

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
Alabama Housing Finance Authority
Years ended September 30, 2002 and 2001
with Report of Independent Auditors

Alabama Housing Finance Authority

Financial Statements
and Other Financial Information

Years ended September 30, 2002 and 2001

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Management's Discussion and Analysis

Introduction

This section of the Alabama Housing Finance Authority's ("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 September 30, 2002. 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 Managements Discussion and Analysis - for State and Local Government*. This analysis should be read in conjunction with the Report of Independent Auditors, 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.

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 Statement of Net Assets includes all of the Authority's assets and liabilities and provides 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 Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the activities of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through its services provided.

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, investing, non-capital financing and financing activities and provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

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, 2002 and 2001, and changes in the balances of selected items during the fiscal year ended September 30, 2002 (in thousands):

Condensed Statements of Net Assets

	<u>2002</u>	<u>2001</u>	<u>Change</u>
Assets			
Cash and investments	\$ 1,081	\$ 10,076	\$ (8,995)
Restricted cash, mortgages, program investments	1,254,484	1,187,980	66,504
Restricted investments	266,319	213,685	52,634
Restricted other assets	19,216	20,133	(917)
Total assets	<u>\$ 1,541,100</u>	<u>\$ 1,431,874</u>	<u>\$ 109,226</u>
Liabilities and net assets			
Current liabilities:			
Bonds and notes payable	\$ 98,846	\$ 55,941	\$ 42,905
Accrued interest payable	25,303	26,949	(1,646)
Other liabilities	2,133	439	1,694
Total current liabilities	<u>126,282</u>	<u>83,329</u>	<u>42,953</u>
Noncurrent liabilities:			
Bonds payable	1,075,306	1,058,965	16,341
Refundable HOME program grants	109,503	94,492	15,011
Other liabilities	39,298	24,940	14,358
Total noncurrent liabilities	<u>1,224,107</u>	<u>1,178,397</u>	<u>45,710</u>
Total liabilities	<u>1,350,389</u>	<u>1,261,726</u>	<u>88,663</u>
Net assets:			
Restricted	189,630	160,072	29,558
Unrestricted	1,081	10,076	(8,995)
Total net assets	<u>190,711</u>	<u>170,148</u>	<u>20,563</u>
Total liabilities and net assets	<u>\$ 1,541,100</u>	<u>\$ 1,431,874</u>	<u>\$ 109,226</u>

The decrease in unrestricted cash and investments from September 30, 2001, to September 30, 2002, is due to a decrease in unrestricted net assets and creation of the Housing Assistance Fund.

The Authority's mortgage loan and program investment balances have increased due to new loan volume in the multifamily, HOME and single family operations.

The Authority's restricted investments increased due to an increase in unexpended bond proceeds in various bond issues which remain available for purchase of program investments and mortgages; and repayments received in the past six months of program investment prepayments and repayments that will be available for bond redemptions on October 1, 2002. See Note 11 "Early Retirement of Bonds", for additional information.

Bonds and notes payable increased from September 30, 2001, to September 30, 2002, due to the net effect of new single family, multifamily and HOME bonds and notes issued to provide funds for our lending programs, less regular debt service payments and early redemptions. The following chart summarizes the Authority's debt activity from September 30, 2001, to September 30, 2002 (in thousands):

	Debt Balance				Debt Balance
	9/30/2001	Debt Issued	Debt Paid	Amortization	9/30/2002
Bonds payable	\$ 1,112,706	\$ 147,040	\$ 97,210	\$ 1,234	\$ 1,161,302
Notes payable	2,200	36,060	25,410	-	12,850
Refundable HOME grants	94,492	15,021	10	-	109,503
	<u>\$ 1,209,398</u>	<u>\$ 198,121</u>	<u>\$ 122,630</u>	<u>\$ 1,234</u>	<u>\$ 1,283,655</u>

Other liabilities increased because of the increase in accrued arbitrage rebate payable related to the unrealized increase in fair value of program investments. See Note 2 "Investments", for further information.

Revenues, Expenses, and Changes in Net Assets

The following table presents condensed statements of revenues, expenses and changes in net assets for the Authority as of September 30, 2002 and 2001, and the change from the prior year (in thousands):

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2002</u>	<u>2001</u>	<u>Change</u>
Program revenue	\$ 92,330	\$ 124,950	\$ (32,620)
Program expenses			
Interest on bonds and notes	58,313	63,200	(4,887)
HOME Program expenditures	15,841	12,902	2,939
Program, general and administrative	4,934	3,051	1,883
Total program expenses	79,088	79,153	(65)
General revenues	7,589	10,281	(2,692)
Income before capital contributions and extraordinary loss	20,831	56,078	(35,247)
Capital contributions and extraordinary loss			
Owner contributions (reductions)	396	(338)	734
Extraordinary loss on early retirement of bonds	(664)	(705)	41
Change in net assets	20,563	55,035	(34,472)
Net assets at beginning of year	170,148	115,113	55,035
Net assets at end of year	\$ 190,711	\$ 170,148	\$ 20,563

Program revenues declined primarily due to the decrease in unrealized gains on program investments.

Despite an increase in bonds and notes payable, interest expense declined, reflecting redemptions of higher rate bonds and lower yields on variable and fixed interest rate bonds issued during fiscal 2002.

The increase in HOME program grants and expenditures reflect additional activity in originating HOME program loans during fiscal year 2002.

The increase in program, general and administrative expenses is a result of increased staff expenses, technology related expenses to build our Lender On-Line loan reservation system for single family loans and the establishment of a defined benefit pension plan for the employees of the Authority.

Report of Independent Auditors

The Board of Directors
Alabama Housing Finance Authority

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, 2002 and 2001. 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.

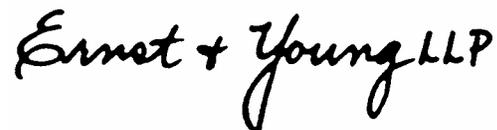
We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, 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, 2002 and 2001, 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.

