 Series B*	2009-2035	4.98	
			2,962
2004 Series CV*	2009-2035	5.14	
			1,966
2005 Series A *	2009-2035	5.17	
			8,003
2005 Series B*	2009-2036	5.32	
			7,258
2006 Series A*	2009-2036	5.92	
			8,979
2007 Series A*	2009-2037	5.50	
			7,622
Total Single Family			41,356
			45,936
Multi-Family/Business Finance:			
ACCESS Program Bonds:			
1995 Series A	2009-2015	7.67	
			76
Guaranteed Loan Participation Purchase Bonds: (* principal and interest payable monthly)			
1999 Series A	2009-2024	5.71	
			619
2000 Series A	2009-2025	6.755	
			184
2003 Series A*	2009-2023	5.004	
			2,277
2004 Series A*	2009-2024	4.62	
			2,813
2004 Series B*	2009-2024	4.88	
			6,860
2005 Series A*	2009-2025	4.81	
			2,840
2006 Series A*	2009-2026	5.98	
			4,314
2007 Series A*	2009-2027	5.89	
			3,954
Total Guaranteed Loan Participation Purchase Bonds			23,861
			27,939
Project Loan Participation Purchase Bonds: (* principal and interest payable monthly)			
2004 Series AP*	2009-2024	4.90	
			5,784
Taxable Rental Project Revenue Bonds: (* principal and interest payable monthly)			
2000 Series A	2009-2020	6.152	
			4,379
2002 Series AV*	2009-2022	5.55	
			6,086
2003 Series AV*	2009-2024	5.19	
			3,739
2004 Series A*	2009-2024	4.90	
			12,664
Total Taxable Rental Project Revenue Bonds			26,868
			27,355
Total Multi-Family/Business Finance			56,589
			61,809
<b>Total General Fund</b>			<b>102,015</b>
			<b>111,935</b>

Colorado Housing and Finance Authority – Notes to Financial Statements (tabular amounts are in thousands)

Description and due date	Interest rate (%)	2008	2007	
<b>Single Family Fund:</b>				
Single Family Program Senior and Subordinate Bonds:				
1995 Series D	2009-2026	5.625 to 7.375	105	415
1996 Series A	2009-2027	5.60 to 7.40	-	335
1996 Series B	2009-2027	7.45 to 7.65	-	300
1996 Series C	2009-2027	7.10 to 7.55	30	350
1997 Series A	2009-2027	7.00 to 7.25	500	985
1997 Series B	2009-2028	6.75 to 7.00	310	680
1997 Series C	2009-2028	6.75 to 6.875	760	985
1998 Series A	2009-2029	6.50 to 6.60	3,690	4,460
1998 Series B	2009-2029	5.50 to 6.55	3,826	4,443
1998 Series C	2009-2029	5.15 to 5.625	4,794	5,396
1998 Series D	2009-2029	6.125 to 6.35	4,880	5,540
1999 Series A	2009-2030	6.05 to 6.45	5,575	6,570
1999 Series B	2009-2030	6.50 to 6.80	3,090	4,220
1999 Series C	2009-2031	6.75 to 7.20	5,755	6,795
2000 Series A	2009-2031	7.25 to 7.50	2,470	3,020
2000 Series B	2009-2031	6.70 to 7.25	2,805	3,705
2000 Series C	2009-2031	5.70 to 8.40	2,400	3,185
2000 Series D	2009-2032	5.40 to 6.90	3,955	4,800
2000 Series E	2009-2032	5.375 to 7.00	3,030	3,735
2001 Series A	2009-2032	5.00 to 6.50	6,385	6,985
2001 Series B	2009-2033	5.00 to 6.80	8,080	9,100
2001 Series C	2009-2033	4.875 to 6.60	10,760	12,250
<b>Total Single Family Program Senior and Subordinate Bonds</b>			<b>73,200</b>	<b>88,254</b>
Single Family Mortgage Bonds:				
2001 Series AA	2009-2041	Variable & 5.25	131,840	131,840
2002 Series A	2009-2032	Variable & 4.55 to 5.65	60,820	61,650
2002 Series B	2009-2032	Variable & 4.80 to 5.40	87,355	89,805
2002 Series C	2009-2036	Variable & 4.40 to 4.95	111,255	117,155
2003 Series A	2009-2032	Variable & 4.75 to 5.15	49,305	49,970
2003 Series B	2009-2033	Variable & 5.00	148,085	150,930
2003 Series C	2009-2032	Variable & 5.00	85,170	87,070
2004 Series A	2009-2034	Variable & 5.25	96,720	98,470
2004 Series B	2009-2034	Variable & 5.25	80,415	82,245
2005 Series A	2009-2035	Variable & 5.25	85,690	87,355
2005 Series B	2009-2036	Variable & 4.60 to 5.22	158,220	168,810
2006 Series A	2009-2036	Variable & 5.00	106,985	106,985
2006 Series B	2009-2036	Variable & 5.10	183,800	190,950
2006 Series C	2009-2036	Variable & 4.625	158,680	158,680
2007 Series A	2009-2037	Variable & 4.80	164,000	175,000
2007 Series B	2009-2038	Variable	220,000	220,000
2008 Series A	2010-2038	Variable & 5.00 to 5.75	348,955	-
<b>Total Single Family Mortgage Bonds</b>			<b>2,277,295</b>	<b>1,976,915</b>
<b>Total Single Family Fund</b>			<b>2,350,495</b>	<b>2,065,169</b>

