

**ALABAMA HOUSING FINANCE AUTHORITY**  
**COMPARATIVE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009 AND 2008**

**ALABAMA HOUSING FINANCE AUTHORITY**  
SEPTEMBER 30, 2009 AND 2008

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**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Management’s Discussion and Analysis .....	1
Independent Auditors’ Report.....	6
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Assets .....	8
Statements of Revenues, Expenses and Changes in Net Assets .....	9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	12
<b>OTHER FINANCIAL INFORMATION</b>	
Additional Segment Data.....	26

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# **ALABAMA HOUSING FINANCE AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### ***Introduction***

This section of the annual financial report of the Alabama Housing Finance Authority (Authority) presents management's discussion and analysis of the financial position and results of operations during the fiscal year ended September 30, 2009. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*. This analysis should be read in conjunction with the Independent Auditors' Report, the audited financial statements and accompanying notes. Operations of the Authority include issuance of bonds to fund loans to qualified borrowers for single-family houses and multifamily developments. The Authority is entirely self-funded and does not draw upon the general taxing authority of the State of Alabama.

The financial transactions of the Authority are recorded in the funds, which consist of a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses as appropriate. Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

### ***Required Basic Financial Statements***

The basic financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer information about the Authority's activities. The Statements of Net Assets include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The assets and liabilities are presented in order of liquidity.

All of the current year's revenues and expenses are accounted for in the Statements 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. The statement reports cash receipts, cash payments and net changes in cash resulting from operating, non-capital financing, and other financing activities and provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

**ALABAMA HOUSING FINANCE AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Condensed Financial Information**

**Condensed Statements of Net Assets**

The following table presents condensed information about the net assets of the Authority as of September 30, 2009 and 2008, and changes in the balances of selected items during the fiscal year ended September 30, 2009 (in thousands):

**CONDENSED STATEMENTS OF NET ASSETS**

	<u>2009</u>	<u>2008</u>	<u>Change</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and restricted cash	\$ 1,640	\$ 1,892	\$ (252)
Accrued interest receivable and restricted accrued interest	12,869	12,800	69
Mortgages and restricted mortgages	30,253	18,575	11,678
Investments and restricted investments	145,342	370,368	(225,026)
Other assets and restricted other assets	<u>2,907</u>	<u>1,679</u>	<u>1,228</u>
Total current assets	<u>193,011</u>	<u>405,314</u>	<u>(212,303)</u>
<b>NONCURRENT ASSETS</b>			
Mortgages, restricted mortgages and restricted mortgage-backed securities	892,051	903,581	(11,530)
Restricted HOME program mortgages	213,520	199,144	14,376
Investments and restricted investments	22,861	25,112	(2,251)
Other assets and restricted other assets	4,602	1,891	2,711
Deferred servicing costs and restricted deferred debt financing	<u>17,834</u>	<u>17,995</u>	<u>(161)</u>
Total noncurrent assets	<u>1,150,868</u>	<u>1,147,723</u>	<u>3,145</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,343,879</u>	<u>\$ 1,553,037</u>	<u>\$ (209,158)</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Bonds and notes payable	\$ 56,026	\$ 286,086	\$ (230,060)
Accrued interest payable	19,881	20,505	(624)
Other liabilities	<u>1,945</u>	<u>5,614</u>	<u>(3,669)</u>
Total current liabilities	<u>77,852</u>	<u>312,205</u>	<u>(234,353)</u>
<b>NONCURRENT LIABILITIES</b>			
Bonds and notes payable	752,982	785,505	(32,523)
Refundable HOME program grants	213,520	199,144	14,376
Other liabilities	<u>30,854</u>	<u>16,934</u>	<u>13,920</u>
Total noncurrent liabilities	<u>997,356</u>	<u>1,001,583</u>	<u>(4,227)</u>
<b>TOTAL LIABILITIES</b>	<u>1,075,208</u>	<u>1,313,788</u>	<u>(238,580)</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,141	566	575
Restricted	184,311	189,688	(5,377)
Unrestricted	<u>83,219</u>	<u>48,995</u>	<u>34,224</u>
Total net assets	<u>268,671</u>	<u>239,249</u>	<u>29,422</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,343,879</u>	<u>\$ 1,553,037</u>	<u>\$ (209,158)</u>

**ALABAMA HOUSING FINANCE AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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*Condensed Statements of Net Assets (Continued)*

Current assets decreased \$212,303,000 from September 30, 2008, to September 30, 2009, primarily due to a decrease in restricted investments of \$225,026,000 in the single-family bond issues relating to variable rate bonds redeemed in 2009. Most of the remaining restricted investment balance is held for bond redemptions and regular debt service payments scheduled for October 1, 2009. See Note 12 "Subsequent Events," for further information. Restricted and unrestricted mortgages increased \$11,678,000 due to an increase in the balance of mortgage loans held for sale at year-end. Restricted and unrestricted other assets increased \$1,228,000 due to increases in default advances in the general fund and accounts receivable in the HOME fund.

Noncurrent assets increased \$3,145,000, split between increases in HOME mortgages and other assets, less decreases in mortgages and investments. Restricted mortgage loans and mortgage-backed securities decreased \$11,530,000, with the Authority receiving more mortgage repayments and prepayments compared to new loan originations. Restricted HOME program loans increased \$14,376,000 due to an increase in lending under this program. Restricted and unrestricted other assets increased \$2,711,000 primarily due an increase in other real estate owned and fixed assets in the general fund.

Current liabilities decreased \$234,353,000 from September 30, 2008, to September 30, 2009, due to decreases in bonds and notes payable classified as current and scheduled for maturity or redemption in the next twelve months. Most of this reduction was related to the redemption of single-family variable rate bonds (see above comment regarding the decrease in current investments). Other liabilities decreased \$3,669,000 reflecting the payment of arbitrage rebate due at year-end 2008.

Noncurrent liabilities decreased \$4,227,000, split between decreases in bonds and notes payable and increases in other liabilities. Refundable HOME program grants increased \$14,376,000 due to increased lending activity in that program. Other liabilities increase of \$13,920,000 reflects additional accrued arbitrage rebate payable related to the net increase in the fair value of mortgage-backed securities. See Note 3 "Mortgage-Backed Securities", for additional information. The following chart summarizes the Authority's debt activity from September 30, 2008, to September 30, 2009:

	<b>Debt Balance 9/30/2008</b>	<b>Debt Issued</b>	<b>Debt Paid</b>	<b>Debt Balance 9/30/2009</b>
Bonds payable	\$ 1,067,841	\$ 56,410	\$ 315,243	\$ 809,008
Notes payable	3,750	156,650	160,400	-
Refundable HOME program grants	<u>199,144</u>	<u>14,859</u>	<u>483</u>	<u>213,520</u>
	<u>\$ 1,270,735</u>	<u>\$ 227,919</u>	<u>\$ 476,126</u>	<u>\$ 1,022,528</u>

**ALABAMA HOUSING FINANCE AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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*Revenues, Expenses and Changes in Net Assets*

The following table presents condensed statements of revenues, expenses and changes in net assets for the Authority for the years ended September 30, 2009 and 2008, and the change from the prior year (in thousands):

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<u>2009</u>	<u>2008</u>	<u>Change</u>
<b>OPERATING REVENUES</b>			
Interest on mortgage loans and mortgage-backed securities	\$ 45,631	\$ 48,035	\$ (2,404)
Investment income	26,771	19,618	7,153
Loan fees and other income	<u>9,937</u>	<u>8,256</u>	<u>1,681</u>
Total operating revenues	<u>82,339</u>	<u>75,909</u>	<u>6,430</u>
<b>OPERATING EXPENSES</b>			
Interest on bonds and notes	36,225	46,131	(9,906)
Amortization of deferred debt financing and servicing costs	2,141	1,950	191
Program, general and administrative	<u>14,075</u>	<u>11,274</u>	<u>2,801</u>
Total operating expenses	<u>52,441</u>	<u>59,355</u>	<u>(6,914)</u>
<b>OPERATING INCOME</b>	<u>29,898</u>	<u>16,554</u>	<u>13,344</u>
<b>CAPITAL CONTRIBUTIONS AND EXTRAORDINARY LOSS</b>			
Owner contributions (reductions)	(136)	(744)	608
Extraordinary loss on early retirement of bonds	<u>(340)</u>	<u>(467)</u>	<u>127</u>
Total capital contributions and extraordinary loss	<u>(476)</u>	<u>(1,211)</u>	<u>735</u>
<b>CHANGES IN NET ASSETS</b>	29,422	15,343	14,079
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>239,249</u>	<u>223,906</u>	<u>15,343</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 268,671</u>	<u>\$ 239,249</u>	<u>\$ 29,422</u>

**ALABAMA HOUSING FINANCE AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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***Revenues, Expenses and Changes in Net Assets (Continued)***

Total operating revenues increased \$6,430,000, reflecting increases in investment and fee income. Interest on mortgage loans and mortgage-backed securities decreased \$2,404,000 due to the overall decrease in mortgage loan and mortgage-backed securities balances during 2009, net of loan originations. Investment income increased \$7,153,000 primarily due to the net increase in the fair value of mortgage-backed securities and investments at year-end. Loan fees and other income increased due to higher loan servicing fees and commitment fee income recognition.

