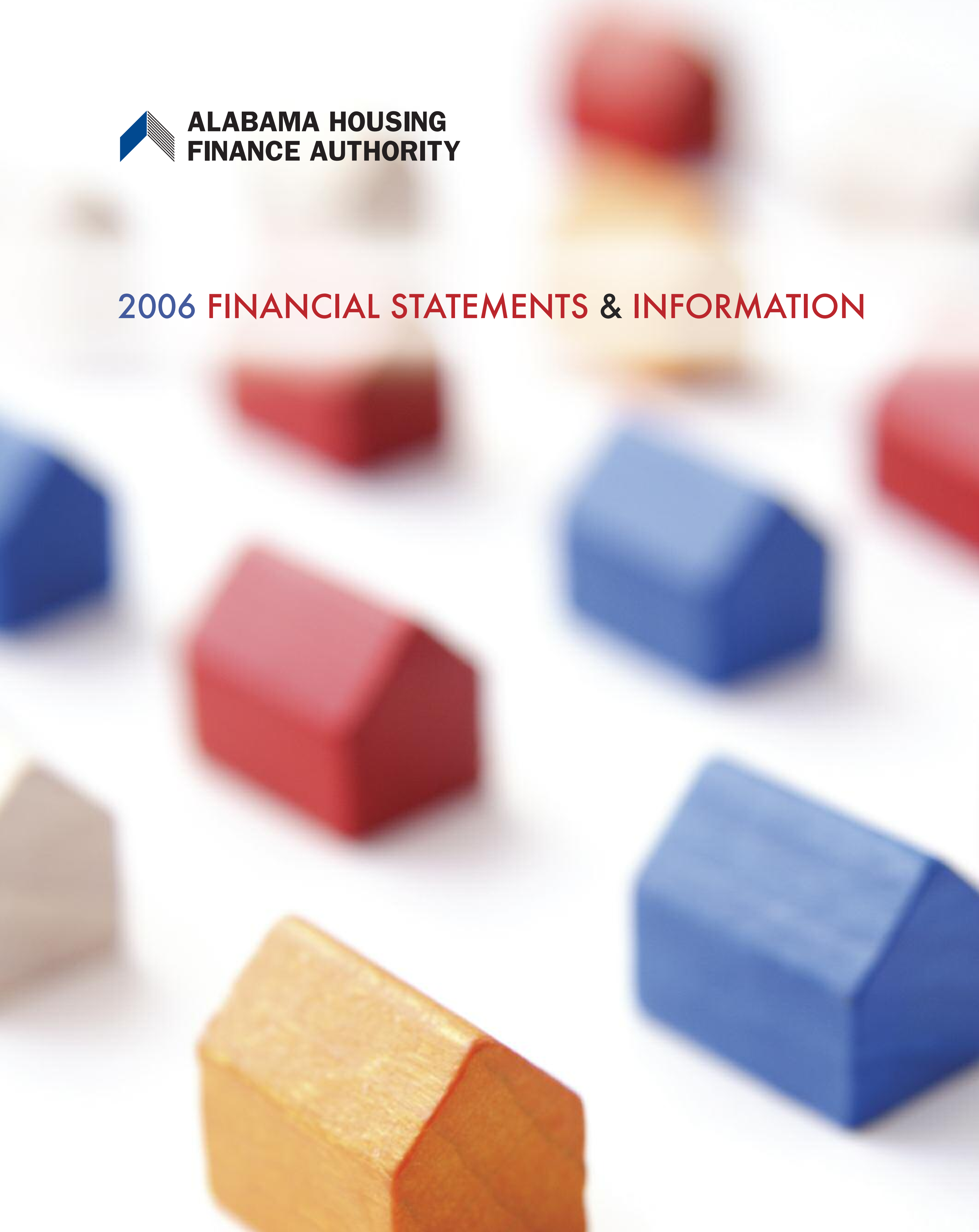
ALABAMA HOUSING FINANCE AUTHORITY

2006 FINANCIAL STATEMENTS & INFORMATION



ALABAMA HOUSING FINANCE AUTHORITY

COMPARATIVE FINANCIAL STATEMENTS

SEPTEMBER 30, 2006 AND 2005

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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, 2006. 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, noncapital 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, 2006 and 2005, and changes in the balances of selected items during the fiscal year ended September 30, 2006 (in thousands):