As disclosed in Note 2, in fiscal 2002 the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

The Management’s Discussion and Analysis on pages 1 through 4 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 audits were 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 2002 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2002 basic financial statements taken as a whole.

The logo for Ernst & Young LLP is written in a black, cursive script font. The letters are fluid and connected, with a prominent 'E' and 'Y'.

December 6, 2002

Alabama Housing Finance Authority

Statements of Net Assets

	September 30	
	2002	2001
	<i>(In thousands)</i>	
Assets		
Current assets:		
Cash on deposit	\$ 47	\$ 1,755
Accrued interest receivable	530	736
Other investments	504	7,585
Restricted cash on deposit	198	437
Restricted accrued interest receivable	8,514	8,471
Restricted mortgage loans held for sale	14,883	6,608
Restricted mortgage loans receivable, net	3,244	4,815
Restricted other investments	266,319	213,685
Restricted other assets	927	1,327
Total current assets	<u>295,166</u>	<u>245,419</u>
Noncurrent assets:		
Restricted program investments	888,880	869,009
Restricted mortgage loans receivable, net	237,776	212,619
Restricted HOME program mortgage loans receivable, net	109,503	94,492
Restricted deferred debt financing costs	9,775	10,335
Total noncurrent assets	<u>1,245,934</u>	<u>1,186,455</u>
Total assets	<u>\$ 1,541,100</u>	<u>\$ 1,431,874</u>
Liabilities and net assets		
Current liabilities:		
Bonds payable, net of unamortized discounts	\$ 85,996	\$ 53,741
Notes payable	12,850	2,200
Accrued interest payable	25,303	26,949
Program funds held for others	273	191
Other liabilities	1,860	248
Total current liabilities	<u>126,282</u>	<u>83,329</u>
Noncurrent liabilities:		
Bonds payable, net of unamortized discounts	1,075,306	1,058,965
Refundable HOME program grants	109,503	94,492
Program funds held for others	27,643	13,223
Deferred commitment fees	11,655	11,717
Total noncurrent liabilities	<u>1,224,107</u>	<u>1,178,397</u>
Total liabilities	<u>1,350,389</u>	<u>1,261,726</u>
Net assets:		
Restricted	189,630	160,072
Unrestricted	1,081	10,076
Total net assets	<u>190,711</u>	<u>170,148</u>
Total liabilities and net assets	<u>\$ 1,541,100</u>	<u>\$ 1,431,874</u>

See accompanying notes.

Alabama Housing Finance Authority

Statements of Revenues, Expenses and Changes in Net Assets

	Year ended September 30	
	2002	2001
	<i>(In thousands)</i>	
Operating revenue		
Interest on mortgage loans	\$ 7,232	\$ 8,777
Investment income	58,731	60,298
Unrealized gains, net	6,148	40,919
Loan fees and other income	4,378	2,054
HOME Program grants	15,841	12,902
Total operating revenue	92,330	124,950
Operating expenses		
Interest on bonds and notes	58,313	63,200
HOME Program expenditures	15,841	12,902
Program, general and administrative	4,934	3,051
Total operating expenses	79,088	79,153
Operating income	13,242	45,797
Non-operating revenue		
Interest on mortgage loans	4,144	5,187
Investment income	3,445	5,094
Total non-operating revenue	7,589	10,281
Income before capital contributions and extraordinary loss	20,831	56,078
Capital contributions and extraordinary loss		
Owner contributions (reductions)	396	(338)
Extraordinary loss on early retirement of bonds	(664)	(705)
Change in net assets	20,563	55,035
Net assets		
Beginning of the year	170,148	115,113
End of the year	\$ 190,711	\$ 170,148

See accompanying notes.

Alabama Housing Finance Authority

Statements of Cash Flows

	Year ended September 30	
	2002	2001
	<i>(In thousands)</i>	
Operating Activities		
Purchase of program investments	\$ (79,555)	\$ (92,105)
Proceeds from sale of program investments	99,329	71,226
Proceeds from HOME grants, net	15,011	12,165
HOME program expenditures	(15,068)	(12,308)
Purchase of mortgage loans	(31,926)	(39,392)
Principal payments received on mortgage loans	3,391	33,141
Interest received from mortgage loans	7,206	9,000
Interest received from program investments	53,551	53,284
Payments for arbitrage	(192)	(309)
Cash paid to suppliers for goods and services	(1,498)	(1,966)
Cash payments to employees for services	(1,543)	(1,313)
Loan fees, commitment fees and other income received	3,972	1,435
Net cash provided by operating activities	52,678	32,858
Noncapital Financing Activities		
Proceeds from bonds issued	147,040	183,255
Net borrowings under line of credit	36,060	40,300
Principal payments on bonds	(97,210)	(167,363)
Payments of debt financing costs	(837)	(1,476)
Principal payments on note	(25,410)	(61,025)
Contributions/distributions to owners, net	396	(338)
Interest paid on bonds and note	(60,987)	(64,336)
Net cash used in noncapital financing activities	(948)	(70,983)
Capital and Related Financing Activities		
Purchase of furniture and equipment	(51)	(40)
Net cash used in capital and related financing activities	(51)	(40)
Investing Activities		
Purchases of other investments	(790,187)	(654,011)
Purchases of mortgage loans	(93,181)	(81,611)
Proceeds from sale of mortgages	80,628	93,510
Principal payments received on mortgage loans	9,459	9,376
Proceeds from sales of other investments	724,892	653,245
Interest received from mortgage loans	4,250	5,232
Interest received from other investments	10,513	14,381
Net cash (used in) provided by investing activities	(53,626)	40,122
(Decrease)/increase in cash on deposit	(1,947)	1,957
Cash on deposit at beginning of the year	2,192	235
Cash on deposit at end of the year	\$ 245	\$ 2,192

See accompanying notes.

