ALABAMA HOUSING FINANCE AUTHORITY

2000 FINANCIAL STATEMENTS AND INFORMATION

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors

Alabama Housing Finance Authority

We have audited the accompanying general-purpose 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, 2000 and 1999. These general-purpose financial statements are the responsibility of the Alabama Housing Finance Authority's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Alabama Housing Finance Authority at September 30, 2000 and 1999, and the results of operations and cash flows of its proprietary fund types for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the general-purpose 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 general-purpose financial statements. Such information has been subject to the auditing procedures applied in our audit of the 2000 general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2000 general-purpose financial statements taken as a whole.

Ernst + Young LLP

December 1, 2000

Balance Sheets (in thousands)

	September 30 2000	September 30 1999
Assets		
Cash on Deposit	**$ 235**	$ 210
Accrued Interest Receivable	**11,325**	9,320
Program Investments	**795,516**	725,452
Other Investments	**220,453**	260,174
Mortgage Loans Receivable, Net	**217,673**	226,339
Mortgage Loans Held for Sale	**21,207**	32,880
HOME Program Mortgage Loans Receivable, Net	**82,327**	64,030
Deferred Debt Financing Costs, Net	**10,111**	9,547
Other Assets	**1,150**	1,212
Total Assets	**$ 1,359,997**	$ 1,329,164
Liabilities and Fund Balances		
Liabilities:		
Checks Outstanding	**$ –**	$ 3,036
Bonds Payable, Net of Unamortized Discounts	**1,096,814**	1,095,318
Notes Payable	**22,925**	21,980
Refundable HOME Program Grants	**82,327**	64,030
Accrued Interest Payable	**28,181**	26,469
Deferred Commitment Fees	**12,338**	11,632
Program Funds Held for Others	**2,005**	3,161
Other Liabilities	**294**	416
Total Liabilities	**1,244,884**	1,226,042
Fund Balances:		
Reserved and Designated	**106,651**	98,518
Unreserved and Undesignated	**8,462**	4,604
Total Fund Balances	**115,113**	103,122
Total Liabilities and Fund Balances	**$ 1,359,997**	$ 1,329,164

See accompanying notes.

Statements of Revenues, Expenses and Changes in Fund Balances (in thousands)

	Year Ended September 30 2000	Year Ended September 30 1999
Revenues		
Interest on Mortgage Loans	**$ 16,155**	$ 16,684
Investment Income	**64,323**	60,947
Unrealized Losses, Net	**(1,557)**	(36,336)
Loan Fees and Other Income	**2,074**	2,429
HOME Program Grants	**19,087**	11,913
Total Revenues	**100,082**	55,637
Expenses		
Interest on Bonds and Notes	**64,650**	63,630
HOME Program Expenditures	**19,087**	11,913
Program, General and Administrative	**3,003**	2,840
Total Expenses	**86,740**	78,383
Revenues over (under) Expenses Before Extraordinary Loss	**13,342**	(22,746)
Extraordinary Loss on Early Retirement of Bonds	**(967)**	(1,271)
Revenues over (under) Expenses	**12,375**	(24,017)
Fund Balances		
Beginning of the Year	**103,122**	127,497
Distribution to Owners, Net	**(384)**	(358)
End of the Year	**$ 115,113**	$ 103,122

See accompanying notes.

Statements of Cash Flows (in thousands)