CONDENSED STATEMENTS OF NET ASSETS

	2006	2005	Change
ASSETS			
CURRENT ASSETS			
Cash and restricted cash	$ 3,603	$ 5,609	$ (2,006)
Accrued interest receivable and restricted accrued interest	10,026	8,076	1,950
Mortgages and restricted mortgages	23,562	4,809	18,753
Investments and restricted investments	161,262	78,255	83,007
Other assets and restricted other assets	2,228	2,390	(162)
Total current assets	200,681	99,139	101,542
NONCURRENT ASSETS			
Mortgages, restricted mortgages and restricted mortgage-backed securities	722,280	794,480	(72,200)
Restricted HOME program mortgages	161,579	152,590	8,989
Other assets	798	-	798
Investments and restricted investments	52,517	108,250	(55,733)
Restricted deferred debt financing and servicing costs	10,216	10,365	(149)
Total noncurrent assets	947,390	1,065,685	(118,295)
TOTAL ASSETS	$ 1,148,071	$ 1,164,824	$ (16,753)
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Bonds and notes payable	$ 55,126	$ 83,671	$ (28,545)
Accrued interest payable	13,829	15,021	(1,192)
Other liabilities	991	1,754	(763)
Total current liabilities	69,946	100,446	(30,500)
NONCURRENT LIABILITIES			
Bonds and notes payable	681,818	678,202	3,616
Refundable HOME program grants	163,233	152,590	10,643
Other liabilities	13,282	17,253	(3,971)
Total noncurrent liabilities	858,333	848,045	10,288
TOTAL LIABILITIES	928,279	948,491	(20,212)
NET ASSETS			
Invested in capital assets, net of related debt	617	844	(227)
Restricted	177,391	168,433	8,958
Unrestricted	41,784	47,056	(5,272)
Total net assets	219,792	216,333	3,459
TOTAL LIABILITIES AND NET ASSETS	$ 1,148,071	$ 1,164,824	$ (16,753)

Condensed Statements of Net Assets (Continued)

Current assets increased $101,542,000 from September 30, 2005 to September 30, 2006, primarily due to an increase in restricted investments of $83,007,000 in the single-family and multifamily bond issues relating to bond proceeds received, reclassification of some investments from noncurrent assets to current assets, and loan prepayments received during the last half of 2006. Most of the restricted investment balance is available for bond redemptions and regular debt service payments scheduled for October 1, 2006. See Note 12, "Subsequent Events," for additional information. Additional single-family investments are available for mortgage loan origination. The housing assistance fund's current assets increased from year-end 2005 due also to a reclassification of investments from noncurrent assets to current assets. See the next paragraph noting a corresponding decrease in noncurrent investments from these changes in investment types and maturities. Mortgages, restricted and unrestricted, increased $18,753,000 due to an increase in mortgage loans held for sale, reflecting an increase of mortgage loan originations at year-end 2006. Restricted and unrestricted cash decreased $2,006,000 primarily because all funds were invested by the various bond trustees on September 30, 2006, compared to amounts that were uninvested as reflected on September 30, 2005. This overall decrease was net of an increase in cash in the HOME fund for program grants received but not expended at the end of the fiscal year.

Noncurrent assets decreased $118,295,000 primarily due to a decrease of $72,200,000 in mortgage loans and mortgage-backed securities receivable, reflecting normal mortgage loan repayments and prepayments received during the fiscal year. Restricted HOME program loans increased $8,989,000 due to an increase in lending under this program. Restricted and unrestricted investments declined $55,733,000 primarily due to changes of investment classification from noncurrent assets to current assets, as noted above. There were also decreases in investment balances in the general and housing assistance funds in comparison to the prior year-end.

Total liabilities decreased $20,212,000 due to a decrease in bonds and notes payable, current and noncurrent, of $24,929,000 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 $10,643,000 due to increased lending activity in that program. The following chart summarizes the Authority's debt activity from September 30, 2005 to September 30, 2006 (in thousands):

	Debt Balance 9/30/2005	Debt Issued	Debt Paid	Debt Balance 9/30/2006
Bonds payable	$ 755,713	$ 135,905	$ 167,486	$ 724,132
Notes payable	6,160	42,718	36,066	12,812
Refundable HOME program grants	152,590	11,051	408	163,233
	$ 914,463	$ 189,674	$ 203,960	$ 900,177

Noncurrent other liabilities declined $3,971,000 due to 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.

