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ALABAMA HOUSING FINANCE AUTHORITY

2004 Financial Statements and Information

ALABAMA HOUSING FINANCE AUTHORITY

COMPARATIVE FINANCIAL STATEMENTS

SEPTEMBER 30, 2004 AND 2003

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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 during the fiscal year ended September 30, 2004. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*. This analysis should be read in conjunction with the 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.

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 Statements of Net Assets include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The assets and liabilities are presented in order of liquidity.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Assets. This statement measures the activities of the Authority's operations over the past year and 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, non capital financing, capital and related financing and investing 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, 2004 and 2003, and changes in the balances of selected items during the fiscal year ended September 30, 2004 (in thousands):

CONDENSED STATEMENTS OF NET ASSETS

	2004	2003	Change
ASSETS			
CURRENT ASSETS			
Cash and restricted cash	$ 1,795	$ 2,142	$ (347)
Accrued interest receivable and restricted accrued interest	8,240	8,446	(206)
Mortgages and restricted mortgages	4,979	13,271	(8,292)
Investments and restricted investments	139,948	230,136	(90,188)
Other assets and restricted other assets	1,398	1,811	(413)
Total current assets	156,360	255,806	(99,446)
NONCURRENT ASSETS			
Mortgages, restricted mortgages and restricted mortgage-backed securities	888,137	950,875	(62,738)
Restricted HOME program mortgages	134,174	120,034	14,140
Investments and restricted investments	100,936	93,238	7,698
Restricted deferred debt financing costs	5,657	7,785	(2,128)
Total noncurrent assets	1,128,904	1,171,932	(43,028)
TOTAL ASSETS	$ 1,285,264	$ 1,427,738	$ (142,474)
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Bonds and notes payable	$ 101,429	$ 168,923	$ (67,494)
Accrued interest payable	17,825	21,917	(4,092)
Other liabilities	1,526	1,484	42
Total current liabilities	120,780	192,324	(71,544)
NONCURRENT LIABILITIES			
Bonds and notes payable	791,993	877,565	(85,572)
Refundable HOME program grants	134,174	120,903	13,271
Other liabilities	27,008	34,207	(7,199)
Total noncurrent liabilities	953,175	1,032,675	(79,500)
TOTAL LIABILITIES	1,073,955	1,224,999	(151,044)
NET ASSETS			
Invested in capital assets, net of related debt	273	376	(103)
Restricted	172,451	162,809	9,642
Unrestricted	38,585	39,554	(969)
Total net assets	211,309	202,739	8,570
TOTAL LIABILITIES AND NET ASSETS	$ 1,285,264	$ 1,427,738	$ (142,474)

Condensed Statements of Net Assets (Continued)

Current assets decreased $99,446,000 from September 30, 2003, to September 30, 2004, primarily due to a decrease in investments in the single-family bond issues, notably the redemption of several variable rate bond issues and a decrease in the volume of loan repayments received during the last half of 2004. Most of the restricted investment balance is available for bond redemptions and regular debt service payments scheduled for October 1, 2004. See Note 12, "Subsequent Events," for additional information. Also, mortgage loans held for sale decreased $8,300,000 in the Authority's general fund.

Restricted and unrestricted mortgage loans and restricted mortgage-backed securities decreased by $62,738,000 reflecting normal mortgage loan repayments and prepayments during 2004. In 2004, the Authority purchased new loans of approximately $101,400,000; this was exceeded by loan repayments and prepayments of approximately $163,600,000.

Restricted HOME program loans increased $14,140,000 due to an increase in lending under this program.

Restricted and unrestricted investments increased $7,698,000 primarily due to a net increase in excess repayments received in the Authority's single-family taxable bond issues. This increase was offset by a decrease in investments in the housing assistance and general funds.

Restricted deferred debt financing costs decreased $2,128,000 reflecting the continuing advance prepayment of single-family bonds from loan prepayments during 2004.

Bonds and notes payable, current and noncurrent, decreased $153,066,000 due to the early redemption of bonds and scheduled debt service payments exceeding the amount of new bonds and notes issued. Refundable HOME program grants increased $13,271,000 due to increased lending activity in that program. The following chart summarizes the Authority's debt activity from September 30, 2003 to September 30, 2004 (in thousands):

	Debt Balance 9/30/2003	Debt Issued	Debt Paid	Debt Balance 9/30/2004
Bonds payable	$ 1,042,588	$ 103,094	$ 254,260	$ 891,422
Notes payable	3,900	3,350	5,250	2,000
Refundable HOME grants	120,903	13,278	7	134,174
	$ 1,167,391	$ 119,722	$ 259,517	$ 1,027,596

Other liabilities, current and noncurrent, decreased $7,157,000 because of a decrease in accrued arbitrage rebates payable related to the net decrease in fair value of mortgage-backed securities. See Note 3, "Mortgage-Backed Securities," for further information. The Authority's general fund also had a decrease in other liabilities due to continued recognition of deferred commitment fees related to the rapid repayments and prepayments of the related mortgage-backed securities.

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, 2004 and 2003, and the change from the prior year (in thousands):

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2004	2003	Change
OPERATING REVENUES			
Interest on mortgage loans and mortgage-backed securities	$ 48,408	$ 57,044	$ (8,636)
Investment income	7,037	6,433	604
Loan fees and other income	3,063	7,925	(4,862)
Total operating revenues	58,508	71,402	(12,894)
OPERATING EXPENSES			
Interest on bonds and notes	43,665	53,571	(9,906)
Amortization of deferred debt financing costs	2,260	2,226	34
Program, general and administrative	4,145	3,046	1,099
Total operating expenses	50,070	58,843	(8,773)
OPERATING INCOME	8,438	12,559	(4,121)
CAPITAL CONTRIBUTIONS AND EXTRAORDINARY LOSS			
Owner contributions (reductions)	291	(19)	310
Extraordinary loss on early retirement of bonds	(159)	(512)	353
Total capital contributions and extraordinary loss	132	(531)	663
CHANGE IN NET ASSETS	8,570	12,028	(3,458)
NET ASSETS AT BEGINNING OF YEAR	202,739	190,711	12,028
NET ASSETS AT END OF YEAR	$ 211,309	$ 202,739	$ 8,570

Interest on mortgage loans and mortgage-backed securities decreased $8,636,000 due to the decrease in mortgage loan and mortgage-backed securities balances during 2004, reflecting the repayments and prepayments discussed in the balance sheet section. Mortgage loans and mortgage-backed securities earning higher rates from older bond issues are prepaying faster than normal and new mortgage-backed securities originated during the fiscal year have lower interest rates; plus, loan originations declined in 2004.