Total operating expenses decreased \$6,914,000, primarily due to a decrease in interest expense on bonds and notes. Program, general and administrative expenses increased \$2,801,000, reflecting an increase of operating expenses in the general fund and loan loss reserves in the housing assistance and general funds. The change in owner contributions (reductions) reflects project owners receiving remaining funds from multifamily bond issues redeemed during the fiscal year.

## **Independent Auditors' Report**

Board of Directors  
Alabama Housing Finance Authority  
Montgomery, Alabama

We have audited the accompanying basic financial statements of the Alabama Housing Finance Authority, a component unit of the State of Alabama, as of and for the years ended September 30, 2009 and 2008. These basic financial statements are the responsibility of the Alabama Housing Finance Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Alabama Housing Finance Authority at September 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 5 is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying additional segment data is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the 2009 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2009 basic financial statements taken as a whole.

*Nelson, Price, Rousseau, Blankenship & Billingsley, P.C.*

December 14, 2009

# ALABAMA HOUSING FINANCE AUTHORITY

## STATEMENTS OF NET ASSETS

SEPTEMBER 30, 2009 AND 2008

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	<u>2009</u>	<u>2008</u>
	(In thousands)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash on deposit	\$ 1,587	\$ 872
Accrued interest receivable	171	173
Mortgage loans receivable, net	3,600	1,225
Mortgage loans held for sale	25,028	12,749
Investments	1,034	1,022
Other assets	1,996	1,192
Restricted:		
Cash on deposit	53	1,020
Accrued interest receivable	12,698	12,627
Mortgage loans receivable, net	1,625	4,601
Investments	144,308	369,346
Other assets	<u>911</u>	<u>487</u>
Total current assets	<u>193,011</u>	<u>405,314</u>
<b>NONCURRENT ASSETS</b>		
Mortgage loans receivable, net	44,613	35,239
Investments	2,785	3,218
Other assets	3,461	1,325
Deferred servicing costs	13,210	12,548
Restricted:		
Mortgage-backed securities	645,828	658,329
Mortgage loans receivable, net	201,610	210,013
Investments	20,076	21,894
Other assets	1,141	566
HOME program loans receivable, net	213,520	199,144
Deferred debt financing costs	<u>4,624</u>	<u>5,447</u>
Total noncurrent assets	<u>1,150,868</u>	<u>1,147,723</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,343,879</u>	<u>\$ 1,553,037</u>

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	<u>2009</u>	<u>2008</u>
	(In thousands)	
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Bonds payable, net of unamortized premiums	\$ 56,026	\$ 282,336
Notes payable	-	3,750
Accrued interest payable	19,881	20,505
Accrued arbitrage rebate	76	4,331
Other liabilities	<u>1,869</u>	<u>1,283</u>
Total current liabilities	<u>77,852</u>	<u>312,205</u>
<b>NONCURRENT LIABILITIES</b>		
Bonds payable, net of unamortized premiums	752,982	785,505
Refundable HOME program grants	213,520	199,144
Accrued arbitrage rebate	16,333	2,834
Deferred commitment fees	<u>14,521</u>	<u>14,100</u>
Total noncurrent liabilities	<u>997,356</u>	<u>1,001,583</u>
<b>TOTAL LIABILITIES</b>	<u>1,075,208</u>	<u>1,313,788</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,141	566
Restricted	184,311	190,254
Unrestricted	<u>83,219</u>	<u>48,429</u>
Total net assets	<u>268,671</u>	<u>239,249</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,343,879</u>	<u>\$ 1,553,037</u>

See independent auditors' report and notes to financial statements.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
	(In thousands)	
<b>OPERATING REVENUES</b>		
Interest on mortgage loans	\$ 9,965	\$ 11,650
Interest on mortgage-backed securities	35,666	36,385
Investment income	3,720	12,543
Net increase in fair value of investments	23,051	7,075
Loan fees and other income	<u>9,937</u>	<u>8,256</u>
Total operating revenues	<u>82,339</u>	<u>75,909</u>
<b>OPERATING EXPENSES</b>		
Interest on bonds and notes	36,225	46,131
Amortization of deferred debt financing and servicing costs	2,141	1,950
Program, general and administrative	<u>14,075</u>	<u>11,274</u>
Total operating expenses	<u>52,441</u>	<u>59,355</u>
<b>OPERATING INCOME</b>	<u>29,898</u>	<u>16,554</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
HOME program grants	16,397	13,281
HOME program expenditures	<u>(16,397)</u>	<u>(13,281)</u>
Total nonoperating revenue (expense)	<u>-</u>	<u>-</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND EXTRAORDINARY LOSS</b>	29,898	16,554
<b>CAPITAL CONTRIBUTIONS AND EXTRAORDINARY LOSS</b>		
Owner contributions	(136)	(744)
Extraordinary loss on early retirement of bonds	<u>(340)</u>	<u>(467)</u>
<b>CHANGES IN NET ASSETS</b>	29,422	15,343
<b>NET ASSETS</b>		
Beginning of the year	<u>239,249</u>	<u>223,906</u>
End of the year	<u>\$ 268,671</u>	<u>\$ 239,249</u>

See independent auditors' report and notes to financial statements.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
	(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Purchase of mortgage-backed securities	\$ (28,153)	\$ (119,200)
Proceeds from sales/maturities of mortgage-backed securities	72,632	64,560
Purchase of mortgage loans	(33,179)	(33,152)
Principal payments received on mortgage loans	29,508	18,837
Purchase of mortgage loans held for sale	(283,789)	(240,463)
Proceeds from mortgage loans held for sale	271,280	261,590
Interest received from mortgage loans	10,103	11,763
Interest received from mortgage-backed securities	36,291	39,024
Payments for arbitrage	(4,312)	(39)
Cash paid to suppliers for goods and services	(10,326)	(5,897)
Cash payments to employees for services	(3,378)	(3,079)
Loan fees, commitment fees and other income received	<u>11,036</u>	<u>9,769</u>
Net cash and restricted cash provided by operating activities	<u>67,713</u>	<u>3,713</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from bonds issued	56,410	312,326
Borrowings under line of credit	156,650	147,000
Principal payments on bonds	(315,243)	(206,488)
Payments of debt financing costs	(135)	(1,297)
Payments on line of credit	(160,400)	(143,250)
Proceeds from HOME and ADDI grants, net	14,376	11,668
Contributions/distributions to owners, net	(136)	(746)
Interest paid on bonds and note	<u>(38,243)</u>	<u>(45,868)</u>
Net cash and restricted cash provided (used) in noncapital financing activities	<u>(286,721)</u>	<u>73,345</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of furniture and equipment	(877)	(100)
Purchase of mortgage service release premiums	<u>(1,846)</u>	<u>(2,899)</u>
Net cash and restricted cash used in capital and related financing activities	<u>(2,723)</u>	<u>(2,999)</u>

See independent auditors' report and notes to financial statements.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
	(In thousands)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	\$ (499,493)	\$ (957,606)
Proceeds from sales of investments	727,860	879,730
Interest received from investments	7,488	12,552
HOME program mortgage loans funded	<u>(14,376)</u>	<u>(11,668)</u>
Net cash and restricted cash provided (used) by investing activities	<u>221,479</u>	<u>(76,992)</u>
<b>NET DECREASE IN CASH AND RESTRICTED CASH ON DEPOSIT</b>	(252)	(2,933)
<b>CASH AND RESTRICTED CASH ON DEPOSIT AT BEGINNING OF YEAR</b>	<u>1,892</u>	<u>4,825</u>
<b>CASH AND RESTRICTED CASH ON DEPOSIT AT END OF YEAR</b>	<u>\$ 1,640</u>	<u>\$ 1,892</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 29,898	\$ 16,554
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	252	257
Amortization of deferred debt financing and servicing costs	2,141	1,950
Amortization of deferred commitment fees	(2,118)	(1,869)
Gross unrealized gain on investments	(33,060)	(6,931)
Loss on disposal of fixed asset	45	-
Provision for loan losses, net	1,394	1,713
Extraordinary loss on early retirement of bonds	(340)	(467)
Commitment fees received	3,216	3,181
Interest received from investments	(7,487)	(12,552)
Interest paid on bonds and notes	38,243	45,868
Changes in operating assets and liabilities:		
Accrued interest receivable	(69)	(993)
Mortgage loans receivable	(3,901)	(14,494)
Mortgage loans held for sale	(12,279)	21,306
Mortgage-backed securities	44,479	(54,639)
Other assets	(1,228)	(237)
Accrued interest payable	(624)	1,714
Accrued arbitrage rebate	9,244	2,786
Other liabilities	<u>(93)</u>	<u>566</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 67,713</u>	<u>\$ 3,713</u>

See independent auditors' report and notes to financial statements.