Alabama Housing Finance Authority

Notes to Financial Statements

September 30, 2002 and 2001

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 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 multi-family mortgage revenue bond programs (Program Funds), the HOME Program, the Housing Assistance Program and an operating 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 operating 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 interfund balances and transactions have been eliminated in the accompanying financial statements.

Revenues and expenses from the Program Funds, the HOME Program and the Housing Assistance Program are reported as operating revenues and expenses. Revenues derived from Program Funds serve as security for the single-family and multi-family mortgage revenue bond programs. Revenues earned on mortgages and investments in the operating fund are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses.

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

The financial statements are presented in accordance with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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 operating revenue in the accompanying financial statements. Expenditures of HOME Program funds, whether for repayable or conditionally forgivable loans, are reported as operating expenses in accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Financial Assistance*.

Significant New Accounting Pronouncements

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This was followed in June 2001 by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an Amendment of GASB Statements No. 21 and No. 34*; and, also in June 2001 by GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements are effective for the year ended September 30, 2002. The financial statement presentation required by GASB Statement Nos. 34, 37 and 38 provides a comprehensive, entity-wide perspective of the Authority's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. Certain amounts in the prior year financial statements have been reclassified from amounts previously reported in order to be comparable between years. These reclassifications had no effect on previously reported net assets or changes in net assets.

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Cash on deposit

Cash represents funds on deposit with various financial institutions and uninvested funds held by the Trustees of the Authority's various mortgage revenue bond programs. At September 30, 2002, all cash on deposit was held by the Authority's trustees in the name of the Authority. All cash on deposit at September 30, 2002 was covered by federal depository insurance.

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 mortgage revenue 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.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investment securities other than non-participating investment contracts (see below) 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 \$14,064,000 in 2002 and \$11,436,000 in 2001, are classified as a 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 program funds held for others.

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

Program investments consist of Government National Mortgage Association (GNMA) or Federal National Mortgage Association (FNMA) 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.

Other investments consist of unexpended bond proceeds, temporary and reserve funds established under the provisions of various trust indentures and investments of the Authority's operating fund. In connection with the Authority's mortgage revenue 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 investment agreements.

The provisions of Statement No. 31 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.

Commitment Fees

Commitment fees are deferred and recognized as income over the life of the applicable loans as an adjustment of their yields.

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Mortgage Loans Receivable

Mortgage loans are carried at their unpaid principal balances less an allowance for loan losses. Allowances for loan losses are provided through charges against operations based upon management's 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.

HOME Program Mortgage Loans Receivable

HOME Program mortgage loans include loans originated under the HOME Program. This program is designed to assist very low income borrowers, 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 are not recorded as assets or liabilities of the Authority and totaled \$2,950,000 at September 30, 2002 and 2001.

Deferred Debt Financing Costs and Bond Discounts

Issuance costs on bonds are deferred and amortized, on a yield method, over the terms of the related bond issues. Discounts on bonds payable are deferred and accreted over the lives of the respective bond issues using the interest method.

3. Investments

Program Investments

The Authority's program investments include securitized mortgage obligations, backed by pools of single-family and multi-family mortgage loans originated under the Authority's program guidelines. These investments are either insured or registered in the Authority's name. At September 30, 2002, program investments consisted of program certificates with interest rates ranging from 5.38% to 8.625%. The cost of program investments at September 30, 2002 and 2001 was \$851,856,000 and \$853,520,000, respectively.

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

3. Investments (continued)

Other Investments

Other investments include unexpended bond proceeds, temporary and reserve funds established under the provisions of various trust indentures and investments of the Authority's operating fund.

The investment agreements generally carry fixed rates of return for varying periods of time specified in the Trust Indentures. Approximately 0.29% and 1% of the carrying amount of these investments at September 30, 2002 and 2001, respectively, are collateralized by the depository institutions with U.S. Government and agency securities, as required by the respective agreements, in amounts ranging from 103% to 120% of the par value of the investments, depending upon the maturities and types of collateral held. Substantially all of the remaining uncollateralized investment agreements contain provisions which require the issuers to collateralize the deposit in the event their credit ratings fall below certain minimum levels, or in certain other circumstances. The cost basis of the investment agreements approximate their fair value.

The Authority's investments in U.S. Government and agency securities are held by the Authority's trustees in book-entry form through the trustees' custodial agents, in the name of the trustees or custodial agents. The cost basis of the U.S. Government and agency securities at September 30, 2002 and 2001 was \$20,156,000 and \$47,283,000, respectively.

Investments in money market funds and repurchase agreements are carried at fair value, which is equal to the amortized cost basis.

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

3. Investments (continued)

Other investments consist of the following at September 30 (in thousands):

	2002	2001
Non-participating investment contracts (at cost):		
Collateralized investment agreement:		
Morgan Guaranty Trust Company, 5.5% to 8.1% (Single-family series 1992-A, 1997-D, Multi-family 2000-E)	\$ 193	\$ 1,128
Uncollateralized investment agreements (at cost):		
AIG Matched Funding Corp., 4.99% to 6.53% (Single-family series 1991-D, 1994-A, 1996-B, 1996-D, 1997-A, 1997-C, 1998-A, 1999-B, 1999-C, 2000-B, 2001-A)	3,548	59,811
Bayerische Landesbank, 4.91% to 6.15%, Variable (Single-family series 1995-B, 1998-B, 2001-B, 2002-B, Multi-family 1989-C, 1992-B)	21,498	20,402
Financial Guaranty Insurance Corp., 4% to 6.5% (Single-family series 1994-B, 1995-A, Multi-family 2000-K, 2001-A)	1,132	234
Lehman Brothers, 4.41% (Single-family series 2000B)	–	11,925
Trinity, 6.51% Variable (Single-family series 1996-C, 2002-A, 2002-C)	38,748	5
Westdeutsche Landesbank, 4% to 6.52% (Single-family series 1997-B, 2000-A, 2000-B, Multi-family 1996 D&E)	1,706	617
Total non-participating investment agreements	66,825	94,122
U.S. Government securities (at fair value)	20,901	49,333
Money market funds and repurchase agreements (at fair value)	179,097	77,815
	\$ 266,823	\$ 221,270

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

3. Investments (continued)

Investment Securities

During the year ended September 30, 2002, the Authority transferred other investments with a cost basis of \$18,368,000 to program investments. As a result of changes in the fair value of investment securities, the Authority recorded unrealized gains of \$6,148,000 and \$40,919,000 for the year ended September 30, 2002 and 2001, respectively. The Authority currently intends to hold such investment securities through maturity.