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

Investment income increased $604,000 due to a smaller decrease in the fair value of mortgage-backed securities and investments in comparison to 2003's change in fair value. Investment income from money market funds has increased due to higher interest rates received on variable rate investments in 2004.

Loan fees and other income decreased $4,862,000 because 2003's total reflected large recoveries in loan loss reserves in the housing assistance fund and an increase of commitment fee income recognized in the general fund reflecting rapid repayments and prepayments of mortgage-backed securities during prior years. Without these adjustments, loan fees and other income would show a decrease of approximately $1,500,000, since commitment fee income recognition declines in the same proportion to mortgage-backed securities repayments and prepayments.

Interest expense declined $9,906,000 reflecting redemptions of older, higher interest rate bond issues, the continuing low-interest rate environment, management of the Authority's interest costs through issuance of lower fixed interest rate bonds through the Step Up programs, and aggressive bond redemptions from mortgage-backed securities repayments and prepayments received during fiscal year 2004.

Program, general and administrative expenses increased $1,099,000 primarily due to pension plan contributions, actuarial valuations and reclassification of expenses that were recognized in the prior audit period in the general fund when comparing the current fiscal period to the prior fiscal period. The housing assistance fund registered an increase due to the amortization of remaining interest buydown funds relating to single-family bond issues.

Independent Auditors' Report

Board of Directors
Alabama Housing Finance Authority
Montgomery, Alabama

We have audited the accompanying basic financial statements of the Alabama Housing Finance Authority, a component unit of the State of Alabama, as of and for the years ended September 30, 2004 and 2003. These basic financial statements are the responsibility of the Alabama Housing Finance Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying additional segment data is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the 2004 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2004 basic financial statements taken as a whole.

Wilson, Price, Barranco, Blankenship & Billingsley, P.C.

December 6, 2004

ALABAMA HOUSING FINANCE AUTHORITY

STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2004 AND 2003

	2004	2003
	(In thousands)	
ASSETS		
CURRENT ASSETS		
Cash on deposit	$ 1,790	$ 1,271
Accrued interest receivable	298	338
Mortgage loans receivable, net	615	475
Investments	1,218	1,096
Other assets	1,038	1,459
Restricted:		
Cash on deposit	5	871
Accrued interest receivable	7,942	8,108
Mortgage loans receivable, net	2,657	2,771
Mortgage loans held for sale	1,707	10,025
Investments	138,730	229,040
Other assets	360	352
Total current assets	156,360	255,806
NONCURRENT ASSETS		
Mortgage loans receivable, net	15,538	14,181
Investments	18,088	20,734
Restricted:		
Mortgage-backed securities	615,393	702,975
Mortgage loans receivable, net	257,206	233,719
Investments	82,848	72,504
HOME program loans receivable, net	134,174	120,034
Deferred debt financing costs	5,657	7,785
Total noncurrent assets	1,128,904	1,171,932
TOTAL ASSETS	$ 1,285,264	$ 1,427,738

	2004	2003
	(In thousands)	
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bonds payable, net of unamortized discounts	$ 99,429	$ 165,023
Notes payable	2,000	3,900
Accrued interest payable	17,825	21,917
Accrued arbitrage rebate	461	484
Other liabilities	1,065	1,000
Total current liabilities	120,780	192,324
NONCURRENT LIABILITIES		
Bonds payable, net of unamortized discounts	791,993	877,565
Refundable HOME program grants	134,174	120,903
Accrued arbitrage rebate	18,719	25,020
Deferred commitment fees	8,289	9,187
Total noncurrent liabilities	953,175	1,032,675
TOTAL LIABILITIES	1,073,955	1,224,999
NET ASSETS		
Invested in capital assets, net of related debt	273	376
Restricted	172,451	162,809
Unrestricted	38,585	39,554
Total net assets	211,309	202,739
TOTAL LIABILITIES AND NET ASSETS	$ 1,285,264	$ 1,427,738

See independent auditors' report and notes to financial statements.

ALABAMA HOUSING FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003

	2004	2003
	(In thousands)	
OPERATING REVENUES		
Interest on mortgage loans	$ 10,377	$ 9,436
Interest on mortgage-backed securities	38,031	47,608
Investment income	9,072	9,944
Net decrease in fair value of investments	(2,035)	(3,511)
Loan fees and other income	3,063	7,925
Total operating revenues	58,508	71,402
OPERATING EXPENSES		
Interest on bonds and notes	43,665	53,571
Amortization of deferred debt financing costs	2,260	2,226
Program, general and administrative	4,145	3,046
Total operating expenses	50,070	58,843
OPERATING INCOME	8,438	12,559
NONOPERATING REVENUE (EXPENSE)		
HOME program grants	15,032	11,378
HOME program expenditures	(15,032)	(11,378)
Total nonoperating revenue (expense)	-	-
INCOME BEFORE CAPITAL CONTRIBUTIONS AND EXTRAORDINARY LOSS	8,438	12,559
CAPITAL CONTRIBUTIONS AND EXTRAORDINARY LOSS		
Owner contributions (reductions)	291	(19)
Extraordinary loss on early retirement of bonds	(159)	(512)
CHANGE IN NET ASSETS	8,570	12,028
NET ASSETS		
Beginning of the year	202,739	190,711
End of the year	$ 211,309	$ 202,739

See independent auditors' report and notes to financial statements.