	Year Ended September 30 2000	1999
Operating Activities		
Purchase of Program Investments	**$ (163,245)**	$ (102,162)
Proceeds from Sale of Program Investments	**60,455**	102,891
Proceeds from HOME Grants	**18,297**	11,139
HOME Program Expenditures	**(18,397)**	(11,204)
Purchase of Mortgage Loans	**(11,114)**	–
Principal Payments Received on Mortgage Loans	**14,890**	28,170
Interest Received from Mortgage Loans	**10,573**	12,214
Interest Received from Program Investments	**51,169**	49,291
Payments for Arbitrage	**(768)**	(209)
Cash Paid to Suppliers for Goods and Services	**(1,960)**	(1,377)
Cash Payments to Employees for Services	**(1,240)**	(1,131)
Loan Fees, Commitment Fees and Other Income Received	**2,780**	2,321
Net Cash Provided by (Used in) Operating Activities	**(38,560)**	89,943
Noncapital Financing Activities		
Proceeds from Bonds Issued	**152,740**	168,830
Net Borrowings Under Line of Credit	**89,660**	82,000
Principal Payments on Bonds	**(151,428)**	(170,275)
Payments of Debt Financing Costs	**(2,028)**	(1,765)
Principal Payments on Note	**(88,715)**	(66,000)
Distributions to/Contributions from Owners, Net	**(384)**	(338)
Interest Paid on Bonds and Note	**(62,623)**	(64,585)
Construction Funds in Escrow, Net	**–**	(2,265)
Net Cash Used in Noncapital Financing Activities	**(62,778)**	(54,418)
Capital and Related Financing Activities		
Purchase of Furniture and Equipment	**(37)**	(111)
Net Cash Used in Capital and Related Financing Activities	**(37)**	(111)
Investing Activities		
Purchases of Other Investments	**(592,414)**	(673,450)
Purchases of Mortgage Loans	**(155,589)**	(121,329)
Proceeds from Sale of Mortgages	**165,414**	95,661
Principal Payments Received on Mortgage Loans	**7,012**	9,827
Proceeds from Sales of Other Investments	**662,583**	614,194
Interest Received from Mortgage Loans	**5,839**	4,635
Interest Received from Other Investments	**11,591**	12,985
Net Cash Provided by/ (Used in) Investing Activities	**104,436**	(57,477)
Increase (Decrease) in Cash on Deposit	**3,061**	(22,063)
Cash on Deposit at Beginning of the Year	**(2,826)**	19,237
Cash on Deposit Less Checks Outstanding at End of the Year	**$ 235**	$ (2,826)

See accompanying notes.

Notes to Financial Statements

September 30, 2000 and 1999

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

Fund Accounting

The Authority's accounts are organized as funds, which include accounts of the assets, liabilities, fund balances, revenues and expenses of the Authority's single-family and multi-family mortgage revenue bond programs, the Home Program (Program Funds) 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 mortgage loans, 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 and operating fund have been presented on a combined basis, as the Authority is considered a single enterprise fund for financial reporting purposes. All interfund balances and transactions have been eliminated in the accompanying financial statements.

The financial statements are presented in accordance with generally accepted accounting principles which requires 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. Certain amounts in the prior year's financial statements have been reclassified to conform with the 2000 presentation. The reclassifications had no effect on fund balance or revenues and expenses.

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

Significant New Accounting Pronouncement

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments." That statement establishes a new financial reporting model for state and local governments and will be effective for the Authority for the year ending September 30, 2003. The effect of the implementation of this guidance on the Authority is not known at this time.

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, 2000, all cash on deposit was held by the Authority's trustees in the name of the Authority. Approximately $223,000 of cash on deposit at September 30, 2000 was covered by federal depository insurance, with the remaining balances collateralized with pledged securities held by the financial institutions where the cash was on deposit.

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 the unrealized gains or losses be reported in the statement of revenues, expenses and changes in fund balances. The Authority records a portion of the net unrealized gain as a liability due to the effect gains on securities would have on excess rebateable investment earnings pursuant to Section 103A of the Internal Revenue Code, as amended (the Code), for tax-exempt bond issues sold after 1981. 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 as program funds held for others on the balance sheet.

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 more recent 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, non-transferable, and redemption of the contracts is not based on current market rates. All of the Authority's investment contracts are non-participating and 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.

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, 2000 and 1999, respectively.

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 multifamily mortgage loans originated under the Authority's program guidelines. These investments are either insured or registered in the Authority's name. At September 30, 2000, program investments consisted of program certificates with interest rates ranging from 5.38% to 8.06%. The cost of program investments at September 30, 2000 and 1999 was $830,806,000 and $758,825,000, respectively.

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. As indicated in the following table, approximately 9% and 10% of the carrying amount of these investments at September 30, 2000 and 1999, 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. Approximately 99% of the carrying amount of 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 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, 2000 and 1999 was $52,904,000 and $26,057,000, respectively.