Revenues, Expenses, and Changes in Net Assets

The following table presents condensed statements of revenues, expenses and changes in net assets for the Authority for the years ended September 30, 2006 and 2005, and the change from the prior year (in thousands):

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2006	2005	Change
OPERATING REVENUES			
Interest on mortgage loans and mortgage-backed securities	$ 40,617	$ 45,288	$ (4,671)
Investment income	2,064	3,582	(1,518)
Loan fees and other income	6,331	3,458	2,873
Total operating revenues	49,012	52,328	(3,316)
OPERATING EXPENSES			
Interest on bonds and notes	34,987	38,995	(4,008)
Amortization of deferred debt financing and servicing costs	2,377	2,236	141
Program, general and administrative	8,066	5,878	2,188
Total operating expenses	45,430	47,109	(1,679)
OPERATING INCOME	3,582	5,219	(1,637)
CAPITAL CONTRIBUTIONS AND EXTRAORDINARY LOSS			
Owner contributions (reductions)	657	126	531
Extraordinary loss on early retirement of bonds	(780)	(321)	(459)
Total capital contributions and extraordinary loss	(123)	(195)	72
CHANGE IN NET ASSETS	3,459	5,024	(1,565)
NET ASSETS AT BEGINNING OF YEAR	216,333	211,309	5,024
NET ASSETS AT END OF YEAR	$ 219,792	$ 216,333	$ 3,459

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

Interest on mortgage loans and mortgage-backed securities decreased $4,671,000 due to the decrease in mortgage loan and mortgage-backed securities balances during 2006, reflecting the repayments and prepayments discussed in the statements of net asset section. Mortgage loans and mortgage-backed securities earning higher rates from older bond issues continue prepaying faster than newer mortgage-backed securities, and new mortgage-backed securities originated during the fiscal year have lower interest rates. Investment income decreased $1,518,000 due to a net decrease in the fair value of mortgage-backed securities and investments. See Note 3, "Mortgage-Backed Securities," for additional information. Loan fees and other income increased $2,873,000 reflecting the first full fiscal year of servicing income earned from the Authority's loan servicing department that was created in 2005.

Interest expense declined $4,008,000 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, and normal bond redemptions from mortgage-backed securities repayments and prepayments received during fiscal year 2006.

Program, general and administrative expenses increased $2,188,000 reflecting the first full fiscal year of expenses in the general fund related to the loan servicing department.

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, 2006 and 2005. These basic financial statements are the responsibility of the Alabama Housing Finance Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Alabama Housing Finance Authority at September 30, 2006 and 2005, 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 2006 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2006 basic financial statements taken as a whole.

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

January 10, 2007

ALABAMA HOUSING FINANCE AUTHORITY

STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2006 AND 2005

	2006	2005
	(In thousands)	
ASSETS		
CURRENT ASSETS		
Cash on deposit	$ 573	$ 3,092
Accrued interest receivable	44	220
Mortgage loans receivable, net	1,000	1,000
Investments	9,382	63
Other assets	-	1,068
Restricted:		
Cash on deposit	3,030	2,517
Accrued interest receivable	9,982	7,856
Mortgage loans receivable, net	4,313	3,090
Mortgage loans held for sale	18,249	719
Investments	151,880	78,192
Other assets	2,228	1,322
Total current assets	200,681	99,139
NONCURRENT ASSETS		
Mortgage loans receivable, net	20,394	17,255
Investments	10,292	24,250
Restricted:		
Mortgage-backed securities	445,723	512,106
Mortgage loans receivable, net	256,163	265,119
Investments	42,225	84,000
HOME program loans receivable, net	161,579	152,590
Other assets	798	-
Deferred debt financing and servicing costs	10,216	10,365
Total noncurrent assets	947,390	1,065,685
TOTAL ASSETS	$ 1,148,071	$ 1,164,824