Colorado Housing and Finance Authority – Notes to Financial Statements (tabular amounts are in thousands)

Description and due date	Interest rate (%)	2008	2007	
<b>Multi-Family/Business Fund:</b>				
Multi-Family Housing Insured - Mortgage Revenue Bonds:				
1996 Series A	2009-2037	6.00 to 6.40	-	1,785
1997 Series A	2009-2038	5.75 to 7.125	4,880	4,970
1997 Series B	2009-2038	5.70 to 7.25	10,570	10,720
1997 Series C	2009-2039	5.00 to 5.75	21,025	22,765
1998 Series A	2009-2039	5.35 to 6.70	15,420	15,585
1998 Series B	2009-2040	5.45 to 7.00	7,080	7,110
1999 Series A	2009-2041	4.45 to 6.65	29,530	29,830
1999 Series B	2009-2041	5.25 to 5.85	5,245	5,295
1999 Series C	2009-2041	5.35 to 6.20	5,690	5,730
2002 Series AA	2009-2030	Variable	29,380	40,545
Total Multi-Family Housing Insured - Mortgage Revenue Bonds			128,820	144,335
Multi-Family/Project Bonds: (* principal and interest payable quarterly on some of the bonds)				
2000 Series A	2009-2032	Variable & 6.15	30,500	46,915
2000 Series B*	2009-2042	Variable & 5.90 to 6.10	29,875	30,180
2001 Series A	2009-2043	4.25 to 5.65	25,440	25,855
2002 Series A	2009-2042	Variable & 4.45 to 5.70	23,435	23,845
2002 Series C	2009-2042	Variable & 3.60 to 5.30	131,470	134,190
2003 Series A	2009-2033	Variable	39,390	41,355
2004 Series A	2009-2045	Variable & 2.60 to 4.80	78,920	82,255
2005 Series A	2009-2040	Variable	68,025	70,640
2005 Series B	2009-2040	Variable	26,310	26,785
2006 Series A	2009-2041	Variable	103,140	105,670
2006 Series B	2009-2044	Variable	-	118,600
2007 Series A	2009-2052	Variable	-	47,015
2007 Series B	2009-2038	Variable	91,055	103,745
2008 Series A	2009-2043	Variable	32,610	-
2008 Series B	2052	Variable	165,515	-
2008 Series C	2009-2038	Variable	41,560	-
Total Multi-Family/Project Bonds			887,245	857,050
<b>Total Multi-Family/Business Fund</b>			<b>1,016,065</b>	<b>1,001,385</b>
<b>Total bonds payable</b>			<b>3,468,575</b>	<b>3,178,489</b>
Deferred premiums			5,642	6,679
Deferred losses on refunding amounts			(5,515)	(7,630)
Net premium on swaps			47,527	-
<b>Bonds payable, net</b>			<b>\$ 3,516,229</b>	<b>\$ 3,177,538</b>
<b>Notes payable</b>			<b>\$ 1,085</b>	<b>\$ 5,042</b>

A breakdown of bonds payable as of December 31, 2008, and 2007 by fixed and variable interest rates follows in the table below. Certain of the Authority's variable rate debt has been converted to fixed rate debt by entering into pay fixed/receive variable rate interest rate swap agreements as further described in Note 7. Such debt is referred to in the table as synthetic fixed rate debt.

Description	2008	2007
Fixed rate debt	\$ 654,060	\$ 696,509
Synthetic fixed rate debt	2,257,690	2,194,640
Unhedged variable rate debt	556,825	287,340
Total	\$ 3,468,575	\$ 3,178,489

Included in certain of the bond issues shown in the previous table are capital appreciation term bonds. 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 Statement of Net Assets at December 31, 2008, and 2007, are as follows:

Description and due date	Interest Rate (%)	Appreciated Balances		
		Maturity	2008	2007
Single Family Program Senior and Subordinate Bonds:				
1998 Series B - 2025-2029	5.50	\$ 6,053	\$ 2,241	\$ 2,123
1998 Series C - 2020-2029	5.625	11,448	4,794	4,851
			\$ 7,035	\$ 6,974

Also included in the table of bonds and notes payable outstanding are certain Single Family and Multi-Family/Project bonds which carry the Authority's general obligation pledge. These bonds are presented in the following table as of December 31, 2008, and 2007:

Description	2008	2007
Single Family Program Subordinate Bonds	\$ 1,095	\$ 1,435
Single Family Mortgage Bonds, Class III	89,170	95,220
Multi-Family/Project Bonds, Class I	285,305	252,595
Multi-Family/Project Bonds, Class II	23,000	-
Multi-Family/Project Bonds, Class III	16,915	57,820
Total	\$ 415,485	\$ 407,070

Long-term liability activity for the year ended December 31, 2008, was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 3,178,489	\$ 589,207	\$ (299,121)	\$ 3,468,575	\$ 13,640
Unamortized premium/discount	6,679	365	(1,402)	5,642	22
Deferred losses on refunding	(7,630)	(1,914)	4,029	(5,515)	(21)
Net premium on swaps	-	47,527	-	47,527	4,753
Net bonds payable	3,177,538	635,185	(296,494)	3,516,229	18,394
Notes payable	5,042	-	(3,957)	1,085	73
Arbitrage rebate payable	2,630	385	(1)	3,014	-
Compensated absences	670	866	(765)	771	771
Deferred income	3,254	344	(335)	3,263	218
Other long-term liabilities	6,235	50	(37)	6,248	-
Total long-term liabilities	\$ 3,195,369	\$ 636,830	\$ (301,589)	\$ 3,530,610	\$ 19,456