ALABAMA HOUSING FINANCE AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003

	2004	2003
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of mortgage-backed securities	$ (50,112)	$ (49,386)
Proceeds from sales/maturities of mortgage-backed securities	137,465	230,065
Purchase of mortgage loans	(51,307)	(38,010)
Principal payments received on mortgage loans	26,355	30,516
Purchase of mortgage loans held for sale	(30,336)	(45,152)
Proceeds from mortgage loans held for sale	38,624	49,949
Interest received from mortgage loans	10,293	9,298
Interest received from mortgage-backed securities	39,054	49,472
Payments for arbitrage	(798)	(127)
Cash paid to suppliers for goods and services	(1,883)	(1,523)
Cash payments to employees for services	(1,674)	(1,533)
Loan fees, commitment fees and other income received	2,210	1,561
Net cash provided by operating activities	117,891	235,130
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
Proceeds from bonds issued	103,094	75,268
Net borrowings under line of credit	3,350	15,550
Principal payments on bonds	(254,260)	(193,982)
Payments of debt financing costs	(133)	(236)
Principal payments on note	(5,250)	(24,500)
Proceeds from HOME grants, net	13,271	11,400
Contributions/distributions to owners, net	291	(19)
Interest paid on bonds and note	(48,547)	(58,039)
Net cash used in non capital financing activities	(188,184)	(174,558)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of furniture and equipment	(45)	(405)

See independent auditors' report and notes to financial statements.

ALABAMA HOUSING FINANCE AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003

	2004	2003
	(In thousands)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	$ (798,341)	$ (978,937)
Proceeds from sales of investments	873,609	922,830
Interest received from investments	8,863	8,368
HOME program mortgage loans funded	(14,140)	(10,531)
Net cash provided (used) by investing activities	69,991	(58,270)
NET INCREASE (DECREASE) IN CASH ON DEPOSIT	(347)	1,897
CASH ON DEPOSIT AT BEGINNING OF YEAR	2,142	245
CASH ON DEPOSIT AT END OF YEAR	$ 1,795	$ 2,142
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 8,438	$ 12,559
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	148	143
Accretion of premiums and discounts on investments, net	-	6
Amortization of deferred debt financing costs	2,261	2,226
Amortization of deferred commitment fees	(2,000)	(3,405)
Gross unrealized loss on investments	7,452	4,776
Provision (recovery) for loan losses, net	121	(2,608)
Extraordinary loss on early retirement of bonds	(159)	(512)
Commitment fees received	1,102	937
Interest received from investments	(8,863)	(8,368)
Interest paid on bonds and notes	48,546	58,039
Changes in operating assets and liabilities:		
Accrued interest receivable	207	597
Mortgage loans receivable	(24,991)	(7,518)
Mortgage loans held for sale	8,318	4,858
Mortgage-backed securities	87,353	180,679
Other assets	310	(621)
Accrued interest payable	(4,091)	(3,386)
Accrued arbitrage rebate	(6,324)	(2,412)
Other liabilities	63	(860)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 117,891	$ 235,130

See independent auditors' report and notes to financial statements.

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 multifamily mortgage revenue bond programs (Program Funds), the HOME Program, the Housing Assistance Program and a General Fund. Each Program Fund accounts for the proceeds from the bonds issued, the debt service requirements of the bonds and the related program investments, as required by the various bond resolutions established under the various trust indentures of each program.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in the Preparation of Financial Statements

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

Cash and Cash Equivalents

Cash and cash equivalents represents funds on deposit with various financial institutions and uninvested funds held by the Trustees of the Authority's various mortgage revenue bond programs. At September 30, 2004, all cash on deposit was held by the Authority's trustees in the name of the Authority. All cash on deposit at September 30, 2004 was covered by federal depository insurance, collateralized by the various financial institutions or the Security for Alabama Funds Enhancement Act.

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.

Investments consist of unexpended bond proceeds, temporary and debt service reserve funds established under the provisions of various trust indentures and investments of the Authority's general 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 guaranteed investment contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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

Mortgage-Backed Securities

Mortgage-backed securities 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.

In accordance with GASB Statement No. 31, investment securities other than non-participating guaranteed investment contracts (see above) are recorded at fair value and unrealized gains or losses are reported in the statements of revenues, expenses and changes in net assets. The Authority records a portion of net unrealized gains on investment securities as a liability to the extent that such gains would be rebateable to the United States government under Section 103A of the Internal Revenue Code, as amended (the Code), for tax-exempt bond issues sold after 1981. Such rebateable earnings, which totaled $5,875,000 in 2004 and $3,057,000 in 2003, 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 accrued arbitrage rebate.

Commitment Fees

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans Held for Sale

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

HOME Program Loans Receivable

HOME Program loans include loans originated under the HOME Program. This program is designed to assist very low income tenants, and, as such, some mortgages originated under the program are structured in such a way that repayment will only occur in limited circumstances. The Authority originated three loans that are forgivable for both principal and interest. These loans are not recorded as assets or liabilities of the Authority and totaled $2,950,000 at September 30, 2004 and 2003.

Deferred Debt Financing Costs

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

3. MORTGAGE-BACKED SECURITIES

Mortgage-backed securities held by the Authority include securitized mortgage obligations, backed by pools of single-family and multifamily mortgage loans originated under the Authority's program guidelines. These securities are "fully modified pass through" mortgage-backed securities which require monthly payments by an FHA-approved lender, as the issuer of the guaranteed security, and are either insured or registered in the Authority's name. GNMA and FNMA guarantee timely payment of principal and interest on guaranteed securities. At September 30, 2004, mortgage-backed securities consisted of program certificates with interest rates ranging from 4.00% to 8.625%. The cost of program investments at September 30, 2004 and 2003 was $590,284,000 and $671,178,000, respectively. As a result of changes in the fair value of mortgage-backed securities, the Authority recorded unrealized losses of ($815,000) and ($2,169,000) for the years ended September 30, 2004 and 2003, respectively. It is the intention of the Authority to hold these securities until the underlying loan is paid in full.