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

	2000		1999	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Non-Participating Investment Contracts:				
Collateralized Investment Agreements:				
Chemical/Manufacturers Hanover, 11.95% (Single-family Series 1984 A)	**$ 7,500**	**$ 12,150**	$ 7,500	$ 8,317
Compass Bank, 7.5% to 8.07% (Single-family Series 1984 A, 1985 A&B)	**829**	**970**	3,651	3,729
Morgan Guaranty Trust Company, 6.0% to 8.1% (Single-family Series 1992 A, 1997 D)	**345**	**362**	8,571	8,135
	8,674	**13,482**	19,722	20,181
Uncollateralized Investment Agreements:				
AIG Matched Funding Corp., 5.38% to 9.02% (Single-family Series 1989 B&C, 1990 A-C, 1991 B, 1991 D, 1994 A, 1996 B, 1996 D, 1997 A, 1997 C, 1998 A, 1999 B&C, 2000 B)	**53,275**	**53,594**	95,012	90,737
ARMC, 5.273% to 5.322% (Single-family Series 1998 B, 1999 B)	**—**	**—**	44,666	40,345
Bayerische Landesbank, 5.25% to 6.15%, Variable (Single-family Series 1995 B, 1998 B, 1999 A, 2000 C, Multifamily Series 1989 C, 1992 B)	**16,854**	**17,335**	32,179	29,356
Berkshire Hathaway, 7.42% (Single-family Series 1991 A)	**156**	**193**	214	214
Equitable Life Insurance Company, 10.05% to 10.85% (Single-family Series 1985 A&B)	**—**	**—**	34	38
Financial Guaranty Insurance Corp., 6.22% to 6.5% (Single-family Series 1994 B, 1995 A)	**452**	**485**	8,940	8,592
Lehman Brothers, 6.53% (Single-family Series 2000A)	**20,321**	**20,321**	—	—
Trinity 5.96% to 6.51% (Single-family Series 1996 C, 1996 D)	**114**	**127**	2,918	2,809
Westdeutsche Landesbank, 6.375% to 6.52% (Single-family Series 1997 B, 2000 A&B)	**640**	**705**	5,225	5,029
	91,812	**92,760**	189,188	177,120
Total Non-Participating Investment Agreements	**100,486**	**106,242**	208,910	197,301
U.S. Government Securities	**53,394**	**53,394**	27,095	27,095
Money Market Funds/Repurchase Agreements	**66,573**	**66,573**	24,169	24,169
	$ 220,453	**$ 226,209**	$ 260,174	$ 248,565

Other Investments
During the year ended September 30, 2000, the Authority transferred program investments with a cost basis of $30,994,000 to other investments. As a result of changes in the fair value of investment securities, the Authority recorded an unrealized loss of $1,557,000 for the year ended September 30, 2000, and an unrealized loss of $36,336,000 for the year ended September 30, 1999. 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):*

	2000	1999
Single-family Mortgage Loans		
(7.92% to 13.85%)		
Conventional	**$ 36,032**	$ 42,553
FHA-Insured	**6,668**	7,738
VA-Insured	**6,194**	7,030
Down Payment Assistance/Habitat Loans	**9,383**	8,124
	58,277	65,445
Less Allowance for Loan Losses	**(5,446)**	(5,570)
Total Single-family Mortgage Loans	**52,831**	59,875
Multifamily Mortgage Loans		
(4.00% to 7.875%)	**164,842**	166,464
	$ 217,673	$ 226,339

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, 2000, are as follows: General Electric Mortgage Insurance Company (68%) and Mortgage Guaranty Insurance Company (32%).

The Authority's multifamily bond programs are designed to finance the construction of multifamily 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.