# ALABAMA HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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### 1. AUTHORITY LEGISLATION

The Alabama Housing Finance Authority (Authority) is a public corporation created, organized and existing under Act No. 80-585 (Act) enacted by the Legislature of the State of Alabama at its 1980 regular session. Pursuant to the Act, the Authority is authorized, among other things, to issue bonds to finance residential housing for persons and families of low and moderate income in the State of Alabama. The Authority is a component unit of the State of Alabama.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Accounting*

The Authority's accounts are organized as funds, which include accounts of the assets, liabilities, net assets, revenues and expenses of the Authority's single-family and multifamily bond programs (Program Funds), the HOME Program, the Housing Assistance Program and a General Fund. Each Program Fund accounts for the proceeds from the bonds issued, the debt service requirements of the bonds and the related program investments, as required by the various bond resolutions established under the various trust indentures of each program.

The Authority uses the accrual method of accounting. The Authority's Program Funds, HOME Fund, Housing Assistance Fund and General Fund have been presented on a combined basis, as the Authority is considered a single enterprise fund for financial reporting purposes. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets. All inter-fund balances and transactions have been eliminated in the accompanying financial statements.

Revenues and expenses from the Program Funds, Housing Assistance Fund and General Fund are reported as operating revenues and expenses. Revenues derived from Program Funds serve as security for the single-family and multifamily bond programs.

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

All federal financial assistance received in connection with the Authority's administration of the HOME Program is reported as nonoperating revenues in the accompanying financial statements. Expenditures of HOME program funds, whether for repayable or conditionally forgivable loans, are reported as nonoperating expenses in accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Financial Assistance*.

**ALABAMA HOUSING FINANCE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009 AND 2008

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Use of Estimates in the Preparation of Financial Statements*

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

Cash and cash equivalents represents funds on deposit with various financial institutions and uninvested funds held by the Trustees of the Authority's various bond programs. At September 30, 2009, all cash on deposit held by the Authority's trustees was in the name of the Authority. Cash on deposit consists of restricted and unrestricted cash totaling \$1,640,000 and \$1,892,000 as of September 30, 2009 and 2008, respectively. All cash on deposit at September 30, 2009, was covered by federal depository insurance or collateralized by the various financial institutions.

*Investments*

The Act authorizes the Authority to invest in bonds or other obligations issued or guaranteed by the U.S. Government, any agency thereof, or the State of Alabama. In addition, the Authority may invest in interest-bearing bank and savings and loan association deposits, any obligations in which a State chartered savings and loan association may invest its funds, any agreement to repurchase any of the foregoing, or any combination thereof. Each of the trust indentures established under the Authority's bond programs contains further restrictions on the investment of non-expended bond proceeds; however, each trust indenture must be consistent with the Authority's authorizing legislation with respect to the definition of eligible investments.

Investments consist of unexpended bond proceeds, temporary and debt service reserve funds established under the provisions of various trust indentures and investments of the Authority's general and housing assistance funds. In connection with the Authority's bond programs, unexpended bond proceeds are maintained in trust, invested in various types of investment contracts until such time as the proceeds can be used to purchase Program Certificates originated under the Authority's program guidelines. The Authority's guidelines generally require the investment contract issuer to collateralize the principal amount invested in the contract, unless the issuer has sufficiently high credit ratings, as established by independent rating agencies, to maintain the desired ratings of the Authority's bond issues. The uncollateralized investment agreements generally require the issuer to collateralize the principal amount on deposit from time to time in the event the issuer's credit rating drops below acceptable standards. The Authority continually monitors the credit ratings of all parties to guaranteed investment contracts.

The provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, permit the recording of guaranteed investment contracts at cost if the contracts are non-participating. Non-participating contracts are those that are non-negotiable and non-transferable and redeemable at contract or stated value, rather than fair value based on current market rates. All of the Authority's investment contracts are non-participating and are therefore reported at cost. Investments other than non-participating investment contracts are reported at fair value.



# ALABAMA HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Investments (Continued)*

The Authority follows the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 addresses disclosures on deposits and investments, focusing on common investment risks related to interest rate risk, credit risk, custodial credit risk, foreign currency risk and concentration of credit risk.

#### *Mortgage-Backed Securities*

Mortgage-backed securities consist of Government National Mortgage Association (Ginnie Mae) or Fannie Mae pass-through certificates, all of which are pledged as security for the mortgage revenue bonds. The fair value of program investments was based on quoted market prices obtained from an independent financial news and information service where available. If quoted market prices were not available, fair values were based on quoted market prices of comparable investments.

In accordance with GASB Statement No. 31, investment securities other than non-participating guaranteed investment contracts (see above) are recorded at fair value and unrealized gains or losses are reported in the statements of revenues, expenses and changes in net assets. The Authority records a portion of net unrealized gains on investment securities as a liability to the extent that such gains would be rebateable to the United States government under Section 103A of the Internal Revenue Code, as amended (the Code), for tax-exempt bond issues sold after 1981. Such rebateable earnings, which totaled (\$13,482,000) in 2009 and (\$406,000) in 2008, are classified as an (increase) or reduction of unrealized gains on investment securities in the statements of revenues, expenses and changes in net assets. The Code requires that such excess investment earnings be rebated to certain single-family borrowers upon payoff of their respective mortgages or remitted to the Internal Revenue Service. Gains on sales of securities in these bond issues would create excess rebateable earnings. This liability is recorded on the statements of net assets as accrued arbitrage rebate.

#### *Commitment Fees*

Commitment fees are deferred and recognized as income over the life of the applicable loans as an adjustment of their yields. Commitment fees related to loans pooled and sold in secondary markets are recognized at the time of sale.

#### *Mortgage Loans Receivable*

Mortgage loans are carried at their unpaid principal balances less an allowance for loan losses. Management determines the allowance for loan losses based on historical losses and current economic conditions as well as its evaluation of the loan portfolio and the underlying security.

#### *Mortgage Loans Held for Sale*

Mortgage loans held for sale are recorded at the lower of cost or fair value.

# ALABAMA HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *HOME Program Loans Receivable*

HOME Program loans include loans originated under the HOME Program. This program is designed to assist very low income tenants, and, as such, some mortgages originated under the program are structured in such a way that repayment will only occur in limited circumstances. The Authority originated three loans that are forgivable for both principal and interest. These loans, which were closed in 1994, are not recorded as assets or liabilities of the Authority and totaled \$2,950,000 at September 30, 2009 and 2008.

#### *Deferred Debt Financing Costs*

Issuance costs on bonds are deferred and amortized, on a yield method, over the life of the related bond issues.

#### *Mortgage Servicing Rights*

The Authority follows the provisions of Statement of Financial Accounting Standards No. 65, entitled *Accounting for Certain Mortgage Banking Activities*. In accordance with those standards, the cost of loan servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenue. The amount originally capitalized is adjusted based on whether related loans are pooled and sold in secondary markets or maintained by the Authority.

#### *Other Real Estate Owned*

The Authority states its other real estate owned acquired through foreclosure without further obligation to security holders, which is included in noncurrent other assets, at the lower of cost or fair value at the date of foreclosure. Fair value is determined based on independent appraisals and other relevant factors. Any write-down to fair value at the time of foreclosure is charged to an allowance for loan losses. The Authority held properties totaling approximately \$4,612,000 and \$2,225,000 at September 30, 2009 and 2008, respectively.

### 3. MORTGAGE-BACKED SECURITIES

Mortgage-backed securities held by the Authority include securitized mortgage obligations, backed by pools of single-family and multifamily mortgage loans originated under the Authority's program guidelines. These securities are "fully modified pass-through" mortgage-backed securities which require monthly payments by an FHA-approved or a Fannie Mae-approved lender, as the issuers of the guaranteed securities, and are either insured or registered in the Authority's name. Ginnie Mae and Fannie Mae guarantee timely payment of principal and interest on guaranteed securities. At September 30, 2009, mortgage-backed securities consisted of program certificates with interest rates ranging from 4% to 8.625%. The cost of program investments at September 30, 2009 and 2008, was \$612,199,000 and \$656,678,000, respectively.

As a result of changes in the fair value of mortgage-backed securities, the Authority recorded net unrealized gains of \$18,496,000 and \$5,778,000 for the years ended September 30, 2009 and 2008, respectively. It is the intention of the Authority to hold these securities until the underlying loans are paid in full.

# ALABAMA HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

### 4. INVESTMENTS

Investments consisted of the following at September 30 (in thousands):

<u>Investment Type</u>	<u>2009</u>	<u>% of Total</u>	<u>2008</u>	<u>% of Total</u>
Money Market Funds	\$ 112,186	67%	\$ 100,506	25%
Guaranteed Investment Contracts	33,888	20%	270,576	69%
Mortgage-Backed Securities	22,029	13%	24,298	6%
Certificates of Deposit	<u>100</u>	<u>0%</u>	<u>100</u>	<u>0%</u>
	<u>\$ 168,203</u>	<u>100%</u>	<u>\$ 395,480</u>	<u>100%</u>

The cost of investments at September 30, 2009 and 2008, was \$166,941,000 and \$395,301,000, respectively. As a result of changes in the fair value of investments, the Authority recorded unrealized gains of \$1,082,000 and \$746,000 for the years ended September 30, 2009 and 2008, respectively.