4. INVESTMENTS

Investments include unexpended bond proceeds, temporary and debt service reserve funds established under the provisions of various trust indentures and investments of the Authority's general fund.

Guaranteed investment contracts generally carry fixed rates of return for varying periods of time specified in the Trust Indentures. Approximately .9% and 1.04% of the carrying amount of these investments at September 30, 2004 and 2003, respectively, are collateralized by the depository institutions with U.S. Government and agency securities, as required by the respective contracts, 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 contracts 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 guaranteed investment contracts approximates 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, 2004 and 2003 was $65,224,616 and $82,476,557, respectively.

The Authority recorded realized losses of ($461,000) and ($1,790,000) for the years ended September 30, 2004 and 2003, respectively. Unrealized losses totaled ($1,574,000) and ($1,721,000) for the years ended September 30, 2004 and 2003, respectively.

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

4. INVESTMENTS (Continued)

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

	2004	2003
Non-participating guaranteed investment contracts (at cost):		
Collateralized investment contracts:		
Morgan Guaranty Trust Company, 6.10% (single-family series 1997-D)	$ 29	$ 843
Uncollateralized investment contracts (at cost):		
AIG Matched Funding Corp., 5.235% to 6.53% (single-family series 1994-A, 1996-B, 1996-D, 1997-A, 1997-C, 1998-A, 1999-B, 1999-C, 2001-A)	4,237	7,409
Bayerishe Landesbank, 4.75% to 6.15%, variable (single-family series 1995-B, 1998-B, 2001-B, 2002-B, multifamily series 1989-C, 1992-B)	1,462	22,089
Compass Bank, variable (multifamily series 2003-A)	1	3,676
Financial Guaranty Insurance Corp., 4.00% to 6.50% (single-family series 1994-B, 1995-A, multifamily series 2000-K, 2001-A)	579	1,749
Trinity, 6.51%, variable (single-family series 1996-C, 2002-A, 2002-C)	20,605	39,647
Union Planters, variable (multifamily series 2004-A)	2,443	-
Westdeutsche Landesbank, 4.00% to 6.52% (single-family series 1997-B, 2000-A, 2000-B, multifamily series 1996-D&E)	1,485	5,449
Total non-participating guaranteed investment contracts	30,841	80,862
U.S. Government securities (at fair value)	65,658	83,671
Money market funds and repurchase agreements (at fair value)	144,385	158,841
	$ 240,884	$ 323,374

4. INVESTMENTS (Continued)

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

	2004	2003
Current assets – Investments	$ 1,218	$ 1,096
Current assets – Restricted Investments	138,730	229,040
Noncurrent assets – Investments	18,088	20,734
Noncurrent assets – Restricted Investments	82,848	72,504
	$ 240,884	$ 323,374

5. 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):

	2004	2003
Single-family mortgage loans (7.92% to 13.85%):		
Conventional	$ 14,047	$ 16,894
FHA insured	2,467	3,037
VA insured	2,745	3,298
Step up down payment assistance loans (5.02% to 8.40%)	3,953	3,245
Down payment assistance/habitat loans (0%)	12,775	11,942
	35,987	38,416
Less allowance for loan losses	(684)	(756)
Total single-family mortgages loans	35,303	37,660
Multifamily mortgage loans (1.03% to 8.07%)	240,713	213,486
	$ 276,016	$ 251,146

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. Also, all single-family mortgage loans are insured under supplemental mortgage pool insurance contracts. As of September 30, 2004, 87.5% of the remaining single-family mortgage loans are insured and 76% have supplemental pool insurance.

5. MORTGAGE LOANS RECEIVABLE (Continued)

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

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

	2004	2003
Current assets – Mortgage loans receivable, net	$ 615	$ 475
Current assets – Restricted Mortgage loans receivable, net	2,657	2,771
Noncurrent assets – Mortgage loans receivable, net	15,538	14,181
Noncurrent assets – Restricted Mortgage loans receivable, net	257,206	233,719
	$ 276,016	$ 251,146

6. BONDS PAYABLE

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

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

The Authority's 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.

6. BONDS PAYABLE (Continued)

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

	Aggregate Principal Outstanding		Original Maturity
	2004	**2003**	**Value**
Single-family bond programs:			
1992 Series A converted, 1994 Series A-B, 1995 Series A-B, 1996 Series B-D, 1997 Series A-D, 1998 Series A-B (3.70% to 6.90%) due 1994 to 2029	$ 235,120	$ 346,620	$ 789,250
1999 Series B-C, 2000 Series A-B, 2001 Series A-B, 2002 Series A-C (2.50% to 6.25%, variable), due 2001 to 2032	240,605	337,745	459,105
2000/2003 Step-Up Program (4.42% to 7.80%), due 2001 to 2036	90,491	64,615	110,761
2001 Series C (4.02%), due 2001 to 2006	11,110	17,110	29,110
2002 Series D, 2004 Series A-B (2.57% to 3.42%), due 2002 to 2009	30,910	20,920	42,250
2003 First Step Program (4.82% to 5.09%), due 2036	786	-	793
Multifamily bond programs:			
1989 Series A-F (6.00% to 7.50%, variable), due 1989 to 2024	2,420	2,545	17,640
1991 Series A-D (5.00% to 7.00%, variable), due 1992 to 2009	2,710	2,865	8,525
1992 Series A-I (5.90% to 7.63%, variable), due 1993 to 2023	1,690	5,083	36,890
1994 Series A-F (7.10% to 7.65%), due 1994 to 2024	33,484	33,484	51,320
1995 Series A-M (5.65% to 8.65%, variable), due 1996 to 2030	23,848	27,433	32,090
1996 Series A-F (6.20% to 8.10%, variable), due 2000 to 2038	47,650	47,670	53,755
1997 Series A-B (4.00% to 5.55%, variable), due 1999 to 2016	4,060	4,275	10,350
1999 Series A-B (4.80% to 5.70%, variable), due 2000 to 2029	6,660	6,775	7,200
2000 Series A-K (4.25% to 5.95%, variable), due 2003 to 2033	41,315	41,685	45,325
2001 Series A-D (4.875% to 6.83%), due 2013 to 2034	15,981	16,024	16,027
2002 Series A-J (4.65% to 5.55%, variable), due 2012 to 2035	25,010	31,245	31,525
2003 Series A-N (4.255% to 7.25%, variable), due 2006 to 2039	47,907	36,494	55,856
2004 Series A-H (5.20% to 5.79%, variable) due 2034 to 2045	29,665	-	29,672
	891,422	1,042,588	
Less current maturities	(99,429)	(165,023)	
Noncurrent maturities	$ 791,993	$ 877,565	