The Authority's publicly offered multifamily 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
	2000	**1999**	**Value**
Single-family Bond Programs:			
1982 Series B (9.8% to 10.75%),			
Due 1989 to 2013	**$ 1,532**	**$ 2,645**	$ 100,000
1984 Series A (9.0% to 11.75%), Due 1989 to 2016	**1,051**	**3,676**	485,087
1985 Series A&B (5.75% to 9.625%),			
Due 1987 to 2016	**–**	**685**	245,080
1989 Series A-C, 1990 Series A-B, 1991 Series A			
(5.2% to 8.0%), Due 1990 to 2022	**61,775**	**78,345**	285,000
1990 Series C, 1991 Series B (5.25% to 7.75%),			
Due 1992 to 2023	**7,770**	**46,100**	155,000
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	**585,590**	**638,950**	824,250
1999 Series A-C (4.40% to 6.03%), Due 2001 to 2030, 2000 Series A-C (4.80% to 6.25%),			
Due 2001 to 2031	**245,135**	**131,490**	300,695

	Aggregate Principal Outstanding 2000	1999	Original Maturity Value
Multifamily Bond Programs:			
1987 Series A&B (Variable), Due 1989 to 2017	**4,765**	**4,950**	13,500
1989 Series A-F (6.0% to 7.5%; Variable), Due 1989 to 2024	**9,090**	**9,380**	15,490
1991 Series A-D (5.0% to 7.0%; Variable), Due 1992 to 2009	**5,665**	**5,965**	8,525
1992 Series A-I (5.9% to 7.63%, variable), Due 1993 to 2023	**22,448**	**22,847**	36,890
1994 Series A-F (7.1% to 7.65%), Due 1994 to 2024	**47,345**	**47,852**	51,320
1995 Series A-M (5.65% to 8.65%; Variable), Due 1996 to 2030	**31,308**	**31,488**	32,090
1996 Series A-F (6.2% to 8.10%; Variable), Due 2000 to 2038	**47,705**	**53,715**	53,755
1997 Series A-B (4.0% to 5.55%; Variable), Due 1999 to 2016	**4,875**	**10,005**	10,350
1999 Series A-B (4.8% to 5.7%; Variable), Due 2000 to 2029	**7,085**	**7,175**	7,200
2000 Series A-D (Variable), Due 2001 to 2030	**13,675**	**—**	13,675
	$ 1,096,814	**$ 1,095,318**	

Principal payments on bonds after 2001 are scheduled as follows *(in thousands)*:

Fiscal Year Ending September 30	**Single-Family Bonds**	**Multifamily Bonds**	**Totals**
2001	**$ 11,290**	**$ 2,683**	**$ 13,973**
2002	**13,870**	**2,875**	**16,745**
2003	**29,895**	**3,241**	**33,136**
2004	**12,875**	**3,586**	**16,461**
2005	**16,705**	**3,853**	**20,558**
Thereafter	**822,794**	**177,723**	**1,000,517**
Less Unamortized Discount	**(4,576)**	**—**	**(4,576)**
	$ 902,853	**$ 193,961**	**$ 1,096,814**

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. A portion of outstanding borrowings under the line of credit are long-term, with interest at a variable rate (7.32% at September 30, 2000), repayable over five years. Outstanding borrowings for the long-term portion of the line of credit were $2,200,000 as of September 30, 2000. Outstanding borrowings under the remaining line of credit were $20,725,000 at September 30, 2000. Interest on outstanding borrowings under the revolving portion of the line of credit is computed at variable rates in effect from time to time (7.32% at September 30, 2000). Borrowings under the credit facility are secured by a pledge of approximately $60,812,000 in mortgage loans receivable and mortgage loans held for sale at September 30, 2000.

7. Fund Balances

Below is a summary of fund balances at September 30 *(in thousands)*:

	2000	**1999**
Reserved:		
Reserved for Debt Service	**$ 27,605**	$ 42,581
Owners' Reserve	**743**	592
Designated for Rating Agency	**335**	335
Designated for Program Purposes	**77,968**	55,010
Unreserved and Undesignated	**8,462**	4,604
	$ 115,113	$ 103,122

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 reserved components of the fund balance.

Under the terms of the Authority's multifamily 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 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 in its unencumbered operating fund $335,000 at September 30, 2000 and 1999, respectively, to be used if needed to pay debt service on several single-family mortgage revenue bond issues.

As of September 30, 2000 and 1999, the Authority designated $77,968,000 and $55,010,000, respectively, of its fund balance 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.