Bonds and notes payable sinking fund installments and maturities subsequent to December 31, 2008, using rates in effect as of that date are as follows:

Year Ending December 31,	General Fund		Single Family		Multi-Family		Notes Payable	
	Principal	Interest	Principal *	Interest	Principal	Interest	Principal	Interest
2009	\$ 125	\$ 5,569	\$ 4,005	\$ 97,485	\$ 9,510	\$ 39,032	\$ 73	\$ 11
2010	130	5,561	5,570	90,133	10,130	36,410	74	10
2011	145	5,553	10,175	89,882	10,635	36,089	75	9
2012	295	5,542	23,675	89,560	11,195	35,742	76	9
2013	410	5,521	57,585	88,880	11,780	35,389	76	8
2014-2018	1,811	27,234	345,360	418,770	71,700	172,248	394	28
2019-2023	15,978	25,043	243,679	378,234	110,330	162,585	248	10
2024-2028	44,137	13,303	235,386	343,376	100,595	150,248	69	1
2029-2033	875	10,447	462,916	287,684	177,160	130,934	-	-
2034-2038	38,109	4,922	922,610	156,017	286,810	89,225	-	-
2039-2043	-	-	50,000	7,488	49,450	41,623	-	-
2044-2048	-	-	-	-	1,255	37,257	-	-
2049-2052	-	-	-	-	165,515	26,069	-	-
Total	\$ 102,015	\$ 108,695	\$ 2,360,961	\$ 2,047,509	\$ 1,016,065	\$ 992,851	\$ 1,085	\$ 86

\* Includes \$10.5 million of future accretion of principal value on capital appreciation bonds.

The Authority has issued certain conduit bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. As of December 31, 2008, the amount outstanding on these bonds was \$445,705,000. 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.

The Authority enters into Standby Bond Purchase agreements with various banks in connection with its variable rate bonds. Pursuant to these agreements, the banks are required to purchase any variable rate bonds which are not remarketed when

the rates are reset each week. The bonds held by the banks bear an interest rate specified in the agreements and must be removed from the banks at specified dates. At December 31, 2008, the banks held \$513,605,000 of the Authority's outstanding bonds. The bonds held by the bank bear interest at rates from 3.25% to 4.45% and must be removed by the Authority over the period from March 2009 to September 2018.

### (7) Interest Rate Swap Agreements

**Objective** - The Authority has entered into pay-fixed, receive-variable interest rate swaps in order to (1) provide lower cost fixed rate financing for its production needs through synthetic fixed rate structures; and (2) utilize synthetic fixed rate structures with refunding bonds in order to generate cash flow savings.

**Summary of Swap Transactions** - The key terms, including the fair values and counterparty credit ratings of the outstanding swaps as of December 31, 2008, are shown in the table on the following pages. The notional amounts of the swaps match the principal amounts of the associated debt. Except as discussed under amortization risk below, the authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

#### Risk Disclosure

**Credit Risk:** All of the Authority's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result the Authority is exposed to credit risk - i.e., the risk that a swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown in the column labeled "Fair Value" in the table on the following page. The Authority is exposed to credit risk in the amount of any positive net fair value exposure to each counterparty. As of December 31, 2008, the Authority was exposed to no credit risk to any of its counterparties. To mitigate credit risk, the Authority maintains strict credit standards for swap counterparties. All swap counterparties must be rated in the Aa/AA or higher category by either Moody's Investors Service (Moody's) or Standard & Poor's (S&P) respectively at the time the contract is entered into.

The Authority has executed 78 swap transactions with 9 counterparties with concentrations and ratings (Standard and Poor's/ Moody's Investors Service) as shown:

Swap Count	Concentration	Counterparty Rating
14	17.8%	A-/A3
14	17.1%	AA-/Aa3
35	32.0%	AA-/Aa1
2	2.0%	AAA/Aaa
1	5.5%	A+/Aa3
6	14.8%	AA-/Aa1
1	0.3%	AAAt/Aaa
3	8.7%	AA-/Aaa
<u>2</u>	<u>1.8%</u>	A+/Aa2
<u>78</u>	<u>100.00%</u>	

Additionally, the Authority has entered into 2 forward starting swap agreements with 2 counterparties for a notional amount of \$40,000,000. The fair value of these swaps as of December 31, 2008, was a negative \$3,667,000. As of December 31, 2008, the bonds relating to these swap agreements had not been issued.

In the fourth quarter of 2008, due to a credit event affecting 2 of the Authority's counterparties, the Authority terminated 63 swaps with a notional amount of \$1,095,810,000. The Authority entered into 39 replacement swap agreements with other counterparties for a notional amount of \$926,935,000. Terminated swap agreements with a notional amount of

\$168,875,000 were not replaced. In connection with the swap terminations and replacements, a termination payment of \$4.7 million was expensed in 2008 and a net premium of \$47.5 million was received. This premium is included in bonds payable, current and non-current, and is being amortized over the life of the new swap agreements.