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of the investment portfolio. Investment maturities will coincide with anticipated debt service payment dates and expected cash flow obligations associated with the respective bond maturities and obligations for the authority's bond programs and other funds. Trust indentures, market conditions, rates of return, interest rate spreads and other factors influence maturity selection for all funds in excess of those required to meet projected cash flow obligations. Investments are generally designed to match the life of their related liabilities at fixed interest-rate spreads and longer-term maturity investments provide sufficient monthly cash flow to meet any short-term obligations.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years (in thousands)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Money Market Funds	\$ 112,186	\$ 112,186	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	33,888	33,056	832	-	-
Mortgage-Backed Securities	22,029	-	5	3,755	18,269
Certificates of Deposit	<u>100</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 168,203</u>	<u>\$ 145,342</u>	<u>\$ 837</u>	<u>\$ 3,755</u>	<u>\$ 18,269</u>

# ALABAMA HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009 AND 2008

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## 4. INVESTMENTS (Continued)

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. Investments for each bond issue are those permitted by the various bond indentures and rating agencies. See "Summary of Significant Accounting Policies - Investments" for additional information concerning permitted investments of the Authority. As of September 30, 2009, the Authority's money market, government and government agency investments in funds were rated Aaa by Moody's Investor Services, with guaranteed investment contracts (GIC) rated from A1 to Aaa, meeting the criteria of the Authority and rating agencies of those respective bond issues. If any GIC Provider is downgraded below contractual requirements, or if ratings are withdrawn by a rating agency, the Authority or the trustee can elect to terminate or continue the guaranteed investment contract.

As of September 30, 2009, the single-family bond issue 2006 B&C is partially secured by a Bayerische LB guaranteed investment contract totaling \$3,671,000 that has been downgraded below contractual requirements. As of September 30, 2009, multi-family bond issues 2000 K and 2001 A are partially secured by FGIC guaranteed investment contracts totaling \$293,000 that have been either downgraded below contractual requirements or had their GIC rating withdrawn. Guaranteed investment contracts are continually monitored by both the trustee and the Authority. Each of these contracts is in force as of September 30, 2009.

### *Custodial Credit Risk*

Custodial credit risk is the risk, that in the event of the failure of a custodial agent, the Authority may not be able to recover the value of investments or collateral securities that are in the possession of that outside party. All investments in the general and housing assistance funds are held in safekeeping or custodial accounts at approved safekeeping agents of the Authority in the Authority's name. All investments in the Authority's bond issues are registered in the name of the issues' designated trustee. All guaranteed investment contracts are tri-party agreements where third parties hold the underlying investment on behalf of the Authority.

# ALABAMA HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

### 4. INVESTMENTS (Continued)

#### *Concentration Risk*

Concentration risk is the risk of loss that may be attributed to the magnitude of an investment in a single type of security. See Note 12 for additional information concerning the liquidation of certain of these investments subsequent to year-end. The table below lists all investments by investment provider and type as of September 30, 2009 (in thousands).

<u>Provider</u>	<u>Money Market And Other</u>	<u>Guaranteed Investment Contracts</u>	<u>Mortgage Backed Securities</u>	<u>Certificates of Deposit</u>	<u>Total</u>	<u>Percent</u>
Bayerische LB	\$ -	\$ 7,569	\$ -	\$ -	\$ 7,569	4%
Federated Government Obligations	834	-	-	-	834	1%
Federated U.S. Treasury Obligations	203	-	-	-	203	0%
Federated GNMA Money Market	14,045	-	-	-	14,045	8%
Fidelity Institutional Treasury Only	193	-	-	-	193	0%
First American Treasury Obligations	94,349	-	-	-	94,349	56%
First Commercial Trust UST	158	-	-	-	158	0%
FGIC	-	293	-	-	293	1%
GNMA Mortgage-Backed Securities	-	-	22,029	-	22,029	13%
Goldman U.S. Treasury Only	99	-	-	-	99	0%
JP Morgan US Treasury	1,182	-	-	-	1,182	1%
Keystone Bank	-	-	-	100	100	0%
Pallas Capital Corp	-	22,511	-	-	22,511	13%
Regions MK US Treasury Select	922	-	-	-	922	1%
River Bank & Trust	100	-	-	-	100	0%
US Bank Managed MMF	101	-	-	-	101	0%
Westdeutsche LB	-	3,515	-	-	3,515	2%
Total	<u>\$ 112,186</u>	<u>\$ 33,888</u>	<u>\$ 22,029</u>	<u>\$ 100</u>	<u>\$ 168,203</u>	<u>100%</u>

Investments are classified in the accompanying statements of net assets as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Current assets – Investments	\$ 1,034	\$ 1,022
Current assets – Restricted Investments	144,308	369,346
Noncurrent assets – Investments	2,785	3,218
Noncurrent assets – Restricted Investments	<u>20,076</u>	<u>21,894</u>
	<u>\$ 168,203</u>	<u>\$ 395,480</u>

# ALABAMA HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

### 5. MORTGAGE LOANS RECEIVABLE

The Authority's single-family programs are designed to provide mortgage loans to qualified homebuyers within the State of Alabama. The Authority's guidelines generally require the mortgage loans to be either FHA insured, guaranteed by the Department of Veterans Affairs, USDA Rural Development insured or conventionally financed with traditional primary mortgage insurance and, in the case of pre-1987 single-family programs, insured with mortgage pool policies. Mortgage loans receivable, net consisted of the following at September 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Single-family mortgage loans (5% to 13.85%):		
Conventional	\$ 6,799	\$ 8,169
FHA insured	608	866
VA insured	924	1,242
Down payment assistance/Habitat loans (0% to 8.40%)	<u>42,499</u>	<u>36,142</u>
	50,830	46,419
Less allowance for loan losses	<u>(2,617)</u>	<u>(2,039)</u>
Total single-family mortgage loans	48,213	44,380
Multifamily mortgage loans (.55% to 7.88%)	<u>203,235</u>	<u>206,698</u>
	<u>\$ 251,448</u>	<u>\$ 251,078</u>

Under the Authority's program guidelines, conventionally financed single-family mortgage loans with an initial loan-to-value ratio of greater than 80% are insured by private mortgage insurance carriers. As these loans amortize and the loan-to-value ratio falls below 80%, the private mortgage insurance coverage may be terminated.

Conventionally financed single-family loans owned by the Authority may also be insured by supplemental pool insurance. Supplemental pool insurance is maintained over the life of the loan. As of September 30, 2009, 31% of conventionally financed single-family mortgage loans (excluding housing assistance fund loans) owned by the Authority are insured by private mortgage insurance and 85% are insured by supplemental pool insurance.

The Authority's multifamily bond programs are designed to finance multifamily housing units in the State of Alabama. The Authority does not actively monitor the operating performance or financial condition of the multifamily properties financed by the bonds, as the Authority principally functions as a conduit to provide tax-exempt financing. Multifamily mortgage loans are collateralized by varying methods, including first-liens on multifamily residential rental properties located within the State of Alabama, letters of credit, surety bonds and guarantees provided by third parties.

# ALABAMA HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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### 5. MORTGAGE LOANS RECEIVABLE (Continued)

As of September 30, 2009 and 2008, the Authority serviced \$1,114,431,000 and \$902,980,000, respectively, in loans including \$1,047,294,000 and \$854,386,000, respectively, serviced for other entities. Escrow balances associated with these loans are not included in the statements of net assets of the Authority.

Mortgage loans receivable are classified in the accompanying statements of net assets as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Current assets – Mortgage loans receivable, net	\$ 3,600	\$ 1,225
Current assets – Restricted Mortgage loans receivable, net	1,625	4,601
Noncurrent assets – Mortgage loans receivable, net	44,613	35,239
Noncurrent assets – Restricted Mortgage loans receivable, net	<u>201,610</u>	<u>210,013</u>
	<u>\$ 251,448</u>	<u>\$ 251,078</u>

### 6. BONDS PAYABLE

Bonds payable are limited obligations of the Authority, and are not a debt or liability of the State of Alabama or any subdivisions thereof. Each bond issue is secured, as described in the applicable trust indenture, by all revenues, moneys, investments, mortgage loans, and other assets in the funds and accounts of the program. Substantially all of the Authority's assets are pledged as security for the bonds. The provisions of the applicable trust indentures require or allow for redemption of bonds through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans and program certificates. All outstanding bonds are subject to redemption at the option of the Authority, in whole or in part at any time after certain dates, as specified in the respective series indentures.