4. Mortgage Loans Receivable

The Authority's single-family bond programs are designed to provide mortgage loans to qualified home-buyers 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 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 consist of the following at September 30 (in thousands):

	2002	2001
Single-family mortgage loans (7.92% to 13.85%):		
Conventional	\$ 22,572	\$ 29,077
FHA insured	4,173	5,593
VA insured	4,085	5,064
Step up program loans	1,719	868
Down payment assistance/habitat loans	12,642	10,365
	45,191	50,967
Less allowance for loan losses	(4,690)	(5,155)
Total single-family mortgage loans	40,501	45,812
Multi-family mortgage loans (1.25% to 9.74%)	200,519	171,622
	\$ 241,020	\$ 217,434

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

4. Mortgage Loans Receivable (continued)

Under the Authority's program guidelines, all conventionally financed single-family mortgage loans with an initial loan-to-value ratio of greater than 80% are insured by private mortgage insurance carriers. In addition, each single-family mortgage loan is insured under supplemental mortgage pool insurance contracts with two insurers. The two mortgage pool insurers, together with the approximate percentage of single-family mortgage loans outstanding at September 30, 2002, are as follows: General Electric Mortgage Insurance Company (69%) and Mortgage Guaranty Insurance Company (31%).

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

5. 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. Interest on the various bond issues is payable periodically, except for capital appreciation bonds on which interest is compounded and payable at maturity or upon redemption. Bonds payable are presented net of unamortized discount and capital appreciation to maturity.

All single-family and multi-family 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.

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

5. Bonds Payable (continued)

The Authority's publicly offered multi-family bonds are considered conduit debt obligations and are secured by several forms of credit enhancement, including FHA insured mortgage loans, GNMA guaranteed certificates, and letters of credit from financial institutions including collateralized, insured, and uncollateralized and uninsured arrangements. The Authority has no obligation for the bonds beyond the resources provided above.

Bonds payable, net of unamortized discounts, consists of the following at September 30 (in thousands):

	Aggregate Principal Outstanding		Original Maturity Value
	2002	2001	
Single-family bond programs:			
1982 Series B (9.8% to 10.75%), due 1989 to 2013	\$ —	\$ 719	\$ 100,000
1991 Series D converted, 1992 Series A converted, 1994 Series A-B, 1995 Series A-B, 1996 Series A-D, 1997 Series A-D, 1998 Series A-B (3.70% to 6.9%) due 1994 to 2029	463,260	536,235	824,250
1999 Series A-C, 2000 Series A-C, 2001 Series A-B, 2002 Series A-C (2.50% to 6.25%, variable), due 2001 to 2032	370,270	320,360	395,555
2000 Step-Up Program (6.15% to 7.8%), due 2001 to 2032	35,765	19,072	37,371
2001 Series C (4.02%), due 2001 to 2006	23,110	29,110	29,110
2002 Series D (3.0%), due 2002 to 2007	26,200	—	26,200
Multi-family bond programs:			
1989 Series A-F (6.0% to 7.5%, variable), due 1989 to 2024	7,010	8,775	15,490
1991 Series A-D (5.0% to 7.0%, variable), due 1992 to 2009	4,570	5,345	8,525
1992 Series A-I (5.9% to 7.63%, variable), due 1993 to 2023	5,123	5,178	36,890
1994 Series A-F (7.1% to 7.65%), due 1994 to 2024	46,560	46,967	51,320
1995 Series A-M (5.65% to 8.65%, variable), due 1996 to 2030	30,883	31,108	32,090
1996 Series A-F (6.2% to 8.10%, variable), due 2000 to 2038	47,685	47,695	53,755
1997 Series A-B (4.0% to 5.55%, variable), due 1999 to 2016	4,485	4,685	10,350
1999 Series A-B (4.8% to 5.7%, variable), due 2000 to 2029	6,885	6,985	7,200
2000 Series A-K (4.25% to 5.95%, variable), due 2003 to 2033	41,945	41,945	45,325
2001 Series A-D (4.875% to 6.83%), due 2013 to 2034	16,026	8,527	16,026
2002 Series A-I (4.65% to 5.55%, variable), due 2012 to 2035	31,525	—	31,525
	\$ 1,161,302	\$ 1,112,706	

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

5. Bonds Payable (continued)

Principal payments on bonds after 2002 are scheduled as follows (in thousands):

Fiscal Year Ending September 30	Single-Family Bonds	Multi-Family Bonds	Totals
2003	\$ 84,202	\$ 1,794	\$ 85,996
2004	61,265	2,124	63,389
2005	46,305	2,311	48,616
2006	23,295	2,728	26,023
2007	19,730	3,746	23,476
Thereafter	683,808	229,994	913,802
	<u>\$ 918,605</u>	<u>\$ 242,697</u>	<u>\$ 1,161,302</u>

6. Notes Payable

The Authority has established a \$50,000,000 line of credit to make funds available for the purchase of loans during the origination period of its single-family mortgage revenue bond programs. Outstanding borrowings under the line of credit were \$12,850,000 as of September 30, 2002. Borrowings under the credit facility are secured by a pledge of approximately \$28,703,000 in mortgage loans receivable and mortgage loans held for sale at September 30, 2002.