*Basis Risk:* The Authority is exposed to basis risk when the variable interest rate paid to the holders of its variable rate demand obligations (VRDO's) is not equivalent to the variable interest rate received from its counterparties on the related swap agreements. When exposed to basis risk, the net interest expense incurred on the combination of the swap agreement and the associated variable rate debt may be higher or lower than anticipated.

The Authority's tax-exempt variable-rate bond interest payments are substantially equivalent to the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) rate (plus a trading spread). Certain tax-exempt swaps, as indicated in the table below, contain a trigger feature in which the Authority receives a rate indexed on SIFMA should LIBOR be less than a predetermined level (the trigger level), or a rate pegged at a percentage of LIBOR should LIBOR be equal to or greater than the predetermined trigger level. For these swaps, the Authority would be negatively exposed to basis risk during the time period it is receiving the rate based on a percentage of LIBOR should the relationship between LIBOR and SIFMA converge.

The Authority's taxable variable-rate bond interest payments are substantially equivalent to LIBOR (plus a trading spread). The Authority is receiving LIBOR (plus a trading spread) for all of its taxable swaps and therefore is only exposed to basis risk to the extent that the Authority's bonds diverge from their historic trading relationship with LIBOR.

*Termination Risk:* The Authority's swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards, the Authority or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. If at the time of the termination a swap has a negative value, the Authority would be liable to the counterparty for a payment equal to the fair value of such swap.

There are certain termination provisions relevant to the Authority's counterparties operating as special purpose vehicles (SPV) with a terminating structure. In the case of certain events, including the credit downgrade of the SPV or the failure of the parent company to maintain certain collateral levels, the SPV would be required to wind up its business and terminate all of its outstanding transactions with all clients, including the Authority. All such terminations would be at mid-market pricing. In the event of such termination, the Authority would be exposed to the risk of market re-entry and the cost differential between the mid-market termination and the offered price upon re-entry.

*Rollover Risk:* The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of December 31, 2008, the Authority is not exposed to rollover risk.

(text continues on page 31)

Colorado Housing and Finance Authority – Notes to Financial Statements (tabular amounts are in thousands)