All variable rate bonds bear interest at a weekly rate until maturity or earlier redemption. The remarketing agent for each bond issue establishes the weekly rate according to each indenture's remarketing agreement. The weekly rates are communicated to the various bond trustees for preparation of debt service payments. The weekly rate, as set by the remarketing agent, allows the bonds to trade in the secondary market at a price equal to 100% of the principal amount of the bonds outstanding, with each rate not exceeding maximum rates permitted by law.

The Authority's multifamily bonds are considered conduit debt obligations and the publicly offered bonds are secured by several forms of credit enhancement, including FHA insured mortgage loans, GNMA guaranteed certificates and letters of credit from financial institutions. Bonds which are privately placed are sold only to a single accredited investor and are generally secured only by the project being financed. The Authority has no obligation for the bonds beyond the resources provided above.

**ALABAMA HOUSING FINANCE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009 AND 2008

**6. BONDS PAYABLE (Continued)**

Bonds payable consisted of the following at September 30 (in thousands):

	<u>Aggregate Principal Outstanding</u>		<u>Original Maturity Value</u>
	<u>2009</u>	<u>2008</u>	
Single-family bond programs:			
1998 Series A-B (4.30% to 6.15%) due 2009 to 2029	\$ -	\$ 18,690	\$ 789,250
1999 Series B-C, 2000 Series A-B, 2001 Series A, 2002 Series B (3.25% to 6.25%), due 2009 to 2032	71,405	84,410	459,105
2000/2003 Step-Up Program (4.42% to 7.80%), due 2034 to 2036	47,905	55,286	128,927
2004 Series A-B, 2005 Series A-B, 2006 Series A, 2007 Series A, 2007 Series F, 2008 Series A, 2008 Series C, 2009 Series A (2.35% to 5.30%), due 2009 to 2013	104,185	79,675	236,550
2003 First Step Program (4.82% to 5.09%), due 2036	432	522	793
2006 Series B-G, 2007 Series B-E, 2007 Series G, 2008 Series B (2.50% to 5.75%) due 2009 to 2039	367,778	391,773	398,048
2006 Series H (variable) due 2009	-	5,830	200,000
2007 Series H (variable) due 2010	-	204,500	204,500
Multifamily bond programs:			
1989 Series A (variable), due 2009 to 2014	1,505	1,725	17,640
1991 Series B (variable), due 2009	-	1,910	8,525
1992 Series B (7.25%), due 2009 to 2023	1,330	1,400	36,890
1995 Series A-I (5.65% to 8.65%, variable), due 2009 to 2030	2,710	2,780	32,090
1999 Series A (4.80% to 5.20%, variable), due 2009 to 2029	-	6,130	7,200
2000 Series A-K (5.12% to 5.95%, variable), due 2009 to 2033	20,610	27,200	45,325
2001 Series A-D (4.87% to 7.09%, variable), due 2009 to 2034	15,536	15,599	16,027
2002 Series A-J (4.65% to 5.55%, variable), due 2009 to 2035	18,355	18,595	34,125
2003 Series A-N (4.25% to 9.25%, variable), due 2009 to 2039	35,170	35,554	55,856
2004 Series A-H (5.20% to 8.00%, variable) due 2009 to 2045	27,570	27,922	29,672
2005 Series A-F (4.50% to 5.06%, variable) due 2009 to 2038	63,605	63,652	63,798
2007 Series A-E (4.63% to 5.30%, variable), due 2009 to 2048	24,585	24,688	24,745
2008 Series A-B (variable), due 2030	<u>6,327</u>	<u>-</u>	6,410
	809,008	1,067,841	
Less current maturities	<u>(56,026)</u>	<u>(282,336)</u>	
Noncurrent maturities	<u>\$ 752,982</u>	<u>\$ 785,505</u>	



# ALABAMA HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

### 6. BONDS PAYABLE (Continued)

Principal and interest payments on bonds after 2009 are scheduled as follows (in thousands):

Fiscal year ending September 30	Single-family Bonds		Multifamily Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 54,031	\$ 26,301	\$ 1,995	\$ 6,769	\$ 56,026	\$ 33,070
2011	23,580	25,170	1,939	7,163	25,519	32,333
2012	68,590	23,959	2,058	7,075	70,648	31,034
2013	12,880	22,431	2,105	6,983	14,985	29,414
2014	8,055	21,981	2,253	6,888	10,308	28,869
2015-2019	49,585	103,547	10,024	32,983	59,609	136,530
2020-2024	65,765	89,211	17,831	29,881	83,596	119,092
2025-2029	85,950	70,072	15,765	25,797	101,715	95,869
2030-2034	99,895	45,728	39,613	19,183	139,508	64,911
2035-2039	123,374	9,483	112,960	4,424	236,334	13,907
2040-2044	-	-	8,715	944	8,715	944
2045-2049	-	-	2,045	237	2,045	237
	<u>\$ 591,705</u>	<u>\$ 437,883</u>	<u>\$ 217,303</u>	<u>\$ 148,327</u>	<u>\$ 809,008</u>	<u>\$ 586,210</u>

### 7. NOTES PAYABLE

The Authority had a \$50,000,000 line of credit primarily to make funds available for the purchase of loans during the origination period of its single-family mortgage revenue bond programs. Outstanding borrowings as of September 30, 2008, were \$3,750,000. The Authority closed this line of credit during the year ended September 30, 2009.

### 8. NET ASSETS

Net assets comprise the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

# ALABAMA HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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### 8. NET ASSETS (Continued)

The various trust indentures generally permit transfers to the Authority's general fund for administrative fees and reimbursements of costs associated with the administration of the bond programs. Otherwise, the cash and investments of the various program funds are retained in the trust indentures to satisfy debt service obligations with respect to the applicable bonds, and are restricted to this purpose. Such amounts are reflected as restricted components of net assets.

Under the terms of the Authority's multifamily bond programs, certain funds on hand in excess of stipulated minimum balances are periodically remitted to the owners of the multifamily developments financed by the bond issue, and are classified as owners' reserve in the accompanying financial statements. Funds remaining on hand at the conclusion of these programs are to be remitted to such owners. Therefore, such amounts are reflected as restricted components of net assets.

The Authority's Board of Directors has designated its unrestricted net assets as of September 30, 2009 and 2008, totaling \$83,219,000 and \$48,429,000, respectively, for funding of future single-family mortgage revenue bond programs, to support its single-family mortgage loan origination and warehousing operations, and to cover its operating expense budget for the following fiscal year.

### 9. RETIREMENT PLANS

#### *Defined Contribution Plan*

Substantially all full-time employees of the Authority participate in a defined contribution retirement plan, the Alabama Housing Finance Authority Retirement Plan (the Retirement Plan), which provides retirement benefits to Plan participants. The Retirement Plan is administered by Corporate Financial Services, LLC, an independent, third-party administrator. To be eligible, an employee must meet certain age and service requirements. Once an employee is eligible, participation is mandatory. Each employee must contribute 5% of their compensation to the Retirement Plan annually. The Authority contributes an amount equal to 7% of each participant's compensation annually. The Authority's and employees' contributions to the Retirement Plan were \$237,000 and \$169,000, respectively, in fiscal 2009 and \$222,000 and \$158,000, respectively, in fiscal 2008. The employees vest in the Authority's contribution based upon a six-year vesting schedule.

#### *Defined Benefit Plan*

The Authority established the Alabama Housing Finance Authority Employees' Pension Plan (the Pension Plan), a single-employer defined benefit pension plan, on September 26, 2002. All plan investments are reported at fair value. The Pension Plan provides retirement, death, disability and termination benefits to plan participants and beneficiaries.

Benefit provisions are established by the Board of Directors (the Board) under a formal, written plan document and assets are held under a separate tax-qualified plan trust. Those provisions can only be amended by the Board. The plan and trust information can be obtained from the Alabama Housing Finance Authority, 2000 Interstate Park, Suite 408, Montgomery, AL 36123-0909. A separate stand-alone financial report for the Pension Plan is not available.

# ALABAMA HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

### 9. RETIREMENT PLANS (Continued)

#### *Defined Benefit Plan (Continued)*

The plan is funded in full by the Alabama Housing Finance Authority. Plan participants do not contribute to the plan. The contribution rates to fund the plan are determined annually by an independent actuarial valuation of plan liabilities and assets. This report contains applicable actuarial assumptions and methods and plan liability and asset calculations including the annual required contribution (ARC).

The required contributions to fund the annual pension cost of the plan for the years ended September 30, 2009, 2008 and 2007, were \$740,000, \$640,000 and \$650,000, respectively, or about 21%, 22% and 22% of covered participant compensation, respectively. Actual employer contributions to the plan totaled \$740,000, \$640,000 and \$650,000 for the years ended September 30, 2009, 2008 and 2007, respectively. The net pension assets at September 30, 2009, 2008 and 2007, was \$510,000, \$483,000 and \$730,000, respectively.