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

7. Net Assets

Below is a summary of net assets at September 30 (in thousands):

	2002	2001
Restricted:		
Restricted for debt service	\$ 122,780	\$ 81,326
Owners' reserve	4,052	2,247
Designated for rating agency	-	335
Designated for program purposes	62,798	76,164
Unrestricted	1,081	10,076
	\$ 190,711	\$ 170,148

Net assets represent the residual interest in the Authority's assets after liabilities are deducted and are classified as restricted or non-restricted. Net assets are reported as restricted when constraints are imposed by the various programs administered by the Authority. The Authority's restricted assets are expendable; the Authority does not have nonexpendable assets.

The various trust indentures generally permit transfers to the Authority's operating fund for administrative fees and reimbursements of costs associated with the administration of the mortgage 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 multi-family mortgage revenue bond programs, certain funds on hand in excess of stipulated minimum balances are periodically remitted to the owners of the multi-family 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.

The Authority has agreed to set aside \$-0- and \$335,000 in its unencumbered operating fund at September 30, 2002 and 2001, respectively, to be used, if needed, to pay debt service on several single-family mortgage revenue bond issues.

As of September 30, 2002 and 2001, the Authority designated \$62,798,000 and \$76,164,000, respectively, of its net assets for financing 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.

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

8. Supplemental Cash Flow Information

A reconciliation of change in net assets to net cash provided by operating activities, and interest paid for the years ended September 30, 2002 and 2001, follows (in thousands):

	2002	2001
Change in net assets	\$ 20,563	\$ 55,035
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	48	69
Accretion of premiums and discounts on investments, net	308	(310)
Amortization of deferred financing costs	732	547
Amortization of deferred commitment fees	(1,392)	(1,370)
Gross unrealized (gain) loss on investments	(20,212)	(52,355)
Provision for loan losses (recovery), net	(227)	(291)
Extraordinary loss on early retirement of bonds	664	705
Contributions/distributions to owners, net	(396)	338
Commitment fees received	1,331	749
Changes in operating assets and liabilities:		
Accrued interest receivable	163	2,118
Other assets	400	(131)
Refundable HOME Program grants	15,011	12,165
Accrued interest payable	(1,646)	(1,232)
Program funds held for others	14,502	11,409
Other liabilities	1,612	(46)
Interest on other investments	(10,513)	(14,381)
Interest paid on bonds and notes	59,752	64,366
Interest received from mortgage loans	(4,250)	(5,232)
Purchase of program investments	(79,555)	(92,105)
Proceeds from sale of program investments	99,329	71,226
HOME Program mortgage loans funded, net	(15,011)	(12,165)
Purchase of mortgage loans	(31,926)	(39,392)
Principal payments received on mortgages	3,391	33,141
Net cash provided by operating activities	\$ 52,678	\$ 32,858

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

9. Retirement Plans

Substantially all full-time employees of the Authority participate in a defined contribution retirement plan, the Alabama Housing Finance Authority Money Purchase Thrift Plan (the Plan), which provides retirement benefits to Plan participants. The Plan is administered by an independent third-party administrator. To be eligible, an employee must be over age 21 and contribute 5% of his or her compensation to the Plan annually. The Authority contributes an amount equal to 7% of each participant's compensation annually. The Authority's and employees' contributions to the Plan were \$102,000 and \$73,000, respectively, in fiscal 2002 and \$88,000 and \$63,000, respectively, in fiscal 2001.

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

Benefit provisions are established under a formal, written plan document and assets are held under a separate tax-qualified plan trust. The plan and trust information can be obtained from the Alabama Housing Finance Authority, 2000 Interstate Park, Suite 408, Montgomery, AL 36123-0909.

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 service cost of the Plan for the year ended September 30, 2002 was \$403,277, or about 27.2% of covered participant compensation.

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

9. Retirement Plans (continued)

Below is a summary of the net pension obligation at September 30, 2002:

Present value of accrued benefits at October 1, 2001	\$ 1,208,358
Annual required contribution	<u>403,277</u>
Net pension obligation end of year	<u>\$ 1,611,635</u>

The annual required contribution for the current year was determined as part of the September 30, 2002 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. The total net pension obligation is reported as a component of Other Liabilities in the Statement of Net Assets.

10. Early Retirement of Bonds

The Authority's mortgage revenue bonds are subject to certain extraordinary redemption provisions. During the years ended September 30, 2002 and 2001, the Authority called approximately \$77,567,000 and \$128,582,000 (net of \$1,000 and \$4,575,000 in 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 primarily comprised of unamortized deferred debt financing costs and unamortized discount.

Prior to September 30, 2002, the Authority defeased one single-family bond issue by placing funds in irrevocable trusts to provide for the payment of principal and interest on the bonds. At September 30, 2002, the total principal amount of the bond, which has been excluded from the accompanying balance sheet, was approximately \$10,370,000. On October 1, 2002, the bonds were redeemed prior to their scheduled maturities using the funds placed in the trust accounts. The funds used to redeem these bonds were obtained, in part, from 2002 bond issues. Accordingly, the difference between the reacquisition price and the carrying value of the old bonds, approximately \$258,026, has been reported as deferred debt financing costs and will be amortized over the remaining life of the new bonds as the remaining life of the old bonds exceeded that of the new bonds.