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received *	Embedded Options	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating Moody's/S&P	Fair Value **
<b>Single Family:</b>										
Single-Family 2001-AA	\$ 15,340	12/02/08	05/01/18	5.5260%	Trigger, SIFMA + .05% or 68% LIBOR				AA-/Aa1	\$ (3,549)
Single-Family 2001-AA2	46,840	12/04/08	05/01/31	4.6000%	Trigger, SIFMA + .05% or 68% LIBOR				AA-/Aa1	(10,460)
Single-Family 2002-A3	19,090	12/04/08	11/01/21	4.7490%	Trigger, SIFMA + .05% or 68% LIBOR				AA-/Aa1	(3,247)
Single-Family 2002-B3	40,000	12/04/08	11/01/21	4.5060%	Trigger, SIFMA + .05% or 68% LIBOR				AA-/Aa1	(6,431)
Single-Family 2002-C3	40,000	12/04/08	05/01/22	4.4220%	Trigger, SIFMA + .15% or 68% LIBOR				AA-/Aa1	(6,336)
Single-Family 2003-A2	20,000	12/02/08	11/01/21	4.1600%	Trigger, SIFMA + .05% or 68% LIBOR				AA-/Aa1	(2,805)
Single-Family 2003-B1	36,670	12/02/08	11/01/26	4.8510%	LIBOR + .05%	Par optional termination right	05/01/15	27,305	AA-/Aa1	(4,492)
Single-Family 2003-B-2	30,000	10/29/08	05/01/28	4.9380%	LIBOR + .05%	Par optional termination right	11/1/2018	all remaining	AA-/Aaa	(3,908)
Single-Family 2003-B3	60,000	12/02/08	11/01/26	4.3840%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	43,170	AA-/Aa1	(6,188)
Single-Family 2003-C1	25,275	12/03/03	05/01/12	4.0330%	LIBOR + .05%				AAA/Aaa	(1,168)
Single-Family 2003-C2	40,000	12/02/08	11/01/26	4.5950%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	28,780	AA-/Aa1	(4,669)
Single-Family 2004-A1	20,365	09/01/04	05/01/12	4.4596%	LIBOR + .05%				AAA/Aaa	(1,077)
Single-Family 2004-A2	50,000	07/28/04	11/01/26	4.3685%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	35,970	A-/A3	(5,108)
Single-Family 2004-B1	17,200	12/01/04	05/01/12	4.0520%	LIBOR + .05%				A-/Aa2	(775)
Single-Family 2004-B2	40,000	11/01/04	11/01/26	4.1220%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	28,780	A-/A3	(3,438)
Single-Family 2005-A1	23,670	05/01/05	05/01/13	4.3555%	LIBOR + .05%				A-/Aa2	(1,371)
Single-Family 2005-A2	40,000	03/16/05	11/01/27	4.0710%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	32,290	A-/A3	(3,221)
Single-Family 2005-B2	80,000	07/20/05	05/01/34	4.1693%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	48,650	A-/A3	(6,826)
Single-Family 2006-A1	13,610	03/01/06	11/01/13	5.1610%	LIBOR + .05%				AA-/Aa1	(1,084)
Single-Family 2006-A3	40,000	01/18/06	11/01/36	4.3129%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/19	37,810	AA-/Aa3	(4,377)
Single-Family 2006-B1	50,950	11/01/06	11/01/14	5.6685%	LIBOR + .05%				AA-/Aa1	(5,325)
Single-Family 2006-B2	49,325	07/26/06	11/01/34	4.1951%	Trigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	05/01/19	16,700	AA-/Aa3	(5,827)
Single-Family 2006-B3	62,945	07/26/06	11/01/36	4.5445%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/19	59,190	AA-/Aa3	(8,582)
Single-Family 2006-C1	50,945	01/02/07	11/01/14	5.3143%	LIBOR + .05%				AA-/Aa1	(4,836)
Single-Family 2006-C2	14,140	12/20/06	05/01/16	4.2884%	Trigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	05/01/12	7,050	AA-/Aa3	(1,494)
Single-Family 2006-C2	10,605	12/20/06	11/01/16	4.2884%	Trigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	11/01/12	5,300	AA-/Aa3	(1,185)
Single-Family 2006-C2	10,605	12/20/06	11/01/17	4.2884%	Trigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	11/01/13	5,300	AA-/Aa3	(1,297)
Single-Family 2006-C2	35,350	12/20/06	11/01/34	4.2884%	Trigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	11/01/19	21,210	AA-/Aa3	(4,145)
Single-Family 2007A-1	64,505	6/1/2007	05/01/15	5.1911%	LIBOR + .05%				AA-/Aa1	(6,331)
Single-Family 2007A-2	70,000	5/9/2007	11/01/37	4.1530%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	5/1/2019	62,910	AA-/Aa3	(6,289)
Single-Family 2007B-1	93,690	11/1/2007	11/01/26	5.5800%	Libor plus 0.05%	Par optional termination right	11/1/2017	24,610	AA-/Aa1	(13,720)
Single-Family 2007B-2	50,000	10/18/2007	05/01/38	4.5075%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	5/1/2019	46,545	AA-/Aa3	(6,183)
								Up to:		
							1) 11/1/2013	1) 12,500		
							2) 11/1/2015	2) 25,000		
Single-Family 2007B-3	50,000	12/02/08	05/01/38	4.4050%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	3) 11/1/2017	3) 50,000	AA-/Aa1	(3,019)
								Up to:		
							1) 5/1/2014	1) 20,000		
							2) 5/1/2016	2) 40,000		
Single-Family 2008A-3	80,000	6/4/2008	5/1/2038	4.4140%	Trigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	3) 5/1/2018	3) 80,000	A-/A3	(6,179)
								Up to:		
								1) 14,260		
							1) 11/1/2011	2) 27,440		
							2) 11/1/2013	3) 38,340		
							3) 11/1/2016	4) all		
Single-Family 2008A-1	60,000	6/4/2008	05/01/38	5.4450%	LIBOR + .05%	Par optional termination right	4) 11/1/2018	remaining	AA-/Aa1	(8,780)
Single-Family 2008A-2	124,865	6/4/2008	11/1/2027	4.5960%	LIBOR + .05%	Par optional termination right	5/1/2018	all remaining	A-/Aa3	(12,887)
<b>Total Single Family</b>	<b>1,575,985</b>									<b>(176,609)</b>
<b>Multi-Family/Business:</b>										
Multi-Family/Project 2000-A1	12,750	11/21/08	10/01/20	5.2350%	SIFMA + .05				AA-/Aa1	(2,794)
Multi-Family/Project 2000-A2	11,050	11/21/08	04/01/15	5.8000%	SIFMA + .05				AA-/Aa1	(1,496)
Multi-Family/Project 2000-B1	6,150	10/19/00	07/01/20	7.3900%	LIBOR + .25%				AAA/Aaa	(1,797)
Multi-Family/Project 2002-A1	9,410	11/21/08	10/01/22	5.1000%	SIFMA + .15				AA-/Aa1	(1,894)
Multi-Family/Hsg Ins 2002AA	29,380	11/21/08	10/01/23	6.0680%	SIFMA + .05				AA-/Aa1	(7,811)
Multi-Family/Project 2002-C2	70,715	11/21/08	10/01/32	5.1240%	Trigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	04/01/18	59,340	AA-/Aa1	(13,055)
Multi-Family/Project 2002-C4	31,960	11/21/08	10/01/32	5.0440%	Trigger, SIFMA + .05% or 68% LIBOR	Par optional termination right	04/01/18	26,785	AA-/Aa1	(5,664)
Multi-Family/Project 2003-A1	21,800	12/03/08	04/01/26	4.5550%	LIBOR + .05%	Par optional termination right	10/01/09	16,576	AA-/Aa1	(864)
Multi-Family/Project 2004-A1	45,825	11/01/04	10/01/25	5.5281%	LIBOR + .05%	Par optional termination right	10/01/14	all remaining	A-/A3	(6,898)
Multi-Family/Project 2004-A2	10,785	09/22/04	04/01/45	4.8840%	SIFMA + .15%	Par optional termination right	10/01/19	all remaining	A-/A3	(1,516)
Multi-Family/Project 2005-A1 (A)	5,005	08/01/05	10/01/35	5.8200%	LIBOR + .05%	Par optional termination right	04/01/15	all remaining	A-/A3	(880)
Multi-Family/Project 2005-A1 (B)	3,190	08/01/05	10/01/20	5.2050%	LIBOR + .05%				A-/A3	(727)

Table continued on following page.