The annual required contribution for the current year was determined as part of the September 30, 2009, actuarial valuation using the individual spread gain actuarial cost method. This method does not separately identify or separately amortize unfunded liabilities. The significant actuarial assumptions utilized were as follows: 4.5% annual projected salary increases, 7% pre-retirement investment returns and 6% post-retirement investment returns.

At the plan's most recent actuarial date, September 30, 2009, the plan had the following participants:

Active participants	60
Vested terminated participants	1
Retired participants and beneficiaries	<u>0</u>
Total	<u><u>61</u></u>

Funding progress under the plan is scheduled below (in thousands):

Actuarial Valuation Date <u>September 30</u>	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability -Individual Spread Cost Method	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Overfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2007	\$ 4,405	\$ 3,675	119.86%	\$ (730)	\$ 2,872	25.42%
2008	4,606	4,123	111.71%	(483)	3,179	15.19%
2009	5,540	5,030	110.14%	(510)	3,520	14.49%

# ALABAMA HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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### 10. OPERATING LEASES

The Authority leases office space under operating leases expiring through 2019. Rent expense for the years ended September 30, 2009 and 2008, totaled \$325,000 and \$220,000, respectively. These amounts are included in program, general and administrative expenses in the accompanying financial statements. Future minimum rental payments required under these leases for the year ending September 30 are as follows (in thousands):

2010	\$	714
2011		616
2012		631
2013		648
2014		664
2015-2019		3,281

### 11. EARLY RETIREMENT OF BONDS

The Authority's mortgage revenue bonds are subject to certain extraordinary redemption provisions. During the years ended September 30, 2009 and 2008, the Authority called approximately \$315,242,000 and \$206,488,000 (net of unamortized discounts), respectively, of bonds in advance of their scheduled maturities. The loss on early retirement of these bonds recognized in the financial statements is comprised of the premium paid to retire the bonds.

### 12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through December 14, 2009, which is the date the financial statements were available to be issued.

The Authority has called approximately \$23,605,000 of single-family bonds prior to their scheduled maturities.

Prior to year-end, \$7,375,000 of multifamily variable rate bonds had been tendered and were in the process of being remarketed. None of these bonds have been remarketed as of the date the financial statements were available to be issued.

### 13. RECLASSIFICATIONS

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

## **OTHER FINANCIAL INFORMATION**

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF NET ASSETS**  
**SINGLE-FAMILY BOND SERIES**  
**ADDITIONAL SEGMENT DATA (IN THOUSANDS)**  
**SEPTEMBER 30, 2009**

	1998 A&B	1999 B 2000 A&B 2001 A 2002 B	2000/2003 Step Up	2003 First Step	2002 D 2004 A&B 2005 A&B 2006 A 2007 A&F 2008 A&C 2009 A	2006 B-G 2007 B-G 2008 B	2006 H	2007 H	Combined Single-Family
<b>CURRENT ASSETS</b>									
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest receivable	-	-	-	-	-	-	-	-	-
Mortgage loans receivable, net	-	-	-	-	-	-	-	-	-
Mortgage loans held for sale	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Restricted:									
Cash on deposit	-	-	-	-	-	-	-	-	-
Accrued interest receivable	-	653	294	2	1,121	2,629	-	-	4,699
Mortgage loans receivable, net	-	-	-	-	-	-	-	-	-
Investments	-	13,172	946	121	97,274	29,405	-	-	140,918
Other assets	-	-	-	-	-	-	-	-	-
Total current assets	<u>-</u>	<u>13,825</u>	<u>1,240</u>	<u>123</u>	<u>98,395</u>	<u>32,034</u>	<u>-</u>	<u>-</u>	<u>145,617</u>
<b>NONCURRENT ASSETS</b>									
Mortgage loans receivable, net	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Deferred servicing costs	-	-	-	-	-	-	-	-	-
Restricted:									
Mortgage-backed securities	-	80,518	50,045	359	134,991	364,990	-	-	630,903
Mortgage loans receivable, net	-	-	-	-	-	-	-	-	-
Investments	-	107	-	-	19,244	725	-	-	20,076
Other assets	-	-	-	-	-	-	-	-	-
HOME program loans receivable, net	-	-	-	-	-	-	-	-	-
Deferred debt financing costs	-	817	79	56	167	3,505	-	-	4,624
Total noncurrent assets	<u>-</u>	<u>81,442</u>	<u>50,124</u>	<u>415</u>	<u>154,402</u>	<u>369,220</u>	<u>-</u>	<u>-</u>	<u>655,603</u>
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 95,267</u>	<u>\$ 51,364</u>	<u>\$ 538</u>	<u>\$ 252,797</u>	<u>\$ 401,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801,220</u>
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Bonds payable, net	\$ -	\$ 9,275	\$ 900	\$ 1	\$ 22,395	\$ 21,460	\$ -	\$ -	\$ 54,031
Notes payable	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	2,031	224	2	151	8,930	-	-	11,338
Accrued arbitrage rebate	-	76	-	-	-	-	-	-	76
Due to (from) other funds	-	38	-	-	-	175	-	-	213
Other liabilities	-	6	-	-	-	26	-	-	32
Total current liabilities	<u>-</u>	<u>11,426</u>	<u>1,124</u>	<u>3</u>	<u>22,546</u>	<u>30,591</u>	<u>-</u>	<u>-</u>	<u>65,690</u>
<b>NONCURRENT LIABILITIES</b>									
Bonds payable, net	-	62,130	47,005	431	81,790	346,318	-	-	537,674
Refundable HOME program grants	-	-	-	-	-	-	-	-	-
Accrued arbitrage rebate	-	5,448	-	-	-	10,885	-	-	16,333
Deferred commitment fees	-	-	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>67,578</u>	<u>47,005</u>	<u>431</u>	<u>81,790</u>	<u>357,203</u>	<u>-</u>	<u>-</u>	<u>554,007</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>79,004</u>	<u>48,129</u>	<u>434</u>	<u>104,336</u>	<u>387,794</u>	<u>-</u>	<u>-</u>	<u>619,697</u>
<b>NET ASSETS</b>									
Restricted	-	16,263	3,235	104	148,461	13,460	-	-	181,523
Unrestricted	-	-	-	-	-	-	-	-	-
Total net assets	<u>-</u>	<u>16,263</u>	<u>3,235</u>	<u>104</u>	<u>148,461</u>	<u>13,460</u>	<u>-</u>	<u>-</u>	<u>181,523</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ -</u>	<u>\$ 95,267</u>	<u>\$ 51,364</u>	<u>\$ 538</u>	<u>\$ 252,797</u>	<u>\$ 401,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801,220</u>

See independent auditors' report.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**SINGLE-FAMILY BOND SERIES**  
**ADDITIONAL SEGMENT DATA (IN THOUSANDS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>1998 A&amp;B</u>	<u>1999 B 2000 A&amp;B 2001 A 2002 B</u>	<u>2000/2003 Step Up</u>	<u>2003 First Step</u>	<u>2002 D 2004 A&amp;B 2005 A&amp;B 2006 A 2007 A&amp;F 2008 A&amp;C 2009 A</u>	<u>2006 B-G 2007 B-G 2008 B</u>	<u>2006 H</u>	<u>2007 H</u>	<u>Combined Single-Family</u>
<b>OPERATING REVENUES</b>									
Interest on mortgage loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on mortgage-backed securities	-	4,943	2,828	21	8,387	18,463	-	-	34,642
Investment income	1	170	3	-	1,957	970	26	309	3,436
Net increase in fair value of investments	-	141	2,698	23	6,630	9,442	-	-	18,934
Loan fees and other income	-	-	47	-	-	-	-	-	47
Total operating revenues	<u>1</u>	<u>5,254</u>	<u>5,576</u>	<u>44</u>	<u>16,974</u>	<u>28,875</u>	<u>26</u>	<u>309</u>	<u>57,059</u>
<b>OPERATING EXPENSES</b>									
Interest on bonds and notes	-	4,219	2,875	21	3,351	17,888	22	309	28,685
Amortization of deferred debt financing and servicing costs	148	194	16	14	93	384	5	103	957
Program, general and administrative	-	13	10	-	(7)	60	3	8	87
Total operating expenses	<u>148</u>	<u>4,426</u>	<u>2,901</u>	<u>35</u>	<u>3,437</u>	<u>18,332</u>	<u>30</u>	<u>420</u>	<u>29,729</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(147)</u>	<u>828</u>	<u>2,675</u>	<u>9</u>	<u>13,537</u>	<u>10,543</u>	<u>(4)</u>	<u>(111)</u>	<u>27,330</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>									
HOME program grants	-	-	-	-	-	-	-	-	-
HOME program expenditures	-	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS</b>	<u>(147)</u>	<u>828</u>	<u>2,675</u>	<u>9</u>	<u>13,537</u>	<u>10,543</u>	<u>(4)</u>	<u>(111)</u>	<u>27,330</u>
<b>CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS</b>									
Owner contributions (reductions)	-	-	-	-	-	-	-	-	-
Transfers in (out)	76	(78)	(37)	-	(21,177)	(358)	(217)	(505)	(22,296)
Extraordinary loss on early retirement of bonds	(340)	-	-	-	-	-	-	-	(340)
<b>CHANGES IN NET ASSETS</b>	<u>(411)</u>	<u>750</u>	<u>2,638</u>	<u>9</u>	<u>(7,640)</u>	<u>10,185</u>	<u>(221)</u>	<u>(616)</u>	<u>4,694</u>
<b>NET ASSETS</b>									
Beginning of year	<u>411</u>	<u>15,513</u>	<u>597</u>	<u>95</u>	<u>156,101</u>	<u>3,275</u>	<u>221</u>	<u>616</u>	<u>176,829</u>
End of year	<u>\$ -</u>	<u>\$ 16,263</u>	<u>\$ 3,235</u>	<u>\$ 104</u>	<u>\$ 148,461</u>	<u>\$ 13,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,523</u>

See independent auditors' report.