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

11. Segment Financial Data

Financial and operating data of the various funds of the Authority as of September 30, 2002 and 2001 and for the years then ended is summarized as follows (in thousands):

	Total Revenues		Change in Net Assets		Total Assets		Net Assets (Liabilities)	
	2002	2001	2002	2001	2002	2001	2002	2001
Operating fund	\$ 8,744	\$ 13,886	\$ (47,296)	\$ (190)	\$ 64,737	\$ 99,524	\$ 39,279	\$ 86,575
Housing Assistance Fund	222	–	24,600	–	24,600	–	24,600	–
HOME Program fund	15,841	12,902	–	–	111,959	96,661	–	–
Single-family program funds:								
1982 Series B	169	335	(2,192)	185	–	2,947	–	2,192
1984 Series A	–	18	–	(14,267)	–	–	–	–
1989 Series A-C, 1990 Series A-B and Series 1991 A	–	4,470	–	(15,014)	–	172	–	–
1990 Series C and 1991 Series B	–	307	–	(443)	–	–	–	–
1991 Series D, 1992 Series A and 1994 Series A and B, 1995 Series A-C, 1996 Series A-D, 1997 Series A-D								
1998 Series A-B	32,709	61,023	(279)	27,556	518,442	586,554	24,705	24,984
1999 Series A-C, 2000 Series A-C, 2001 Series A-B	20,159	24,266	4,577	10,457	403,673	342,167	13,342	8,765
Step Up	2,888	1,204	1,113	854	38,053	20,152	2,105	992
2001 Series C	5,357	4,528	4,073	44,393	71,576	73,503	48,466	44,393
2002 Series D	3,564	–	34,162	–	60,362	–	34,162	–

Alabama Housing Finance Authority

Notes to Financial Statements (continued)

11. Segment Financial Data (continued)

	Total Revenues		Change in Net Assets		Total Assets		Net Assets (Liabilities)	
	2002	2001	2002	2001	2002	2001	2002	2001
Multi-family program funds:								
1987 Series A&B	\$ -	\$ 114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1989 Series A-F	537	734	148	187	7,582	9,241	460	312
1991 Series A-D	99	225	2	6	4,617	5,409	47	45
1992 Series A-I	334	677	34	(851)	5,548	5,568	414	380
1994 Series A-F	2,958	3,126	61	(36)	47,163	47,346	360	299
1995 Series A-M	1,994	2,117	157	955	32,137	32,206	1,080	923
1996 Series A-F	1,199	1,901	334	168	48,331	48,007	584	250
1997 Series A-B	394	651	151	399	4,812	4,863	288	137
1999 Series A&B	775	876	416	514	7,159	6,844	245	(171)
2000 Series A-K	1,112	1,745	95	144	42,147	42,053	149	54
2001 Series A-C	619	126	11	18	16,149	8,657	29	18
2002 Series A-I	245	-	396	-	32,053	-	396	-
	\$ 99,919	\$ 135,231	\$ 20,563	\$ 55,035	\$1,541,100	\$1,431,874	\$ 190,711	\$ 170,148

12. Subsequent Events

From October 1, 2002 through December 6, 2002, the Authority called approximately \$35,275,000 of bonds prior to their scheduled maturities.

Other Financial Information

Alabama Housing Finance Authority
Single-Family Bond Series
Statements of Net Assets
Additional Segment Data (*in thousands*)
September 30, 2002

	1991 D, 1992 A		1994 A&B		1999 A-C		2000 A-C		2001 A&B		2002 A-C		Step Up		2001 C		2002 D		Combined Single Family		
	1982 B	1998 A&B	1995 A-C,	1996 A-D	1997 A-D,	1998 A&B	1999 A-C	2000 A-C	2001 A&B	2002 A-C	2001 C	2002 D	2001 C	2002 D	2001 C	2002 D	2001 C	2002 D	2001 C	2002 D	Combined Single Family
Current Assets																					
Cash on Deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted Cash on Deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted Accrued Interest Receivable	-	3,338	-	2,106	-	202	-	335	-	323	-	6,304	-	-	-	-	-	-	-	-	-
Restricted Mortgage Loans Receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted Mortgage Loans Held For Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted Other Investments	-	80,469	-	117,667	-	686	-	15,058	-	11	-	213,891	-	-	-	-	-	-	-	-	-
Restricted Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	-	83,807	-	119,773	-	888	-	15,393	-	334	-	220,195	-	-	-	-	-	-	-	-	-
Noncurrent Assets																					
Restricted Program Investments	-	430,120	-	279,311	-	37,032	-	55,958	-	59,715	-	862,136	-	-	-	-	-	-	-	-	-
Restricted Mortgage Loans Receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted HOME Program Loans Receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted Deferred Debt Financing Cost	-	4,515	-	4,589	-	133	-	225	-	313	-	9,775	-	-	-	-	-	-	-	-	-
Total Noncurrent Assets	-	434,635	-	283,900	-	37,165	-	56,183	-	60,028	-	871,911	-	-	-	-	-	-	-	-	-
Total Assets	\$ -	\$ 518,442	\$ -	\$ 403,673	\$ -	\$ 38,053	\$ -	\$ 71,576	\$ -	\$ 60,362	\$ -	\$ 1,092,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Liabilities and Net Assets																					
Current Liabilities:																					
Bonds Payable, net	\$ -	\$ 60,555	\$ 12,045	\$ 322	\$ 6,000	\$ 5,280	\$ 84,202	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest Payable	-	13,519	8,574	184	-	-	22,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program Funds Held For Others	-	273	-	-	-	-	273	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due To (From) Other Funds	-	300	135	-	-	-	435	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	59	35	-	-	-	94	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	74,706	20,789	506	6,000	5,280	107,281	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent Liabilities:																					
Bonds Payable, net	-	402,705	358,225	35,442	17,110	20,920	834,402	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Refundable HOME Program Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program Funds Held For Others	-	16,326	11,317	-	-	-	27,643	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Commitment Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Noncurrent Liabilities	-	419,031	369,542	35,442	17,110	20,920	862,045	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	493,737	390,331	35,948	23,110	26,200	969,326	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets																					
Restricted	-	24,705	13,342	2,105	48,466	34,162	122,780	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Assets	-	24,705	13,342	2,105	48,466	34,162	122,780	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities and Net Assets	\$ -	\$ 518,442	\$ 403,673	\$ 38,053	\$ 71,576	\$ 60,362	\$ 1,092,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Alabama Housing Finance Authority
Single-Family Bond Series
Statements of Revenues, Expenses, and Changes in Net Assets
Additional Segment Data (*in thousands*)
September 30, 2002