6. BONDS PAYABLE (Continued)

Principal and interest payments on bonds after 2004 are scheduled as follows (in thousands):

Fiscal year ending	Single-family Bonds		Multifamily Bonds		Total	
September 30	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 97,895	$ 17,800	$ 1,534	$ 9,213	$ 99,429	$ 27,013
2006	21,275	27,900	2,241	9,836	23,516	37,736
2007	16,570	27,165	1,921	9,736	18,491	36,901
2008	12,535	26,566	8,210	9,647	20,745	36,213
2009	12,225	25,999	3,866	9,189	16,091	35,188
2010-2014	56,215	121,464	20,079	42,561	76,294	164,025
2015-2019	71,205	104,364	11,140	39,007	82,345	143,371
2020-2024	95,485	80,863	52,990	34,334	148,475	115,197
2025-2029	100,550	50,725	63,557	18,444	164,107	69,169
2030-2034	34,705	29,454	54,299	10,277	89,004	39,731
2035-2039	90,362	1,898	61,393	2,115	151,755	4,013
2040-2044	-	-	950	198	950	198
2045-2049	-	-	220	6	220	6
	$ 609,022	$ 514,198	$ 282,400	$ 194,563	$ 891,422	$ 708,761

7. 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 $2,000,000 and $3,900,000 as of September 30, 2004 and 2003, respectively. Borrowings under the credit facility are secured by a pledge of approximately $20,857,000 in mortgage loans receivable and mortgage loans held for sale at September 30, 2004.

8. NET ASSETS

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

8. NET ASSETS (Continued)

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

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

The Authority's Board of Directors has designated its unrestricted net assets as of September 30, 2004 and 2003 totaling $38,585,000 and $39,554,000, respectively, for funding of future single-family mortgage revenue bond programs, to support its single-family mortgage loan origination and warehousing operations, and to cover its operating expense budget for the following fiscal year.

9. RETIREMENT PLANS

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 $125,890 and $89,922, respectively, in fiscal 2004 and $111,362 and $79,542, respectively, in fiscal 2003.

The Authority established the Alabama Housing Finance Authority Employees' Pension Plan ("Plan"), a single-employer defined benefit pension plan, on September 26, 2002. All plan investments are reported at fair value. 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. A separate stand-alone financial report for the pension plan is not available.

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).

9. RETIREMENT PLANS (Continued)

The required contributions to fund the annual pension cost of the Plan for the years ended September 30, 2004 and 2003 was $372,218 and $303,786, respectively, or about 21.8% and 19.9% of covered participant compensation, respectively. Actual employer contributions to the plan totaled $498,758 and $1,611,635 for the years ended September 30, 2004 and 2003, respectively. The net pension (asset) obligation at September 30, 2004 and 2003 was ($381,604) and ($320,914).

The annual required contribution for the current year was determined as part of the September 30, 2004 actuarial valuation using the individual spread gain actuarial cost method. This method does not separately identify or separately amortize unfunded liabilities. The significant actuarial assumptions utilized were as follows: 4.5% annual projected salary increases, 7% pre-retirement investment returns and 6% post-retirement investment returns.

At the plan's most recent actuarial date, September 30, 2004, the plan had the following participants:

Active participants	34
Vested terminated participants	2
Retired participants and beneficiaries	0
Total	36

10. OPERATING LEASE

The Authority leases office space under an operating lease expiring in 2008. Rent expense for the years ended September 30, 2004 and 2003, totaled $183,165 and $194,967, respectively. These amounts are included in program, general and administrative expenses in the accompanying financial statements. Future minimum rental payments required under this lease for the year ending September 30 (in thousands):

2005	$ 183
2006	188
2007	193
2008	198
2009	50

11. EARLY RETIREMENT OF BONDS

The Authority's mortgage revenue bonds are subject to certain extraordinary redemption provisions. During the years ended September 30, 2004 and 2003, the Authority called approximately $194,215,000 and $167,583,000 (net of unamortized discounts), respectively, of bonds in advance of their scheduled maturities. The loss on early retirement of these bonds recognized in the financial statements is comprised of the premium paid to retire the bonds.

12. SUBSEQUENT EVENTS

From October 1, 2004 through December 6, 2004, the Authority called approximately $54,380,000 of bonds prior to their scheduled maturities in the single-family bond program; no multifamily bonds were called or issued during this time period.