# ALABAMA HOUSING FINANCE AUTHORITY

## STATEMENTS OF NET ASSETS

### MULTIFAMILY BOND SERIES

#### ADDITIONAL SEGMENT DATA (IN THOUSANDS)

SEPTEMBER 30, 2009

	<u>1989 A</u>	<u>1991 B</u>	<u>1992 B</u>	<u>1995 A-D</u>	<u>1999 A</u>	<u>2000 A-K</u>
<b>CURRENT ASSETS</b>						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest receivable	-	-	-	-	-	-
Mortgage loans receivable, net	-	-	-	-	-	-
Mortgage loans held for sale	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Restricted:						
Cash on deposit	-	-	2	9	-	9
Accrued interest receivable	1	-	1	16	-	15
Mortgage loans receivable, net	245	-	26	-	-	216
Investments	-	-	203	30	-	197
Other assets	-	-	-	-	-	-
Total current assets	<u>246</u>	<u>-</u>	<u>232</u>	<u>55</u>	<u>-</u>	<u>437</u>
<b>NONCURRENT ASSETS</b>						
Mortgage loans receivable, net	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Deferred servicing costs	-	-	-	-	-	-
Restricted:						
Mortgage-backed securities	-	-	-	2,882	-	-
Mortgage loans receivable, net	1,260	-	1,837	-	-	20,402
Investments	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
HOME program loans receivable, net	-	-	-	-	-	-
Deferred debt financing costs	-	-	-	-	-	-
Total noncurrent assets	<u>1,260</u>	<u>-</u>	<u>1,837</u>	<u>2,882</u>	<u>-</u>	<u>20,402</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,506</u>	<u>\$ -</u>	<u>\$ 2,069</u>	<u>\$ 2,937</u>	<u>\$ -</u>	<u>\$ 20,839</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Bonds payable, net	\$ 245	\$ -	\$ 65	\$ 60	\$ -	\$ 85
Notes payable	-	-	-	-	-	-
Accrued interest payable	1	-	8	5	-	68
Accrued arbitrage rebate	-	-	-	-	-	-
Due to (from) other funds	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	9
Total current liabilities	<u>246</u>	<u>-</u>	<u>73</u>	<u>65</u>	<u>-</u>	<u>162</u>
<b>NONCURRENT LIABILITIES</b>						
Bonds payable, net	1,260	-	1,265	2,650	-	20,525
Refundable HOME program grants	-	-	-	-	-	-
Accrued arbitrage rebate	-	-	-	-	-	-
Deferred commitment fees	-	-	-	-	-	-
Total noncurrent liabilities	<u>1,260</u>	<u>-</u>	<u>1,265</u>	<u>2,650</u>	<u>-</u>	<u>20,525</u>
<b>TOTAL LIABILITIES</b>	<u>1,506</u>	<u>-</u>	<u>1,338</u>	<u>2,715</u>	<u>-</u>	<u>20,687</u>
<b>NET ASSETS</b>						
Restricted	-	-	731	222	-	152
Unrestricted	-	-	-	-	-	-
Total net assets	<u>-</u>	<u>-</u>	<u>731</u>	<u>222</u>	<u>-</u>	<u>152</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,506</u>	<u>\$ -</u>	<u>\$ 2,069</u>	<u>\$ 2,937</u>	<u>\$ -</u>	<u>\$ 20,839</u>



<u>2001 A-D</u>	<u>2002 A-I</u>	<u>2003 A-N</u>	<u>2004 A-H</u>	<u>2005 A-F</u>	<u>2007 A-E</u>	<u>2008 A-B</u>	<u>Combined Multi Family</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	29	4	-	53
35	13	48	81	27	52	10	299
61	241	400	168	48	100	120	1,625
202	462	576	443	985	292	-	3,390
-	-	-	-	-	-	-	-
<u>298</u>	<u>716</u>	<u>1,024</u>	<u>692</u>	<u>1,089</u>	<u>448</u>	<u>130</u>	<u>5,367</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	3,755	-	8,288	-	14,925
15,485	18,022	34,555	23,730	63,557	16,555	6,207	201,610
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>15,485</u>	<u>18,022</u>	<u>34,555</u>	<u>27,485</u>	<u>63,557</u>	<u>24,843</u>	<u>6,207</u>	<u>216,535</u>
<u>\$ 15,783</u>	<u>\$ 18,738</u>	<u>\$ 35,579</u>	<u>\$ 28,177</u>	<u>\$ 64,646</u>	<u>\$ 25,291</u>	<u>\$ 6,337</u>	<u>\$ 221,902</u>
\$ 78	\$ 245	\$ 669	\$ 191	\$ 49	\$ 181	\$ 127	\$ 1,995
-	-	-	-	-	-	-	-
106	114	181	85	153	112	10	843
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	62	11	886	-	-	968
<u>184</u>	<u>359</u>	<u>912</u>	<u>287</u>	<u>1,088</u>	<u>293</u>	<u>137</u>	<u>3,806</u>
15,458	18,110	34,501	27,379	63,556	24,404	6,200	215,308
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>15,458</u>	<u>18,110</u>	<u>34,501</u>	<u>27,379</u>	<u>63,556</u>	<u>24,404</u>	<u>6,200</u>	<u>215,308</u>
<u>15,642</u>	<u>18,469</u>	<u>35,413</u>	<u>27,666</u>	<u>64,644</u>	<u>24,697</u>	<u>6,337</u>	<u>219,114</u>
141	269	166	511	2	594	-	2,788
-	-	-	-	-	-	-	-
<u>141</u>	<u>269</u>	<u>166</u>	<u>511</u>	<u>2</u>	<u>594</u>	<u>-</u>	<u>2,788</u>
<u>\$ 15,783</u>	<u>\$ 18,738</u>	<u>\$ 35,579</u>	<u>\$ 28,177</u>	<u>\$ 64,646</u>	<u>\$ 25,291</u>	<u>\$ 6,337</u>	<u>\$ 221,902</u>

See independent auditors' report.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**MULTIFAMILY BOND SERIES**  
**ADDITIONAL SEGMENT DATA (IN THOUSANDS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>1989 A</u>	<u>1991 B</u>	<u>1992 B</u>	<u>1995 A-D</u>	<u>1999 A</u>	<u>2000 A-K</u>
<b>OPERATING REVENUES</b>						
Interest on mortgage loans	\$ 19	\$ 9	\$ 148	\$ -	\$ -	\$ 641
Interest on mortgage-backed securities	-	-	-	195	218	-
Investment income	-	-	12	-	-	8
Net increase in fair value of investments	-	-	-	117	340	-
Loan fees and other income	-	-	-	-	-	-
Total operating revenues	<u>19</u>	<u>9</u>	<u>160</u>	<u>312</u>	<u>558</u>	<u>649</u>
<b>OPERATING EXPENSES</b>						
Interest on bonds and notes	19	9	100	184	235	630
Amortization of deferred debt financing and servicing costs	-	-	-	-	-	-
Program, general and administrative	-	5	4	9	16	9
Total operating expenses	<u>19</u>	<u>14</u>	<u>104</u>	<u>193</u>	<u>251</u>	<u>639</u>
<b>OPERATING INCOME (LOSS)</b>	<u>-</u>	<u>(5)</u>	<u>56</u>	<u>119</u>	<u>307</u>	<u>10</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
HOME program grants	-	-	-	-	-	-
HOME program expenditures	-	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS</b>	<u>-</u>	<u>(5)</u>	<u>56</u>	<u>119</u>	<u>307</u>	<u>10</u>
<b>CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS</b>						
Owner contributions (reductions)	-	(33)	-	(18)	(65)	-
Transfers in (out)	-	-	-	-	-	-
Extraordinary loss on early retirement of bonds	-	-	-	-	-	-
<b>CHANGES IN NET ASSETS</b>	<u>-</u>	<u>(38)</u>	<u>56</u>	<u>101</u>	<u>242</u>	<u>10</u>
<b>NET ASSETS</b>						
Beginning of year	<u>-</u>	<u>38</u>	<u>675</u>	<u>121</u>	<u>(242)</u>	<u>142</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 731</u>	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ 152</u>