	1982 B	1991 D, 1992 A 1994 A&B 1995 A-C, 1996 A-D, 1997 A-D, 1998 A&B	1999 A-C 2000 A-C 2001 A&B 2002 A-C	Step Up	2001 C	2002 D	Combined Single Family
Operating Revenue							
Interest on Mortgage Loans	\$ 168	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168
Investment Income	9	31,092	18,470	1,909	4,875	323	56,678
Unrealized Gains (Losses)	(8)	1,595	226	950	134	3,241	6,138
Loan Fees & Other Income	-	22	1,463	29	348	-	1,862
HOME Program Grants	-	-	-	-	-	-	-
Total Operating Revenue	169	32,709	20,159	2,888	5,357	3,564	64,846
Operating Expenses							
Interest on Bonds & Notes	28	28,896	17,600	1,738	1,209	-	49,471
HOME Program Expenditures	-	-	-	-	-	-	-
Program, General & Administrative	36	126	70	10	75	-	317
Total Operating Expenses	64	29,022	17,670	1,748	1,284	-	49,788
Operating Income (Loss)	105	3,687	2,489	1,140	4,073	3,564	15,058
Non-Operating Revenue (Expenses)							
Interest on Mortgage Loans	-	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-	-
Income before Capital Contributions, Transfers & Extraordinary Loss	105	3,687	2,489	1,140	4,073	3,564	15,058
Capital Contributions, Transfers & Extraordinary Loss							
Transfers In (Out)	(2,296)	(3,418)	2,197	(21)	-	30,598	27,060
Extraordinary Loss on Early Retirement of Bonds	(1)	(548)	(109)	(6)	-	-	(664)
Changes in Net Assets	(2,192)	(279)	4,577	1,113	4,073	34,162	41,454
Net Assets							
Beginning of Year	2,192	24,984	8,765	992	44,393	-	81,326
End of the Year	\$ -	\$ 24,705	\$ 13,342	\$ 2,105	\$ 48,466	\$ 34,162	\$ 122,780

MultiFamily Bond Series
Statements of Net Assets
Additional Segment Data (*in thousands*)
September 30, 2002

	1989 A-F	1991 A-D	1992 A-I	1994 A-F	1995 A-M	1996 A-F
Current Assets:						
Cash on Deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Interest Receivable	-	-	-	-	-	-
Other Investments	-	-	-	-	-	-
Restricted Cash on Deposit	-	-	-	113	-	-
Restricted Accrued Interest Receivable	27	-	-	-	40	14
Restricted Mortgage Loans Receivable, net	120	280	40	584	160	-
Restricted Mortgage Loans Held For Sale	-	-	-	-	-	-
Restricted Other Investments	294	261	187	525	6,793	342
Restricted Other Assets	-	-	-	-	-	-
Total Current Assets	441	541	227	1,222	6,993	356
Noncurrent Assets:						
Restricted Program Investments	4,627	-	-	-	7,609	2,900
Restricted Mortgage Loans Receivable, net	2,514	4,076	5,321	45,941	17,535	45,075
Restricted HOME Program Loans Receivable, net	-	-	-	-	-	-
Restricted Deferred Debt Financing Cost	-	-	-	-	-	-
Total Noncurrent Assets	7,141	4,076	5,321	45,941	25,144	47,975
Total Assets	\$ 7,582	\$ 4,617	\$ 5,548	\$ 47,163	\$ 32,137	\$ 48,331
Liabilities And Net Assets						
Current Liabilities:						
Bonds Payable, net	\$ 195	\$ 280	\$ 40	\$ 584	\$ 250	\$ 15
Notes Payable	-	-	-	-	-	-
Accrued Interest Payable	112	-	11	243	172	62
Program Funds Held For Others	-	-	-	-	-	-
Due To (From) Other Funds	-	-	-	-	-	-
Other Liabilities	-	-	-	-	2	-
Total Current Liabilities	307	280	51	827	424	77
Noncurrent Liabilities:						
Bonds Payable, net	6,815	4,290	5,083	45,976	30,633	47,670
Refundable HOME Program Grants	-	-	-	-	-	-
Program Funds Held For Others	-	-	-	-	-	-
Deferred Commitment Fees	-	-	-	-	-	-
Total Noncurrent Liabilities	6,815	4,290	5,083	45,976	30,633	47,670
Total Liabilities	7,122	4,570	5,134	46,803	31,057	47,747
Net Assets:						
Restricted	460	47	414	360	1,080	584
Unrestricted	-	-	-	-	-	-
Total Net Assets	460	47	414	360	1,080	584
Total Liabilities And Net Assets	\$ 7,582	\$ 4,617	\$ 5,548	\$ 47,163	\$ 32,137	\$ 48,331