Colorado Housing and Finance Authority – Notes to Financial Statements (tabular amounts are in thousands)

Associated Bond Issue	Current		Termination Date	Fixed		Variable Rate Received *	Embedded Options	Optional	Optional	Counterparty Rating	Fair Value **
	Notional Amount	Effective Date		Rate	Rate			Termination Date, at Par	Termination Amount		
Multi-FamilyProject 2005-A1 (C)	10,480	08/01/05	10/01/25	5.7120%	LIBOR +.05%		Par optional termination right	04/01/15	all remaining	A-/A3	(1,812)
Multi-FamilyProject 2005-A1 (D)	4,215	08/01/05	10/01/25	5.5730%	LIBOR +.05%		Par optional termination right	10/01/11	all remaining	A-/A3	(380)
Multi-FamilyProject 2005-A2	20,170	07/01/05	04/01/36	4.2850%	SIFMA +.05%		Par optional termination right	04/01/15	all remaining	A-/A3	(1,585)
Multi-FamilyProject 2005-A3 (A)	6,610	04/13/05	04/01/40	4.6560%	SIFMA +.15%		Par optional termination right	10/01/20	all remaining	A-/A3	(940)
Multi-FamilyProject 2005-A3 (B)	6,565	10/01/05	04/01/32	4.4800%	SIFMA +.15%		Par optional termination right	04/01/15	all remaining	A-/A3	(525)
Multi-FamilyProject 2005-B1	14,410	03/01/06	04/01/36	5.2350%	LIBOR +.05%		Par optional termination right	10/01/15	11,125	AA-/Aa3	(2,169)
Multi-FamilyProject 2005-B2 (A)	3,615	01/02/06	10/01/40	4.7350%	SIFMA +.15%		Par optional termination right	10/01/15	3,305	AA-/Aa3	(292)
Multi-FamilyProject 2005-B2 (B)	6,110	09/01/06	10/01/38	4.5270%	SIFMA +.15%		Par optional termination right	10/01/21	4,520	AA-/Aa3	(821)
Multi FamilyProject 2006A-1	11,835	12/01/06	10/01/36	5.3420%	LIBOR +.05%		Par optional termination right	04/01/21	8,040	AA-/Aa3	(2,767)
								Up to:			
								1) 10/12/2011	1) 2,840		
Multi FamilyProject 2006A-1	36,745	12/03/08	04/01/27	5.7100%	LIBOR +.05%		Par optional termination right	2) 10/12/2016	2) 12,305	AA-/Aa1	(9,489)
Multi FamilyProject 2006A-2	4,950	12/03/08	04/01/28	4.3410%	SIFMA +.15%		Par optional termination right	10/01/16	3,540	AA-/Aa1	(459)
Multi FamilyProject 2006A-2	9,575	12/03/08	10/01/41	4.9990%	SIFMA +.15%		Par optional termination right	04/01/24	7,670	AA-/Aa1	(1,830)
Multi FamilyProject 2006A-2	12,470	12/03/08	04/01/39	4.6260%	SIFMA +.15%		Par optional termination right	10/01/16	10,880	AA-/Aa1	(1,141)
Multi FamilyProject 2006A-2	3,100	12/03/08	04/01/26	4.7400%	SIFMA +.15%		Par optional termination right	04/01/24	2,670	AA-/Aa1	(629)
Multi FamilyProject 2006A-3	2,490	12/03/08	10/01/36	4.5040%	SIFMA +.05%		Par optional termination right	10/01/16	2,150	AA-/Aa1	(233)
Multi FamilyProject 2006A-3	875	12/03/08	04/01/27	3.9950%	SIFMA +.05%					AA-/Aa1	(103)
Multi FamilyProject 2007B-1	7,745	10/12/07	04/01/28	5.2200%	LIBOR +.05%		Par optional termination right	4/12/2028	6,190	AA-/Aa3	(1,934)
								Up to:			
								1) 10/12/2012	1) 6,920		
								2) 10/12/2017	2) 19,460		
Multi FamilyProject 2007B-1	38,845	12/03/08	04/01/28	5.6400%	LIBOR +.05%		Par optional termination right	3) 4/01/2022	3) 16,925	AA-/Aa1	(11,725)
Multi FamilyProject 2007B-2	2,885	12/03/08	10/01/36	4.2870%	SIFMA +.15%		Par optional termination right	10/12/2017	2,040	AA-/Aa1	(270)
Multi FamilyProject 2007B-2	2,140	12/03/08	04/01/38	4.5350%	SIFMA +.15%		Par optional termination right	10/22/2017	1,780	AA-/Aa1	(206)
Multi FamilyProject 2007B-2	4,910	12/03/08	04/01/38	4.4695%	SIFMA +.15%		Par optional termination right	10/22/2017	4,395	AA-/Aa1	(506)
Multi FamilyProject 2007B-2	4,900	12/03/08	04/01/28	4.6510%	SIFMA +.15%		Par optional termination right	4/12/2023	3,835	AA-/Aa1	(842)
Multi FamilyProject 2007B-3	2,635	12/03/08	10/01/37	4.2970%	SIFMA +.15%		Par optional termination right	10/12/2017	2,065	AA-/Aa1	(221)
Multi FamilyProject 2007B-3	4,920	12/03/08	10/01/19	4.0967%	SIFMA +.05%		Par optional termination right	10/12/2014	4,430	AA-/Aa1	(385)
Multi FamilyProject 2007B-3	2,315	12/03/08	04/01/38	4.8805%	SIFMA +.05%		Par optional termination right	10/12/2017	2,205	AA-/Aa1	(300)
Multi FamilyProject 2008A	8,030	12/03/08	04/01/43	4.5400%	SIFMA +.15%		Par optional termination right	4/12/2019	6,340	AA-/Aa1	(797)
								Up to:			
								1) 3,070			
								2) all			
Multi FamilyProject 2008A	16,585	12/03/08	04/01/29	5.1300%	LIBOR +.05%		Par optional termination right	1) 4/12/2018	2) all	AA-/Aa1	(3,814)
Multi FamilyProject 2008B	118,600	12/03/08	10/01/44	5.17215%	LIBOR			2) 4/12/2019	remaining	AA-/Aaa	(48,151)
Multi FamilyProject 2008B	46,915	12/03/08	03/01/47	5.2071%	LIBOR					AA-/Aaa	(21,759)
Multi FamilyProject 2008C	8,045	12/03/08	10/01/38	4.3400%	SIFMA +.05%		Par optional termination right	4/12/2019	6,500	AA-/Aa1	(832)
Total Multi-FamilyBusiness	681,705										(162,313)
Total	\$ 2,257,690										\$ (338,922)