	2006	2005
	(In thousands)	
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bonds payable, net of unamortized premiums	$ 42,314	$ 77,511
Notes payable	12,812	6,160
Accrued interest payable	13,829	15,021
Accrued arbitrage rebate	184	1,023
Other liabilities	807	731
Total current liabilities	69,946	100,446
NONCURRENT LIABILITIES		
Bonds payable, net of unamortized premiums	681,818	678,202
Refundable HOME program grants	163,233	152,590
Accrued arbitrage rebate	2,783	8,615
Deferred commitment fees	10,499	8,638
Total noncurrent liabilities	858,333	848,045
TOTAL LIABILITIES	928,279	948,491
NET ASSETS		
Invested in capital assets, net of related debt	617	844
Restricted	177,391	168,433
Unrestricted	41,784	47,056
Total net assets	219,792	216,333
TOTAL LIABILITIES AND NET ASSETS	$ 1,148,071	$ 1,164,824

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, 2006 AND 2005

	2006	2005
	(In thousands)	
OPERATING REVENUES		
Interest on mortgage loans	$ 13,204	$ 12,514
Interest on mortgage-backed securities	27,413	32,774
Investment income	8,411	7,661
Net decrease in fair value of investments	(6,347)	(4,079)
Loan fees and other income	6,331	3,458
Total operating revenues	49,012	52,328
OPERATING EXPENSES		
Interest on bonds and notes	34,987	38,995
Amortization of deferred debt financing and servicing costs	2,377	2,236
Program, general and administrative	8,066	5,878
Total operating expenses	45,430	47,109
OPERATING INCOME	3,582	5,219
NONOPERATING REVENUE (EXPENSE)		
HOME program grants	10,430	17,666
HOME program expenditures	(10,430)	(17,666)
Total nonoperating revenue (expense)	-	-
INCOME BEFORE CAPITAL CONTRIBUTIONS AND EXTRAORDINARY LOSS	3,582	5,219
CAPITAL CONTRIBUTIONS AND EXTRAORDINARY LOSS		
Owner contributions	657	126
Extraordinary loss on early retirement of bonds	(780)	(321)
CHANGE IN NET ASSETS	3,459	5,024
NET ASSETS		
Beginning of the year	216,333	211,309
End of the year	$ 219,792	$ 216,333

See independent auditors' report and notes to financial statements.

ALABAMA HOUSING FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of mortgage-backed securities	$ (30,603)	$ (17,108)
Proceeds from sales/maturities of mortgage-backed securities	87,225	108,483
Purchase of mortgage loans	(21,142)	(57,312)
Principal payments received on mortgage loans	24,678	46,721
Purchase of mortgage loans held for sale	(80,681)	(14,754)
Proceeds from mortgage loans held for sale	63,103	15,715
Interest received from mortgage loans	13,123	12,673
Interest received from mortgage-backed securities	27,051	33,393
Payments for arbitrage	(905)	(429)
Cash paid to suppliers for goods and services	(4,785)	(3,984)
Cash payments to employees for services	(2,656)	(2,263)
Loan fees, commitment fees and other income received	8,193	3,831
Net cash provided by operating activities	82,601	124,966
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from bonds issued	135,905	78,895
Borrowings under line of credit	42,718	11,010
Principal payments on bonds	(167,486)	(214,604)
Payments of debt financing costs	(767)	(94)
Payments on line of credit	(36,066)	(6,850)
Proceeds from HOME and ADDI grants, net	10,643	18,424
Contributions/distributions to owners, net	657	126
Interest paid on bonds and note	(37,752)	(42,834)
Net cash used in noncapital financing activities	(52,148)	(155,927)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of furniture and equipment	(84)	(827)
Purchase of mortgage servicing rights	(1,460)	(6,836)
Net cash used in capital and related financing activities	(1,544)	(7,663)

See independent auditors' report and notes to financial statements.

ALABAMA HOUSING FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
	(In thousands)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	$ (677,191)	$ (518,296)
Proceeds from sales of investments	649,360	572,143
Interest received from investments	5,905	7,015
HOME program mortgage loans funded	(8,989)	(18,424)
Net cash provided (used) by investing activities	(30,915)	42,438
NET INCREASE (DECREASE) IN CASH ON DEPOSIT	(2,006)	3,814
CASH ON DEPOSIT AT BEGINNING OF YEAR	5,609	1,795
CASH ON DEPOSIT AT END OF YEAR	$ 3,603	$ 5,609
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 3,582	$ 5,219
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	311	257
Amortization of deferred debt financing and servicing costs	2,377	2,236
Amortization of deferred commitment fees	(1,902)	(1,753)
Gross unrealized loss on investments	10,322	12,441
Provision for loan losses, net	314	165
Extraordinary loss on early retirement of bonds	(780)	(321)
Commitment fees received	3,763	2,103
Interest received from investments	(5,905)	(7,015)
Interest paid on bonds and notes	37,752	42,834
Changes in operating assets and liabilities:		
Accrued interest receivable	(1,950)	164
Mortgage loans receivable	3,480	(10,626)
Mortgage loans held for sale	(17,530)	988
Mortgage-backed securities	56,622	91,375
Other assets	(67)	(421)
Accrued interest payable	(1,194)	(2,804)
Accrued arbitrage rebate	(6,670)	(9,542)
Other liabilities	76	(334)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 82,601	$ 124,966