8. Supplemental Cash Flow Information

A reconciliation of net revenues over expenses to cash flows (used in) provided by operating activities, and interest paid for the years ended September 30, 2000 and 1999, follows *(in thousands)*:

	2000	1999
Revenues over (under) Expenses	**$ 12,375**	$ (24,017)
Adjustments to Reconcile Revenues over (under) Expenses to Net Cash (Used in) Provided by Operating Activities:		
Depreciation	**70**	72
Accretion of Premiums and Discounts on Investments, Net	**(186)**	(247)
Accretion of Discount on Bonds Payable	**184**	496
Amortization of Deferred Financing Costs	**500**	552
Amortization of Deferred Commitment Fees	**(1,245)**	(1,716)
Gross Unrealized Loss on Investments	**2,464**	48,197
Decrease in Provision for Loan Losses and Debt Forgiveness	**(124)**	(188)
Extraordinary Loss on Early Retirement of Bonds	**967**	1,271
Commitment Fees Received	**1,951**	1,609
Changes in Operating Assets and Liabilities:		
Accrued Interest Receivable	**(2,005)**	743
Other Assets	**(24)**	120
Refundable HOME Program Grants	**18,297**	11,139
Accrued Interest Payable	**1,712**	(1,499)
Program Funds Held for Others	**(1,156)**	(11,399)
Other Liabilities	**(122)**	150
Interest on Other Investments	**(11,591)**	(12,985)
Interest Paid on Bonds and Notes	**62,623**	64,585
Interest Received from Mortgage Loans	**(5,839)**	(4,635)
Purchase of Program Investments	**(163,245)**	(102,162)
Proceeds from Sale of Program Investments	**60,455**	102,891
HOME Program Mortgage Loans Funded	**(18,397)**	(11,204)
Purchase of Mortgage Loans	**(11,114)**	—
Principal Payments Received on Mortgages	**14,890**	28,170
Net Cash (Used in) Provided by Operating Activities	**$ (38,560)**	$ 89,943

9. Retirement Plan

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 the each participant's compensation annually. The Authority's and employees' contributions to the Plan were $84,000 and $60,000, respectively, in fiscal 2000 and $78,000 and $56,000, respectively, in fiscal 1999.

10. Early Retirement of Bonds

The Authority's mortgage revenue bonds are subject to certain extraordinary redemption provisions. During the years ended September 30, 2000 and 1999, the Authority called approximately $140,915,000 and $162,410,000 (net of $13,752,000 and $24,268,000 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, 2000, 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, 2000, the total principal amount of the bonds, which has been excluded from the accompanying balance sheet, was approximately $30,750,000. On October 1, 2000, 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 2000 bond issues. Accordingly, the difference between the reacquisition price and the carrying value of the old bonds, approximately $809,000, has been reported as deferred debt financing costs and will be amortized over the remaining life of the old bonds.

11. Segment Financial Data

Financial and operating data of the various funds of the Authority as of September 30, 2000 and 1999 and for the years then ended is summarized as follows *(in thousands)*:

	Total Revenues		Excess Revenues (Expenses)		Total Assets		Fund Balances (Deficits)	
	2000	**1999**	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**
Operating Fund	**$ 10,821**	$ 8,704	**$ 7,354**	$ 5,578	**$ 121,296**	$ 96,243	**$ 86,765**	$ 59,949
HOME Program Fund	**19,087**	11,913	**—**	—	**83,906**	65,203	**—**	—
Single-family Program Funds:								
1982 Series B	**403**	541	**171**	163	**3,617**	4,624	**2,007**	1,856
1984 Series A	**1,708**	1,852	**1,518**	1,307	**15,365**	16,486	**14,267**	12,749
1985 Series A&B and 1986 Series A	**—**	1,993	**(4)**	1,664	**—**	19,887	**—**	19,300
1988 Series A	**—**	771	**—**	216	**—**	—	**—**	—
1989 Series A-C, 1990 Series A-B and 1991 Series A	**6,108**	8,342	**1,105**	1,132	**80,197**	96,626	**15,014**	13,952
1990 Series C and 1991 Series B	**3,122**	4,042	**18**	126	**8,617**	51,669	**443**	3,048
1991 Series D, 1992 Series A, 1994 Series A-B, 1995 Series A-C, 1996 Series A-D, 1997 Series A-D, 1998 Series A-B	**43,718**	7,900	**7,767**	(31,087)	**601,024**	648,836	**(2,572)**	(9,760)
1999 Series A-C, 2000 Series A-C	**3,762**	1,048	**(6,089)**	(1,149)	**250,140**	134,526	**(1,692)**	1,436
Step Up	**—**	—	**—**	—	**138**	—	**138**	—
Multifamily Program Funds:								
1987 Series A&B	**197**	171	**—**	—	**4,765**	4,950	**—**	—
1988 Series A-C	**—**	92	**—**	3	**—**	—	**—**	—
1989 Series A-F	**611**	422	**26**	(274)	**9,379**	9,695	**125**	99
1991 Series A-D	**265**	220	**7**	5	**5,726**	6,021	**39**	32
1992 Series A-I	**1,572**	1,546	**102**	62	**23,871**	24,202	**1,231**	1,159
1994 Series A-F	**3,579**	3,635	**15**	22	**47,972**	48,732	**335**	584
1995 Series A-M	**1,883**	1,254	**116**	(460)	**31,452**	31,516	**(32)**	(148)
1996 Series A-F	**2,124**	1,700	**18**	(154)	**47,849**	53,842	**82**	64
1997 Series A-B	**454**	97	**128**	(341)	**4,655**	9,708	**(262)**	(390)
1999 Series A&B	**490**	(606)	**123**	(830)	**6,430**	6,398	**(685)**	(808)
2000 Series A-D	**178**	—	**—**	—	**13,598**	—	**(90)**	—
	$ 100,082	$ 55,637	**$ 12,375**	$ (24,017)	**$ 1,359,997**	$1,329,164	**$ 115,113**	$ 103,122

12. Subsequent Events

From October 1, 2000 through December 1, 2000, the Authority called approximately $24,731,000 of bonds prior to their scheduled maturities as shown in Note 5.

OTHER FINANCIAL INFORMATION

Additional Segment Data *(in thousands)*

SINGLE-FAMILY BOND SERIES

September 30, 2000 **BALANCE SHEET**	**1982 B**	**1984 A**	**1985 A&B, 1986A**	**1989 A-C** **1990 A&B, 1991 A**
Assets				
Cash on Deposit	$ 28	$ —	$ —	$ —
Accrued Interest Receivable	37	160	—	711
Program Investments	—	—	—	70,811
Other Investments	566	9,407	—	8,094
Mortgage Loans Receivable, Net	2,961	5,765	—	—
Mortgage Loans Held for Sale	—	—	—	—
HOME Program Mortgage Loans Receivable, Net	—	—	—	—
Deferred Debt Financing Cost	—	2	—	581
Other Assets	25	31	—	—
Total Assets	$ 3,617	$ 15,365	$ —	$ 80,197
Liabilities and Fund Balances				
Liabilities:				
Bonds Payable, Net	$ 1,532	$ 1,051	$ —	$ 61,775
Notes Payable	—	—	—	—
Refundable HOME Program Grants	—	—	—	—
Accrued Interest Payable	55	—	—	2,291
Deferred Commitment Fees	—	—	—	—
Other Liabilities	18	47	—	—
Program Funds Held for Others	—	—	—	1,117
Due to (from) Other Funds	5	—	—	—
Total Liabilities	1,610	1,098	—	65,183
Fund Balances (Deficits)	2,007	14,267	—	15,014
Total Liabilities & Fund Balances	$ 3,617	$ 15,365	$ —	$ 80,197
INCOME STATEMENT				
Revenues				
Interest on Mortgage Loans	$ 372	$ 745	$ —	$ —
Interest on Investments	34	963	—	6,108
Unrealized Gains (Losses)	(3)	—	—	—
Loan Fees and Other Income	—	—	—	—
HOME Program Grants	—	—	—	—
Total Revenues	403	1,708	—	6,108
Expenses				
Interest on Bonds and Notes	208	182	—	4,838
HOME Program Expenditures	—	—	—	—
Program, General & Administrative	22	3	—	22
Total Expenses	230	185	—	4,860
Revenues Over Expenses Before Extraordinary Loss	173	1,523	—	1,248
Extraordinary Loss on Early Retirement of Bonds	(2)	(5)	(4)	(143)
Revenues Over (Under) Expenses	171	1,518	(4)	1,105
Fund Balances (Deficits)				
Beginning of the Year	1,856	12,749	19,300	13,952
Fund Transfers In (Out)	(20)	—	(19,296)	(43)
End of the Year	$ 2,007	$ 14,267	$ —	$ 15,014