(\*) SIFMA is the Securities Industry Financial Markets Association Municipal Swap Index. LIBOR is the London Interbank Offered Rate.

(\*\*) The fair value of the outstanding swaps are presented for informational purposes only and do not impact the financial statements. All fair values have been calculated using the mark-to-market or par value method and include the valuation of any related embedded option.

**Amortization Risk:** The Authority is exposed to amortization risk in the event that the swap amortization schedules fail to match the actual amortization of the underlying bonds as a result of loan prepayments which significantly deviate from expectations. If prepayments are significantly higher than anticipated, the Authority would have the option of reinvesting or recycling the prepayments, or calling unhedged bonds. Alternatively, if the Authority chose to call bonds associated with the swap, the Authority could elect an early termination of the related portions of the swap at a potential cost to the Authority. If prepayments are significantly lower than anticipated and the associated bonds remained outstanding longer than the relevant portion of the swap, the Authority could experience an increase in its exposure to unhedged variable rate bonds. Alternatively, the Authority could choose to enter into a new swap or an extension of the existing swap. If interest rates are higher at the time of entering into a new swap or swap extension, such action would result in a potential cost to the Authority.

**Swap Payments and Associated Debt** - Using interest rates as of December 31, 2008, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable rate interest rate payments on the bonds and net swap payments will change.

Year Ending December 31,	Principal	Interest	Swaps, Net	Total
2009	\$ 100,955	\$ 77,484	\$ 92,740	\$ 271,179
2010	107,695	67,384	84,013	259,092
2011	106,795	62,426	79,426	248,647
2012	104,695	57,744	75,002	237,441
2013	104,065	53,750	70,663	228,478
2014-2018	526,110	219,728	288,965	1,034,803
2019-2023	370,950	158,229	200,781	729,960
2024-2028	307,920	104,801	132,426	545,147
2029-2033	260,520	64,910	80,165	405,595
2034-2038	194,170	29,110	34,041	257,321
2039-2043	50,590	10,720	11,838	73,148
2044-2047	23,225	2,051	2,191	27,467
<b>Total</b>	<b>\$2,257,690</b>	<b>\$ 908,337</b>	<b>\$ 1,152,251</b>	<b>\$ 4,318,278</b>

**(8) Debt Refundings**

On June 25, 2008, the Authority issued its Multi-Family/Project Bonds 2008 Series B, in the aggregate principal amount of \$165,565,000. Proceeds of the bonds were used to refund its outstanding Multi-Family/Project Bonds 2006 Series B, and 2007 Series A, in the amount of \$165,565,000. The refunding resulted in a decrease in the aggregate debt service requirement of approximately \$12,400,000, based on the change in variable interest rates at the time of refunding, and an approximate economic gain to the Authority of \$6,100,000. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities, \$1,914,000 was deferred and is being amortized over the estimated life of the old debt.

Economic gain or loss is calculated as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements less related upfront costs of issuance, bond call premiums and bond insurance premiums, discounted at the effective interest rate.

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. On December 31, 2008, \$58.9 million of bonds outstanding are considered defeased.

**(9) Restricted Net Assets**

The amounts restricted for the Single Family Fund and the Multi-Family/Business Fund are for the payment of principal, redemption premium, if any, or interest on all outstanding single family and multi-family/business bond issues, in the event that no other monies are legally available for such payments. The Board may withdraw all or part of this restricted balance if (1) updated cash flow projections indicate that adequate resources will exist after any withdrawal to service the outstanding debt, subject to approval by the bond trustee; (2) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and (3) no default exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

Assets of the Single Family and Multi-Family/Business 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 Single Family and Multi-Family/Business Funds and are held in cash or investments. At December 31, 2008, these assets were at least equal to the amounts required to be restricted.