OTHER FINANCIAL INFORMATION

ALABAMA HOUSING FINANCE AUTHORITY

STATEMENTS OF NET ASSETS
SINGLE-FAMILY BOND SERIES
ADDITIONAL SEGMENT DATA (IN THOUSANDS)
SEPTEMBER 30, 2004

	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	2003 First Step	2000/2003 Step Up	2001 C	2002 D 2004 A&B	Combined Single-family
CURRENT ASSETS							
Cash on deposit	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accrued interest receivable	-	-	-	-	-	-	-
Mortgage loans receivable, net	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Restricted:							
Cash on deposit	(19)	-	-	7	-	-	(12)
Accrued interest receivable	1,628	1,442	3	428	229	362	4,092
Mortgage loans receivable, net	-	-	-	-	-	-	-
Mortgage loans held for sale	-	-	-	-	-	-	-
Investments	48,280	72,158	28	1,373	50	26	121,915
Other assets	-	-	-	-	-	-	-
Total current assets	49,889	73,600	31	1,808	279	388	125,995
NONCURRENT ASSETS							
Mortgage loans receivable, net	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Restricted:							
Mortgage-backed securities	222,802	190,643	784	91,640	26,224	64,906	596,999
Mortgage loans receivable, net	-	-	-	-	-	-	-
Investments	-	2,175	-	-	34,538	23,079	59,792
HOME program loans receivable, net	-	-	-	-	-	-	-
Deferred debt financing costs	2,179	2,942	120	194	35	187	5,657
Total noncurrent asset	224,981	195,760	904	91,834	60,797	88,172	662,448
TOTAL ASSETS	$ 274,870	$ 269,360	$ 935	$ 93,642	$ 61,076	$ 88,560	$ 788,443
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Bonds payable, net	$ 38,610	$ 44,070	$ 1	$ 914	$ 6,000	$ 8,300	$ 97,895
Notes payable	-	-	-	-	-	-	-
Accrued interest payable	6,685	6,184	3	420	6	13	13,311
Accrued arbitrage rebate	40	421	-	-	-	-	461
Due to (from) other funds	111	91	-	-	(2,110)	-	(1,908)
Other liabilities	30	24	-	-	-	-	54
Total current liabilities	45,476	50,790	4	1,334	3,896	8,313	109,813
NONCURRENT LIABILITIES							
Bonds payable, net	196,510	196,535	785	89,577	5,110	22,610	511,127
Refundable HOME program grants	-	-	-	-	-	-	-
Accrued arbitrage rebate	9,770	8,949	-	-	-	-	18,719
Deferred commitment fees	-	-	-	-	-	-	-
Total noncurrent liabilities	206,280	205,484	785	89,577	5,110	22,610	529,846
TOTAL LIABILITIES	251,756	256,274	789	90,911	9,006	30,923	639,659
NET ASSETS							
Restricted	23,114	13,086	146	2,731	52,070	57,637	148,784
Unrestricted	-	-	-	-	-	-	-
Total net assets	23,114	13,086	146	2,731	52,070	57,637	148,784
TOTAL LIABILITIES AND NET ASSETS	$ 274,870	$ 269,360	$ 935	$ 93,642	$ 61,076	$ 88,560	$ 788,443

See independent auditors' report.

ALABAMA HOUSING FINANCE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
SINGLE-FAMILY BOND SERIES
ADDITIONAL SEGMENT DATA (IN THOUSANDS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	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	2003 First Step	2000/2003 Step Up	2001 C	2002 D 2004 A&B	Combined Single-family
OPERATING REVENUES							
Interest on mortgage loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest on mortgage-backed securities	15,174	12,188	30	4,685	2,134	2,813	37,024
Investment income	1,708	2,551	-	3	1,557	908	6,727
Net (decrease) in fair value of investments	-	(246)	(1)	(108)	(990)	480	(865)
Loan fees and other income	-	-	-	76	-	-	76
Total operating revenues	16,882	14,493	29	4,656	2,701	4,201	42,962
OPERATING EXPENSES							
Interest on bonds and notes	14,935	13,443	26	4,579	574	666	34,223
Amortization of deferred debt financing costs	1,122	928	5	24	75	106	2,260
Program, general and administrative	64	59	-	22	38	46	229
Total operating expenses	16,121	14,430	31	4,625	687	818	36,712
OPERATING INCOME	761	63	(2)	31	2,014	3,383	6,250
NONOPERATING REVENUES (EXPENSES)							
HOME program grants	-	-	-	-	-	-	-
HOME program expenditures	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	-	-	-	-	-	-	-
INCOME BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS	761	63	(2)	31	2,014	3,383	6,250
CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS							
Owner contributions (reductions)	-	-	-	-	-	-	-
Transfers in (out)	(1,999)	(177)	-	(50)	-	18,261	16,035
Extraordinary loss on early retirement of bonds	(159)	-	-	-	-	-	(159)
CHANGES IN NET ASSETS	(1,397)	(114)	(2)	(19)	2,014	21,644	22,126
NET ASSETS							
Beginning of year	24,511	13,200	148	2,750	50,056	35,993	126,658
End of year	$ 23,114	$ 13,086	$ 146	$ 2,731	$ 52,070	$ 57,637	$ 148,784

See independent auditors' report.

ALABAMA HOUSING FINANCE AUTHORITY
STATEMENTS OF NET ASSETS
MULTIFAMILY BOND SERIES
ADDITIONAL SEGMENT DATA (IN THOUSANDS)
SEPTEMBER 30, 2004