SINGLE-FAMILY BOND SERIES

1990 C, 1991 B	1991 D/1992A, 1994 A&B, 1995 A-C, 1996 A-D 1997 A-D, 1998 A&B	1999 A-C, 2000 A-C	Step Up	Combined SF/GNMA
$ —	$ 22	$ —	$ —	$ 50
69	4,704	3,397	—	9,078
7,485	541,995	150,540	—	770,831
991	48,155	93,011	22	160,246
—	—	—	—	8,726
—	—	—	—	—
—	—	—	—	—
72	6,148	3,192	116	10,111
—	—	—	—	56
$ 8,617	$ 601,024	$ 250,140	$ 138	$ 959,098
$ 7,770	$ 585,590	$ 245,135	$ —	$ 902,853
—	—	—	—	—
—	—	—	—	—
284	17,113	6,352	—	26,095
—	—	—	—	—
1	36	19	—	121
68	573	247	—	2,005
51	284	79	—	419
8,174	603,596	251,832	—	931,493
443	(2,572)	(1,692)	138	27,605
$ 8,617	$ 601,024	$ 250,140	$ 138	$ 959,098
$ —	$ —	$ —	$ —	$ 1,117
3,122	38,355	10,481	—	59,063
—	5,363	(6,719)	—	(1,359)
—	—	—	—	—
—	—	—	—	—
3,122	43,718	3,762	—	58,821
3,014	35,289	9,553	—	53,084
—	—	—	—	—
13	182	42	—	284
3,027	35,471	9,595	—	53,368
95	8,247	(5,833)	—	5,453
(77)	(480)	(256)	—	(967)
18	7,767	(6,089)	—	4,486
3,048	(9,760)	1,436	—	42,581
(2,623)	(579)	2,961	138	(19,462)
$ 443	$ (2,572)	$ (1,692)	$ 138	$ 27,605

Additional Segment Data *(in thousands)*

	MULTIFAMILY BOND SERIES					
September 30, 2000 **BALANCE SHEET**	**1987** **A-B**	**1989** **A-F**	**1991** **A-D**	**1992** **A-I**	**1994** **A-F**	**1995** **A-M**
Assets						
Cash on Deposit	$ —	$ —	$ —	$ 3	$ 112	$ —
Accrued Interest Receivable	—	51	22	1	—	157
Program Investments	—	4,451	—	—	—	6,978
Other Investments	—	401	230	1,318	545	203
Mortgage Loans Receivable, Net	4,765	4,476	5,474	22,549	47,315	24,114
Mortgage Loans Held for Sale	—	—	—	—	—	—
HOME Program Mortgage Loans Receivable, Net	—	—	—	—	—	—
Deferred Debt Financing Cost	—	—	—	—	—	—
Other Assets	—	—	—	—	—	—
Total Assets	$ 4,765	$ 9,379	$ 5,726	$ 23,871	$ 47,972	$ 31,452
Liabilities and Fund Balances						
Liabilities:						
Bonds Payable, Net	$ 4,765	$ 9,090	$ 5,665	$ 22,448	$ 47,345	$ 31,308
Notes Payable	—	—	—	—	—	—
Refundable HOME Program Grants	—	—	—	—	—	—
Accrued Interest Payable	—	164	22	192	292	174
Deferred Commitment Fees	—	—	—	—	—	—
Other Liabilities	—	—	—	—	—	2
Program Funds Held for Others	—	—	—	—	—	—
Due to (from) Other Funds	—	—	—	—	—	—
Total Liabilities	4,765	9,254	5,687	22,640	47,637	31,484
Fund Balances	—	125	39	1,231	335	(32)
Total Liabilities & Fund Balances	$ 4,765	$ 9,379	$ 5,726	$ 23,871	$ 47,972	$ 31,452
INCOME STATEMENT						
Revenues						
Interest on Mortgage Loans	$ 197	$ 244	$ 258	$ 1,505	$ 3,564	$ 1,262
Interest on Investments	—	353	7	67	15	511
Unrealized Gains (Losses)	—	13	—	—	—	110
Loan Fees and Other Income	—	1	—	—	—	—
HOME Program Grants	—	—	—	—	—	—
Total Revenues	197	611	265	1,572	3,579	1,883
Expenses						
Interest on Bonds and Notes	197	584	258	1,467	3,564	1,745
HOME Program Expenditures	—	—	—	—	—	—
Program, General & Administrative	—	1	—	3	—	22
Total Expenses	197	585	258	1,470	3,564	1,767
Revenues Over Expenses Before Extraordinary Loss	—	26	7	102	15	116
Extraordinary Loss on Early Retirement of Bonds	—	—	—	—	—	—
Revenues Over Expenses	—	26	7	102	15	116
Fund Balances (Deficits)						
Beginning of the Year	—	99	32	1,159	584	(148)
Fund Transfers In (Out)	—	—	—	—	—	—
Owner Contributions/Reductions	—	—	—	(30)	(264)	—
End of the Year	$ —	$ 125	$ 39	$ 1,231	$ 335	$ (32)