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, 2008, for various purposes, as indicated in the following table. These designations of net assets are not binding, and can be changed by the Board.

Appropriations for loan programs:	
Housing Opportunity loans	\$ 41,833
Housing loans	389
Business finance loans	14,577
<b>Total appropriations</b>	<b>56,799</b>
Designations:	
General obligation bonds	18,832
General operating and working capital	540
Unrealized appreciation of investments	45,342
Single and multi-family bonds	19,382
<b>Total designations</b>	<b>84,096</b>
<b>Total General Fund unrestricted net assets</b>	<b>\$ 140,895</b>

**(10) Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of December 31, 2008, is as follows:

Due From Fund	Due to Fund			Total
	General	Single Family	Multi-Family/ Business	
General	\$ -	\$ 31,051	\$ 20,778	\$ 51,829
Single Family	-	-	-	-
Multi-Family/Business	361	-	-	361
<b>Total</b>	<b>\$ 361</b>	<b>\$ 31,051</b>	<b>\$ 20,778</b>	<b>\$ 52,190</b>

The outstanding balances between funds result mainly from the processing of loan payments which are initially received by the General Fund and then transferred to the Single Family Fund and Multi-Family/Business Fund on a month lag basis. All interfund payables are expected to be paid within one year.

The following table summarizes the Authority's transfers for the year ended December 31, 2008:

Transfers Out	Transfers In			Total
	General	Single Family	Multi-Family/ Business	
General	\$ -	\$ 42,450	\$ 100,605	\$ 143,055
Single Family	46,958	-	-	46,958
Multi-Family/Business	85,434	-	-	85,434
<b>Total</b>	<b>\$ 132,392</b>	<b>\$ 42,450</b>	<b>\$ 100,605</b>	<b>\$ 275,447</b>

The Authority makes transfers between funds primarily for the purpose of (1) making initial contributions from the General Fund to new bond series to cover bond issuance costs and (2) transferring amounts to the General Fund that are no longer restricted by bond resolutions or indentures.

**(11) Retirement Plans**

The Authority contributes to the Local Government Division Trust fund (Trust), previously known as the Municipal Division Trust Fund, a cost-sharing multiple-employer public defined benefit plan administered by the Public Employees’ Retirement Association of Colorado (PERA). The Trust provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. Generally, all employees of the Authority are members of the Trust.

The Authority also contributes to the Health Care Trust Fund (Health Fund), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The Health Fund provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries.

Colorado Revised Statutes assign the authority to establish Trust and Health Fund benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Trust and the Health Fund. That report may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling PERA at 303-832-9550 or 1-800-759-PERA (7372) or from PERA’s web site at [www.copera.org](http://www.copera.org).

Plan members and the Authority are required to contribute to the Trust at rates set by Colorado Statutes. A portion of the Authority’s contribution is allocated for the Health Fund. Member contributions to the Health Fund are not required.

The contribution rate for members and the Authority’s contributions to the Trust and Health Fund, which equaled the Authority’s required contributions for each year, were as follows:

	2008	2007	2006
<b>Contribution rate of covered salary:</b>			
Members	8.00%	8.00%	8.00%
Authority:			
Trust	10.88%	9.98%	9.48%
Health Fund	1.02%	1.02%	1.02%
<b>Total contribution rate</b>	<b>11.90%</b>	<b>11.00%</b>	<b>10.50%</b>
<b>Contributions by the Authority:</b>			
Trust	\$ 1,178	\$ 1,010	\$ 890
Health Fund	110	103	96
<b>Total contributions</b>	<b>\$ 1,288</b>	<b>\$ 1,113</b>	<b>\$ 986</b>

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program, established under Section 401(k) of the Internal Revenue Code. Participants 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 as part of the 401(k) match and, in addition to the 1% contribution, the Authority matches half of the employee’s 401(k) contribution up to 5% of the participating employee’s gross salary. The Authority’s maximum match of gross salary is 3.5%, which includes the 1% contribution. All Participating employees vest immediately in the plan. Contributions by the Authority for the years ended December 31, 2008, and 2007 were \$325,000 and \$302,000, respectively. Contributions by participating employees for the year ended December 31, 2008 and 2007 were \$829,000 and \$797,000, respectively.

Included in bonds and notes payable are bonds payable to PERA of \$33,747,000 at December 31, 2008, that carry the Authority's general obligation pledge.

**(12) 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 and purchased insurance. Commercial general liability, property losses, business automobile liability, worker's compensation and public officials' liability are all managed through purchased insurance. There were no significant reductions or changes in insurance coverage from the prior year. Settled claims did not exceed insurance coverage in any of the past three fiscal years.

**(13) Commitments and Contingencies updated**

The Authority had outstanding commitments to make or acquire single family and multi-family/business loans of \$15,040,000 and \$37,002,000, respectively, as of December 31, 2008.

There are a limited number of claims or suits pending against the authority arising in the Authority's ordinary course of business. In the opinion of the Authority's management and counsel, any losses that might result from these claims and suits are either covered by insurance or, to the extent not covered by insurance, would not materially affect the Authority's financial position.

**(14) Subsequent Events**

On April 7, 2009, the Authority issued its Single Family Mortgage Class I Bonds in the amount of \$90,000,000. The bonds carry interest rates of 2.4% to 5.5% and mature in varying amounts through 2029.