	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	-	-	-	-	-	-
Mortgage loans receivable, net	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Restricted:						
Cash on deposit	-	-	-	-	-	-
Accrued interest receivable	2	3	-	199	61	34
Mortgage loans receivable, net	150	170	55	-	80	-
Mortgage loans held for sale	-	-	-	-	-	-
Investments	64	157	224	292	153	354
Other assets	-	-	-	-	-	-
Total current assets	216	330	279	491	294	388
NONCURRENT ASSETS						
Mortgage loans receivable, net	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Restricted:						
Mortgage-backed securities	-	-	-	-	6,926	2,665
Mortgage loans receivable, net	2,226	2,405	1,916	33,484	10,795	45,075
Investments	-	-	-	-	6,440	-
HOME program loans receivable, net	-	-	-	-	-	-
Deferred debt financing costs	-	-	-	-	-	-
Total noncurrent assets	2,226	2,405	1,916	33,484	24,161	47,740
TOTAL ASSETS	$ 2,442	$ 2,735	$ 2,195	$ 33,975	$ 24,455	$ 48,128
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Bonds payable, net	$ 150	$ 170	$ 55	$ -	$ 215	$ 15
Notes payable	-	-	-	-	-	-
Accrued interest payable	2	3	10	199	192	81
Program funds held for others	-	-	-	-	-	-
Due to (from) other funds	-	-	-	-	-	-
Other liabilities	-	-	-	292	1	-
Total current liabilities	152	173	65	491	408	96
NONCURRENT LIABILITIES						
Bonds payable, net	2,270	2,540	1,635	33,484	23,633	47,635
Refundable HOME program grants	-	-	-	-	-	-
Program funds held for others	-	-	-	-	-	-
Deferred commitment fees	-	-	-	-	-	-
Total noncurrent liabilities	2,270	2,540	1,635	33,484	23,633	47,635
TOTAL LIABILITIES	2,422	2,713	1,700	33,975	24,041	47,731
NET ASSETS						
Restricted	20	22	495	-	414	397
Unrestricted	-	-	-	-	-	-
Total net assets	20	22	495	-	414	397
TOTAL LIABILITIES AND NET ASSETS	$ 2,442	$ 2,735	$ 2,195	$ 33,975	$ 24,455	$ 48,128

1997 A&B	1999 A&B	2000 A-K	2001 A-D	2002 A-J	2003 A-N	2004 A-H	Combined Multi Family
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-		-	-	-	-	-	-
-		-	-	-	-	-	-
-		-	-	-	-	-	-
-		-	-	-	-	-	-
-	-	-	-	-	-	17	17
-	30	33	17	18	104	77	578
-	-	150	44	230	245	33	1,157
-	-	-	-	-	-	-	-
-	107	271	181	366	2,345	12,301	16,815
25	-	-	-	-	-	-	25
25	137	454	242	614	2,694	12,428	18,592
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	6,705	-	-	-	-	2,098	18,394
-	-	41,111	15,928	24,663	46,168	15,785	239,556
4,399	-	-	-	-	-	-	10,839
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,399	6,705	41,111	15,928	24,663	46,168	17,883	268,789
$ 4,424	$ 6,842	$ 41,565	$ 16,170	$ 25,277	$ 48,862	$ 30,311	$ 287,381
$ 225	$ 125	$ 70	$ 50	$ 160	$ 206	$ 93	$ 1,534
-	-	-	-	-	-	-	-
36	28	82	110	139	258	100	1,240
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	75	-	-	221	342	931
261	153	227	160	299	685	535	3,705
3,835	6,535	41,245	15,931	24,850	47,701	29,572	280,866
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,835	6,535	41,245	15,931	24,850	47,701	29,572	280,866
4,096	6,688	41,472	16,091	25,149	48,386	30,107	284,571
328	154	93	79	128	476	204	2,810
-	-	-	-	-	-	-	-
328	154	93	79	128	476	204	2,810
$ 4,424	$ 6,842	$ 41,565	$ 16,170	$ 25,277	$ 48,862	$ 30,311	$ 287,381

See independent auditors' report.

ALABAMA HOUSING FINANCE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MULTIFAMILY BOND SERIES
ADDITIONAL SEGMENT DATA (IN THOUSANDS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	1989 A-F	1991 A-D	1992 A-I	1994 A-F	1995 A-M	1996 A-F
OPERATING REVENUES						
Interest on mortgage loans	$ 28	$ 32	$ 176	$ 2,227	$ 524	$ 497
Interest on mortgage-backed securities	-	-	-	-	474	169
Investment income	-	-	13	1	282	3
Net increase (decrease) in fair value of investments	-	-	-	-	(316)	(178)
Loan fees and other income	1	-	-	-	-	-
Total operating revenues	29	32	189	2,228	964	491
OPERATING EXPENSES						
Interest on bonds and notes	28	32	144	2,227	1,331	660
Amortization of deferred debt financing costs	-	-	-	-	-	-
Program, general and administrative	1	-	3	-	28	6
Total operating expenses	29	32	147	2,227	1,359	666
OPERATING INCOME (LOSS)	-	-	42	1	(395)	(175)
NONOPERATING REVENUES (EXPENSES)						
HOME program grants	-	-	-	-	-	-
HOME program expenditures	-	-	-	-	-	-
Total nonoperating revenues (expenses)	-	-	-	-	-	-
INCOME BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS	-	-	42	1	(395)	(175)
CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS						
Owner contributions (reductions)	-	-	-	(483)	(5)	-
Transfers in (out)	-	-	-	-	-	-
Extraordinary loss on early retirement of bonds	-	-	-	-	-	-
CHANGES IN NET ASSETS	-	-	42	(482)	(400)	(175)
NET ASSETS						
Beginning of year	20	22	453	482	814	572
End of year	$ 20	$ 22	$ 495	$ -	$ 414	$ 397

1997 A&B	1999 A&B	2000 A-K	2001 A-D	2002 A-J	2003 A-N	2004 A-H	Combined Multi Family
$ -	$ -	$ 831	$ 568	$ 576	$ 1,904	$ 406	$ 7,769
-	361	-	-	-	-	3	1,007
113	-	8	4	1	78	18	521
-	(55)	-	-	-	2	-	(547)
-	-	-	-	-	-	-	1
113	306	839	572	577	1,984	427	8,751
221	345	821	552	606	1,875	399	9,241
-	-	-	-	-	-	-	-
8	11	9	-	17	28	-	111
229	356	830	552	623	1,903	399	9,352
(116)	(50)	9	20	(46)	81	28	(601)
-	-	-	-	-	-		-
-	-	-	-	-	-		-
-	-	-	-	-	-		-
(116)	(50)	9	20	(46)	81	28	(601)
-	-	(58)	-	18	643	176	291
-	-	-	-	-	-	-	-
-	-	-	-	-	-		-
(116)	(50)	(49)	20	(28)	724	204	(310)
444	204	142	59	156	(248)	-	3,120
$ 328	$ 154	$ 93	$ 79	$ 128	$ 476	$ 204	$ 2,810

See independent auditors' report.