MULTIFAMILY BOND SERIES

1996 A-F	1997 A-B	1999 A-B	2000 A-D	Combined MF	Combined SF/GNMA	HOME Fund	General Fund	Combined Totals
$ —	$ —	$ —	$ —	$ 115	$ 50	$ —	$ 70	$ 235
14	23	31	—	299	9,078	1,095	853	11,325
2,483	4,473	6,300	—	24,685	770,831	—	—	795,516
277	159	99	2,524	5,756	160,246	—	54,451	220,453
45,075	—	—	11,074	164,842	8,726	—	44,105	217,673
—	—	—	—	—	—	—	21,207	21,207
—	—	—	—	—	—	82,327	—	82,327
—	—	—	—	—	10,111	—	—	10,111
—	—	—	—	—	56	484	610	1,150
$ 47,849	$ 4,655	$ 6,430	$ 13,598	$ 195,697	$ 959,098	$ 83,906	$ 121,296	$ 1,359,997
$ 47,705	$ 4,875	$ 7,085	$ 13,675	$ 193,961	$ 902,853	$ —	$ —	$ 1,096,814
—	—	—	—	—	—	—	22,925	22,925
—	—	—	—	—	—	82,327	—	82,327
62	42	30	13	991	26,095	1,095	—	28,181
—	—	—	—	—	—	—	12,338	12,338
—	—	—	—	2	121	—	171	294
—	—	—	—	—	2,005	—	—	2,005
—	—	—	—	—	419	484	(903)	—
47,767	4,917	7,115	13,688	194,954	931,493	83,906	34,531	1,244,884
82	(262)	(685)	(90)	743	27,605	—	86,765	115,113
$ 47,849	$ 4,655	$ 6,430	$ 13,598	$ 195,697	$ 959,098	$ 83,906	$ 121,296	$ 1,359,997
$ 1,916	$ 68	$ —	$ 178	$ 9,192	$ 1,117	$ —	$ 5,846	$ 16,155
187	283	389	—	1,812	59,063	—	3,448	64,323
21	103	101	—	348	(1,359)	—	(546)	(1,557)
—	—	—	—	1	—	—	2,073	2,074
—	—	—	—	—	—	19,087	—	19,087
2,124	454	490	178	11,353	58,821	19,087	10,821	100,082
2,088	326	367	178	10,774	53,084	—	792	64,650
—	—	—	—	—	—	19,087	—	19,087
18	—	—	—	44	284	—	2,675	3,003
2,106	326	367	178	10,818	53,368	19,087	3,467	86,740
18	128	123	—	535	5,453	—	7,354	13,342
—	—	—	—	—	(967)	—	—	(967)
18	128	123	—	535	4,486	—	7,354	12,375
64	(390)	(808)	—	592	42,581	—	59,949	103,122
—	—	—	—	—	(19,462)	—	19,462	—
—	—	—	(90)	(384)	—	—	—	(384)
$ 82	$ (262)	$ (685)	$ (90)	$ 743	$ 27,605	$ —	$ 86,765	$ 115,113

NOTES:

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