1997 A&B	1999 A&B	2000 A-K	2001 A-D	2002 A-I	Combined Multifamily	Combined Single Family	HOME Fund	Assistance Fund	General Fund	Combined Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47	\$ 47
-	-	-	-	-	-	-	-	-	530	530
-	-	-	-	-	-	-	-	-	504	504
-	-	1	-	34	148	-	-	50	-	198
21	31	-	-	-	133	6,304	2,067	10	-	8,514
-	-	30	-	80	1,294	-	-	450	1,500	3,244
-	-	-	-	-	-	-	-	-	14,883	14,883
183	128	408	155	10,877	20,153	213,891	-	14,605	17,670	266,319
-	-	-	-	-	-	-	389	-	538	927
204	159	439	155	10,991	21,728	220,195	2,456	15,115	35,672	295,166
4,608	7,000	-	-	-	26,744	862,136	-	-	-	888,880
-	-	41,708	15,994	21,062	199,226	-	-	9,485	29,065	237,776
-	-	-	-	-	-	-	109,503	-	-	109,503
-	-	-	-	-	-	9,775	-	-	-	9,775
4,608	7,000	41,708	15,994	21,062	225,970	871,911	109,503	9,485	29,065	1,245,934
\$ 4,812	\$ 7,159	\$ 42,147	\$ 16,149	\$ 32,053	\$ 247,698	\$ 1,092,106	\$ 111,959	\$ 24,600	\$ 64,737	\$ 1,541,100
\$ 210	\$ 110	\$ 30	\$ -	\$ 80	\$ 1,794	\$ 84,202	\$ -	\$ -	\$ -	\$ 85,996
-	-	-	-	-	-	-	-	-	12,850	12,850
39	29	53	93	132	946	22,277	2,067	-	13	25,303
-	-	-	-	-	-	273	-	-	-	273
-	-	-	-	-	-	435	389	-	(824)	-
-	-	-	-	-	2	94	-	-	1,764	1,860
249	139	83	93	212	2,742	107,281	2,456	-	13,803	126,282
4,275	6,775	41,915	16,027	31,445	240,904	834,402	-	-	-	1,075,306
-	-	-	-	-	-	-	109,503	-	-	109,503
-	-	-	-	-	-	27,643	-	-	-	27,643
-	-	-	-	-	-	-	-	-	11,655	11,655
4,275	6,775	41,915	16,027	31,445	240,904	862,045	109,503	-	11,655	1,224,107
4,524	6,914	41,998	16,120	31,657	243,646	969,326	111,959	-	25,458	1,350,389
288	245	149	29	396	4,052	122,780	-	24,600	38,198	189,630
-	-	-	-	-	-	-	-	-	1,081	1,081
288	245	149	29	396	4,052	122,780	-	24,600	39,279	190,711
\$ 4,812	\$ 7,159	\$ 42,147	\$ 16,149	\$ 32,053	\$ 247,698	\$ 1,092,106	\$ 111,959	\$ 24,600	\$ 64,737	\$ 1,541,100

MultiFamily Bond Series
Statements of Revenues, Expenses, and Changes in Net Assets
Additional Segment Data (*in thousands*)
September 30, 2002

	1989 A-F	1991 A-D	1992 A-I	1994 A-F	1995 A-M	1996 A-F
Operating Revenue						
Interest On Mortgage Loans	\$ 60	\$ 97	\$ 324	\$2,954	\$1,008	\$698
Investment Income	336	2	10	4	682	177
Unrealized Gains (Losses)	140	-	-	-	304	324
Loan Fees & Other Income	1	-	-	-	-	-
Home Program Grants	-	-	-	-	-	-
Total Operating Revenue	537	99	334	2,958	1,994	1,199
Operating Expenses						
Interest On Bonds & Notes	387	97	297	2,948	1,828	841
Home Program Expenditures	-	-	-	-	-	-
Program, General & Administrative	2	-	3	-	18	24
Total Operating Expenses	389	97	300	2,948	1,846	865
Operating Income (Loss)	148	2	34	10	148	334
Non-Operating Revenue (Expenses)						
Interest On Mortgage Loans	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-
Total Non-Operating Revenue	-	-	-	-	-	-
Income Before Capital Contributions, Transfers & Extraordinary Loss	148	2	34	10	148	334
Capital Contributions, Transfers & Extraordinary Loss						
Owner Contributions (Reductions)	-	-	-	51	9	-
Transfers In (Out)	-	-	-	-	-	-
Extraordinary Loss On Early Retirement of Bonds	-	-	-	-	-	-
Changes In Net Assets	148	2	34	61	157	334
Net Assets						
Beginning Of The Year	312	45	380	299	923	250
End Of The Year	\$ 460	\$ 47	\$ 414	\$ 360	\$ 1,080	\$ 584

1997 A&B	1999 A&B	2000 A-K	2001 A-D	2002 A-I	Combined Multifamily	Combined Single Family	HOME Fund	Assistance Fund	General Fund	Combined Totals
\$ -	\$ -	\$ 1,079	\$ 558	\$197	\$ 6,975	\$ 168	\$ -	\$ 89	\$ -	\$ 7,232
256	374	33	61	48	1,983	56,678	-	70	-	58,731
138	401	-	-	-	1,307	6,138	-	-	(1,297)	6,148
-	-	-	-	-	1	1,862	-	63	2,452	4,378
-	-	-	-	-	-	-	15,841	-	-	15,841
394	775	1,112	619	245	10,266	64,846	15,841	222	1,155	92,330
240	356	1,057	540	194	8,785	49,471	-	-	57	58,313
-	-	-	-	-	-	-	15,841	-	-	15,841
3	3	15	-	4	72	317	-	(77)	4,622	4,934
243	359	1,072	540	198	8,857	49,788	15,841	(77)	4,679	79,088
151	416	40	79	47	1,409	15,058	-	299	(3,524)	13,242
-	-	-	-	-	-	-	-	-	4,144	4,144
-	-	-	-	-	-	-	-	-	3,445	3,445
-	-	-	-	-	-	-	-	-	7,589	7,589
151	416	40	79	47	1,409	15,058	-	299	4,065	20,831
-	-	55	(68)	349	396	-	-	-	-	396
-	-	-	-	-	-	27,060	-	24,301	(51,361)	-
-	-	-	-	-	-	(664)	-	-	-	(664)
151	416	95	11	396	1,805	41,454	-	24,600	(47,296)	20,563
137	(171)	54	18	-	2,247	81,326	-	-	86,575	170,148
\$ 288	\$ 245	\$ 149	\$ 29	\$ 396	\$ 4,052	\$ 122,780	\$ -	\$ 24,600	\$ 39,279	\$ 190,711