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

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

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

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

All federal financial assistance received in connection with the Authority's administration of the HOME Program is reported as 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 bond programs. At September 30, 2006, all cash on deposit held by the Authority's trustees was in the name of the Authority. All cash on deposit at September 30, 2006 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 bond programs contains further restrictions on the investment of non-expended bond proceeds; however, each trust indenture must be consistent with the Authority's authorizing legislation with respect to the definition of eligible investments.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

In fiscal year 2005, the Authority implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 addresses disclosures on deposits and investments, focusing on common investment risks related to interest rate risk, credit risk, custodial credit risk, foreign currency risk and concentration of credit risk. This pronouncement requires additional disclosure to be presented in the notes but has no impact on the net assets of the Authority.

Mortgage-Backed Securities

Mortgage-backed securities as of September 30, 2006, 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 $5,780,000 in 2006 and $9,243,000 in 2005, 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. Commitment fees related to loans pooled and sold in secondary markets are recognized at the time of sale.

Mortgage Loans Receivable

Mortgage loans are carried at their unpaid principal balances less an allowance for loan losses. 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, which were closed in 1994, are not recorded as assets or liabilities of the Authority and totaled $2,950,000 at September 30, 2006 and 2005.

Deferred Debt Financing Costs

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

Mortgage Servicing Rights

The Authority follows the provisions of Statement of Financial Accounting Standards No. 65, entitled *Accounting for Certain Mortgage Banking Activities.* In accordance with those standards, the cost of loan servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenue.

Other Real Estate Owned

The Authority states its other real estate owned acquired through foreclosure, which is included in noncurrent other assets, at the lower of cost or fair value at the date of foreclosure. Fair value is determined based on independent appraisals and other relevant factors. Any write-down to fair value at the time of foreclosure is charged to an allowance for loan losses. The Authority held properties totaling approximately $161,000 and $0 at September 30, 2006 and 2005.

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, 2006, 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, 2006 and 2005 was $442,286,068 and $498,908,209, respectively. As a result of changes in the fair value of mortgage-backed securities, the Authority recorded unrealized losses of ($3,981,000) and ($2,668,000) for the years ended September 30, 2006 and 2005, respectively. It is the intention of the Authority to hold these securities until the underlying loan is paid in full.

4. INVESTMENTS

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

Investment Type	2006	% of Total	2005	% of Total
Money Market Funds	$ 67,401	32%	$ 70,426	38%
Money Market Mutual Funds	11,614	5%	56,540	30%
Guaranteed Investment Contracts	92,546	43%	7,661	4%
U.S. Government Agency Securities	10,043	5%	10,451	6%
Mortgage-Backed Securities	32,149	15%	41,363	22%
Demand Deposit	26	0%	64	0%
	$ 213,779	100%	$ 186,505	100%

Interest Rate Risk

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

		Investment Maturities in Years (in thousands)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Money Market Funds	$ 67,401	$ 67,401	$ -	$ -	$ -
Money Market Mutual Funds	11,614	-	11,614	-	-
Guaranteed Investment Contracts	92,546	92,243	303	-	-
U.S. Government Agency Securities	10,043	3,817	6,223	3	-
Mortgage-Backed Securities	32,149	-	3	21	32,125
Demand Deposit	26	26	-	-	-
	$ 213,779	$ 163,487	$ 18,143	$ 24	$ 32,125

4. INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. Investments for each bond issue are those permitted by the various bond indentures and rating agencies. See "Summary of Significant Accounting Policies – Investments" for additional information concerning permitted investments of the Authority. As of September 30, 2006, the Authority's money market, government and government agency investments in funds were rated Aaa by Moody's Investor Services, with guaranteed investment contracts rated from Aa to Aaa, meeting the criteria of the Authority and rating agencies of those respective bond issues.