<u>2001 A-D</u>	<u>2002 A-I</u>	<u>2003 A-N</u>	<u>2004 A-H</u>	<u>2005 A-F</u>	<u>2007 A-E</u>	<u>2008 A-B</u>	<u>Combined Multi Family</u>
\$ 541	\$ 527	\$ 1,238	\$ 879	\$ 1,923	\$ 352	\$ 97	\$ 6,374
-	-	-	200	-	411	-	1,024
6	1	2	-	1	5	-	35
-	-	-	250	-	394	-	1,101
-	-	-	-	-	-	-	-
<u>547</u>	<u>528</u>	<u>1,240</u>	<u>1,329</u>	<u>1,924</u>	<u>1,162</u>	<u>97</u>	<u>8,534</u>
523	503	1,279	1,059	1,920	745	97	7,303
-	-	-	-	-	-	-	-
<u>16</u>	<u>10</u>	<u>33</u>	<u>31</u>	<u>7</u>	<u>16</u>	<u>-</u>	<u>156</u>
<u>539</u>	<u>513</u>	<u>1,312</u>	<u>1,090</u>	<u>1,927</u>	<u>761</u>	<u>97</u>	<u>7,459</u>
<u>8</u>	<u>15</u>	<u>(72)</u>	<u>239</u>	<u>(3)</u>	<u>401</u>	<u>-</u>	<u>1,075</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8	15	(72)	239	(3)	401	-	1,075
-	-	(3)	(13)	(4)	-	-	(136)
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8	15	(75)	226	(7)	401	-	939
<u>133</u>	<u>254</u>	<u>241</u>	<u>285</u>	<u>9</u>	<u>193</u>	<u>-</u>	<u>1,849</u>
<u>\$ 141</u>	<u>\$ 269</u>	<u>\$ 166</u>	<u>\$ 511</u>	<u>\$ 2</u>	<u>\$ 594</u>	<u>\$ -</u>	<u>\$ 2,788</u>

See independent auditors' report.

# ALABAMA HOUSING FINANCE AUTHORITY

## STATEMENTS OF NET ASSETS

### COMBINING ALL FUNDS

### ADDITIONAL SEGMENT DATA (IN THOUSANDS)

SEPTEMBER 30, 2009

	Combined Multi Family	Combined Single- Family	HOME Fund	Housing Assistance Fund	General Fund	Combined Totals
<b>CURRENT ASSETS</b>						
Cash on deposit	\$ -	\$ -	\$ -	\$ 83	\$ 1,504	\$ 1,587
Accrued interest receivable	-	-	-	62	109	171
Mortgage loans receivable, net	-	-	-	2,100	1,500	3,600
Mortgage loans held for sale	-	-	-	-	25,028	25,028
Investments	-	-	-	731	303	1,034
Other assets	-	-	-	-	1,996	1,996
Restricted:						
Cash on deposit	53	-	-	-	-	53
Accrued interest receivable	299	4,699	7,700	-	-	12,698
Mortgage loans receivable, net	1,625	-	-	-	-	1,625
Investments	3,390	140,918	-	-	-	144,308
Other assets	-	-	911	-	-	911
Total current assets	<u>5,367</u>	<u>145,617</u>	<u>8,611</u>	<u>2,976</u>	<u>30,440</u>	<u>193,011</u>
<b>NONCURRENT ASSETS</b>						
Mortgage loans receivable, net	-	-	-	39,948	4,665	44,613
Investments	-	-	-	-	2,785	2,785
Other assets	-	-	-	-	3,461	3,461
Deferred servicing costs	-	-	-	-	13,210	13,210
Restricted:						
Mortgage-backed securities	14,925	630,903	-	-	-	645,828
Mortgage loans receivable, net	201,610	-	-	-	-	201,610
Investments	-	20,076	-	-	-	20,076
Other assets	-	-	-	-	1,141	1,141
HOME program loans receivable, net	-	-	213,520	-	-	213,520
Deferred debt financing costs	-	4,624	-	-	-	4,624
Total noncurrent assets	<u>216,535</u>	<u>655,603</u>	<u>213,520</u>	<u>39,948</u>	<u>25,262</u>	<u>1,150,868</u>
<b>TOTAL ASSETS</b>	<u>\$ 221,902</u>	<u>\$ 801,220</u>	<u>\$ 222,131</u>	<u>\$ 42,924</u>	<u>\$ 55,702</u>	<u>\$ 1,343,879</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Bonds payable, net	\$ 1,995	\$ 54,031	\$ -	\$ -	\$ -	\$ 56,026
Accrued interest payable	843	11,338	7,700	-	-	19,881
Accrued arbitrage rebate	-	76	-	-	-	76
Due to (from) other funds	-	213	911	(1,409)	285	-
Other liabilities	968	32	-	770	99	1,869
Total current liabilities	<u>3,806</u>	<u>65,690</u>	<u>8,611</u>	<u>(639)</u>	<u>384</u>	<u>77,852</u>
<b>NONCURRENT LIABILITIES</b>						
Bonds payable, net	215,308	537,674	-	-	-	752,982
Refundable HOME program grants	-	-	213,520	-	-	213,520
Accrued arbitrage rebate	-	16,333	-	-	-	16,333
Deferred commitment fees	-	-	-	-	14,521	14,521
Total noncurrent liabilities	<u>215,308</u>	<u>554,007</u>	<u>213,520</u>	<u>-</u>	<u>14,521</u>	<u>997,356</u>
<b>TOTAL LIABILITIES</b>	<u>219,114</u>	<u>619,697</u>	<u>222,131</u>	<u>(639)</u>	<u>14,905</u>	<u>1,075,208</u>
<b>NET ASSETS</b>						
Restricted	2,788	181,523	-	-	1,141	185,452
Unrestricted	-	-	-	43,563	39,656	83,219
Total net assets	<u>2,788</u>	<u>181,523</u>	<u>-</u>	<u>43,563</u>	<u>40,797</u>	<u>268,671</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 221,902</u>	<u>\$ 801,220</u>	<u>\$ 222,131</u>	<u>\$ 42,924</u>	<u>\$ 55,702</u>	<u>\$ 1,343,879</u>

See independent auditors' report.

**ALABAMA HOUSING FINANCE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**COMBINING ALL FUNDS**  
**ADDITIONAL SEGMENT DATA (IN THOUSANDS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Combined Multi Family</u>	<u>Combined Single- Family</u>	<u>HOME Fund</u>	<u>Housing Assistance Fund</u>	<u>General Fund</u>	<u>Combined Totals</u>
<b>OPERATING REVENUES</b>						
Interest on mortgage loans	\$ 6,374	\$ -	\$ -	\$ 1,344	\$ 2,247	\$ 9,965
Interest on mortgage-backed securities	1,024	34,642	-	-	-	35,666
Investment income	35	3,436	-	5	244	3,720
Net increase in fair value of investments	1,101	18,934	-	-	3,016	23,051
Loan fees and other income	-	47	-	90	9,800	9,937
Total operating revenues	<u>8,534</u>	<u>57,059</u>	<u>-</u>	<u>1,439</u>	<u>15,307</u>	<u>82,339</u>
<b>OPERATING EXPENSES</b>						
Interest on bonds and notes	7,303	28,685	-	-	237	36,225
Amortization of deferred debt financing and servicing costs	-	957	-	-	1,184	2,141
Program, general and administrative	156	87	-	1,144	12,688	14,075
Total operating expenses	<u>7,459</u>	<u>29,729</u>	<u>-</u>	<u>1,144</u>	<u>14,109</u>	<u>52,441</u>
<b>OPERATING INCOME</b>	<u>1,075</u>	<u>27,330</u>	<u>-</u>	<u>295</u>	<u>1,198</u>	<u>29,898</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
HOME program grants	-	-	16,397	-	-	16,397
HOME program expenditures	-	-	(16,397)	-	-	(16,397)
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS</b>	<u>1,075</u>	<u>27,330</u>	<u>-</u>	<u>295</u>	<u>1,198</u>	<u>29,898</u>
<b>CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS</b>						
Owner contributions (reductions)	(136)	-	-	-	-	(136)
Transfers in (out)	-	(22,296)	-	-	22,296	-
Extraordinary loss on early retirement of bonds	-	(340)	-	-	-	(340)
<b>CHANGES IN NET ASSETS</b>	<u>939</u>	<u>4,694</u>	<u>-</u>	<u>295</u>	<u>23,494</u>	<u>29,422</u>
<b>NET ASSETS</b>						
Beginning of year	<u>1,849</u>	<u>176,829</u>	<u>-</u>	<u>43,268</u>	<u>17,303</u>	<u>239,249</u>
End of year	<u>\$ 2,788</u>	<u>\$ 181,523</u>	<u>\$ -</u>	<u>\$ 43,563</u>	<u>\$ 40,797</u>	<u>\$ 268,671</u>

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