ALABAMA HOUSING FINANCE AUTHORITY

STATEMENTS OF NET ASSETS
COMBINING ALL FUNDS
ADDITIONAL SEGMENT DATA (IN THOUSANDS)
SEPTEMBER 30, 2004

	Combined Single Family	Combined Multi Family	HOME Fund	Housing Assistance Fund	General Fund	Combined Totals
CURRENT ASSETS						
Cash on deposit	$ -	$ -	$ -	$ 910	$ 880	$ 1,790
Accrued interest receivable	-	-	-	53	245	298
Mortgage loans receivable, net	-	-	-	615	-	615
Investments	-	-	-	-	1,218	1,218
Other assets	-	-	-	2	1,036	1,038
Restricted:						
Cash on deposit	(12)	17	-	-	-	5
Accrued interest receivable	4,092	578	3,272	-	-	7,942
Mortgage loans receivable, net	-	1,157	-	-	1,500	2,657
Mortgage loans held for sale	-	-	-	-	1,707	1,707
Investments	121,915	16,815	-	-	-	138,730
Other assets	-	25	335	-	-	360
Total current assets	125,995	18,592	3,607	1,580	6,586	156,360
NONCURRENT ASSETS						
Mortgage loans receivable, net	-	-	-	15,538	-	15,538
Investments	-	-	-	13,281	4,807	18,088
Restricted:						
Mortgage-backed securities	596,999	18,394	-	-	-	615,393
Mortgage loans receivable, net	-	239,556	-	-	17,650	257,206
Investments	59,792	10,839	-	-	12,217	82,848
HOME program loans receivable, net	-	-	134,174	-	-	134,174
Deferred debt financing costs	5,657	-	-	-	-	5,657
Total noncurrent assets	662,448	268,789	134,174	28,819	34,674	1,128,904
TOTAL ASSETS	$ 788,443	$ 287,381	$ 137,781	$ 30,399	$ 41,260	$ 1,285,264
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Bonds payable, net	$ 97,895	$ 1,534	$ -	$ -	$ -	$ 99,429
Notes payable	-	-	-	-	2,000	2,000
Accrued interest payable	13,311	1,240	3,272	-	2	17,825
Program funds held for others	461	-	-	-	-	461
Due to (from) other funds	(1,908)	-	335	-	1,573	-
Other liabilities	54	931	-	-	80	1,065
Total current liabilities	109,813	3,705	3,607	-	3,655	120,780
NONCURRENT LIABILITIES						
Bonds payable, net	511,127	280,866	-	-	-	791,993
Refundable HOME program grants	-	-	134,174	-	-	134,174
Program funds held for others	18,719	-	-	-	-	18,719
Deferred commitment fees	-	-	-	-	8,289	8,289
Total noncurrent liabilities	529,846	280,866	134,174	-	8,289	953,175
TOTAL LIABILITIES	639,659	284,571	137,781	-	11,944	1,073,955
NET ASSETS						
Restricted	148,784	2,810	-	-	21,130	172,724
Unrestricted	-	-	-	30,399	8,186	38,585
Total net assets	148,784	2,810	-	30,399	29,316	211,309
TOTAL LIABILITIES AND NET ASSETS	$ 788,443	$ 287,381	$ 137,781	$ 30,399	$ 41,260	$ 1,285,264

See independent auditors' report.

ALABAMA HOUSING FINANCE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
COMBINING ALL FUNDS
ADDITIONAL SEGMENT DATA (IN THOUSANDS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Combined Single Family	Combined Multi Family	HOME Fund	Housing Assistance Fund	General Fund	Combined Totals
OPERATING REVENUES						
Interest on mortgage loans	$ -	$ 7,769	$ -	$ 233	$ 2,375	$ 10,377
Interest on mortgage-backed securities	37,024	1,007	-	-	-	38,031
Investment income	6,727	421	-	661	1,163	9,072
Net increase (decrease) in fair value of investments	(865)	(547)	-	(261)	(362)	(2,035)
Loan fees and other income	76	1	-	-	2,986	3,063
Total operating revenues	42,962	8,751	-	633	6,162	58,508
OPERATING EXPENSES						
Interest on bonds and notes	34,223	9,241	-	182	19	43,665
Amortization of deferred debt financing costs	2,260	-	-	-	-	2,260
Program, general and administrative	229	111	-	238	3,567	4,145
Total operating expenses	36,712	9,352	-	420	3,586	50,070
OPERATING INCOME (LOSS)	6,250	(601)	-	213	2,576	8,438
NONOPERATING REVENUES (EXPENSES)						
HOME program grants	-	-	15,032	-	-	15,032
HOME program expenditures	-	-	(15,032)	-	-	(15,032)
Total nonoperating revenues (expenses)	-	-	-	-	-	-
INCOME BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS	6,250	(601)	-	213	2,576	8,438
CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS						
Owner contributions (reductions)	-	291	-	-	-	291
Transfers in (out)	16,035	-	-	50	(16,085)	-
Extraordinary loss on early retirement of bonds	(159)	-	-	-	-	(159)
CHANGES IN NET ASSETS	22,126	(310)	-	263	(13,509)	8,570
NET ASSETS						
Beginning of year	126,658	3,120	-	30,136	42,825	202,739
End of year	$ 148,784	$ 2,810	$ -	$ 30,399	$ 29,316	$ 211,309

See independent auditors' report.

ALABAMA HOUSING FINANCE AUTHORITY

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