Custodial Credit Risk

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

Concentration Risk

Concentration risk is the risk of loss that may be attributed to the magnitude of an investment in a single type of security. The table below lists all investments by investment provider and type as of September 30, 2006 (in thousands).

Provider	Money Market And Other	Guaranteed Investment Contract	U.S. Government	U.S. Agencies	Total	% of Total
AIG	$ -	$ 17,670	$ -	$ -	$ 17,670	8%
Bayerische LB	-	14,782	-	-	14,782	7%
Federated Government Obligations	9,572	-	-	-	9,572	5%
Federated U.S. Treasury Obligations	593	-	-	-	593	0%
Federated GNMA Money Market	11,614	-	-	-	11,614	5%
First American Treasury Obligations	46,630	-	-	-	46,630	22%
First Commercial Trust UST	95	-	-	-	95	0%
FGIC	-	275	-	-	275	0%
GNMA Mortgage-Backed Securities	-	-	-	32,149	32,149	15%
Goldman U.S. Treasury Only	668	-	-	-	668	0%
JP Morgan U.S. Treasury	8,740	-	-	-	8,740	4%
Morgan Guaranty	-	2,359	-	-	2,359	1%
Pallas Capital Corp.	-	48,070	-	-	48,070	23%
Regions U.S. Treasury	1,103	-	-	-	1,103	1%
U.S. Government Agency Securities	-	-	10,043	-	10,043	5%
Wachovia demand deposit mma	26	-	-	-	26	0%
Westdeutsche LB	-	9,390	-	-	9,390	4%
	$ 79,041	$ 92,546	$ 10,043	$ 32,149	$ 213,779	100%

4. INVESTMENTS (Continued)

Concentration Risk (Continued)

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

	2006	2005
Current assets – Investments	$ 9,382	$ 63
Current assets – Restricted Investments	151,880	78,192
Noncurrent assets – Investments	10,292	24,250
Noncurrent assets – Restricted Investments	42,225	84,000
	$ 213,779	$ 186,505

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

	2006	2005
Single-family mortgage loans (5.00% to 13.85%):		
Conventional	$ 11,291	$ 12,710
FHA insured	1,746	2,031
VA insured	1,644	2,313
Down payment assistance/habitat loans (0% to 8.40%)	19,664	16,808
	34,345	33,862
Less allowance for loan losses	(834)	(708)
Total single-family mortgage loans	33,511	33,154
Multifamily mortgage loans (3.30% to 9.92%)	248,359	253,310
	$ 281,870	$ 286,464

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. As of September 30, 2006, 59% of the remaining conventionally financed single-family mortgage loans (excluding down payment assistance loans) are insured and 81% 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.

As of September 30, 2006 and 2005, the Authority serviced $423,000,000 and $476,000,000, respectively, in loans including $384,200,000 and $454,600,000 serviced for other entities. Escrow balances associated with these loans are not included in the statements of net assets of the Authority.

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

	2006	2005
Current assets – Mortgage loans receivable, net	$ 1,000	$ 1,000
Current assets – Restricted Mortgage loans receivable, net	4,313	3,090
Noncurrent assets – Mortgage loans receivable, net	20,394	17,255
Noncurrent assets – Restricted Mortgage loans receivable, net	256,163	265,119
	$ 281,870	$ 286,464

6. BONDS PAYABLE

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

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

6. BONDS PAYABLE (Continued)

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

	Aggregate Principal Outstanding 2006	Aggregate Principal Outstanding 2005	Original Maturity Value
Single-family bond programs:			
1994 Series A-B, 1995 Series A-B, 1996 Series B-D, 1998 Series A-B (3.70% to 6.90%) due 1994 to 2029	$ 95,140	$ 168,920	$ 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	127,320	161,060	459,105
2000/2003 Step-Up Program (4.42% to 7.80%), due 2001 to 2036	79,598	93,944	128,927
2001 Series C (4.02%), due 2001 to 2006	-	5,110	29,110
2002 Series D, 2004 Series A-B, 2005 Series A-B, 2006 A (2.57% to 4.57%), due 2002 to 2010	53,665	42,710	89,490
2003 First Step Program (4.82% to 5.09%), due 2036	703	714	793
2006 Series B-E (0.0%) due 2036	85,590	-	85,000
Multifamily bond programs:			
1989 Series A-F (6.00% to 7.50%, variable), due 1989 to 2024	2,105	2,270	17,640
1991 Series A-D (5.00% to 7.00%, variable), due 1992 to 2009	2,350	2,540	8,525
1992 Series A-I (5.90% to 7.63%, variable), due 1993 to 2023	1,545	1,610	36,890
1995 Series A-M (5.65% to 8.65%, variable), due 1996 to 2030	11,525	20,608	32,090
1996 Series A-F (6.20% to 8.10%, variable), due 2000 to 2038	47,620	47,635	53,755
1997 Series A-B (4.00% to 5.55%, variable), due 1999 to 2016	3,590	3,835	10,350
1999 Series A-B (4.80% to 5.70%, variable), due 2000 to 2029	6,405	6,535	7,200
2000 Series A-K (4.25% to 5.95%, variable), due 2003 to 2033	41,175	41,245	45,325
2001 Series A-D (4.875% to 6.83%), due 2013 to 2034	15,800	15,935	16,027
2002 Series A-J (4.65% to 5.55%, variable), due 2012 to 2035	21,405	21,780	34,125
2003 Series A-N (4.255% to 7.25%, variable), due 2006 to 2039	36,396	47,428	55,856
2004 Series A-H (5.20% to 8.00%, variable) due 2008 to 2045	28,463	29,607	29,672
2005 Series A-D (5.025% to 5.625%, variable) due 2006 to 2035	63,737	42,227	63,798
	724,132	755,713	
Less current maturities	(42,314)	(77,511)	
Noncurrent maturities	$ 681,818	$ 678,202	

6. BONDS PAYABLE (Continued)

Principal and interest payments on bonds after 2006 are scheduled as follows (in thousands):

Fiscal year ending September 30	Single-family Bonds		Multifamily Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 36,843	$ 15,235	$ 5,471	$ 11,500	$ 42,314	$ 26,735
2008	21,030	21,206	7,902	11,870	28,932	33,076
2009	18,980	20,328	3,533	11,382	22,513	31,710
2010	16,765	19,476	1,731	11,290	18,496	30,766
2011	13,260	18,711	1,879	11,198	15,139	29,909
2012-2016	38,100	87,033	9,858	54,432	47,958	141,465
2017-2021	51,050	75,451	10,887	51,666	61,937	127,117
2022-2026	66,085	59,624	64,979	46,892	131,064	106,516
2027-2031	64,895	40,426	49,628	34,498	114,523	74,924
2032-2036	81,981	21,702	102,054	19,255	184,035	40,957
2037-2041	33,028	312	23,375	1,328	56,403	1,640
2042-2046	-	-	818	99	818	99
	$ 442,017	$ 379,504	$ 282,115	$ 265,410	$ 724,132	$ 644,914

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 $12,812,000 and $6,160,000 as of September 30, 2006 and 2005, respectively. Borrowings under the credit facility are secured by a pledge of approximately $30,366,000 in mortgage loans receivable and mortgage loans held for sale at September 30, 2006.

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 bond programs. Otherwise, the cash and investments of the various program funds are retained in the trust indentures to satisfy debt service obligations with respect to the applicable bonds, and are restricted to this purpose. Such amounts are reflected as restricted components of net assets.

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

The Authority's Board of Directors has designated its unrestricted net assets as of September 30, 2006 and 2005 totaling $41,784,000 and $47,056,000, 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

Money Purchase Thrift 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 Thrift Plan), which provides retirement benefits to Plan participants. The Thrift Plan is administered by an independent third-party administrator. To be eligible, an employee must meet certain age and service requirements. Once an employee is eligible, participation is mandatory. Each employee must contribute 5% of their compensation to the Plan annually. The Authority contributes an amount equal to 7% of each participant's compensation annually. The Authority's and employees' contributions to the Thrift Plan were $179,000 and $128,000, respectively, in fiscal 2006 and $138,000 and $99,000, respectively, in fiscal 2005. The employee's vest in the Authority's contribution based upon a seven year vesting schedule.

Employees' Pension Plan

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.

9. RETIREMENT PLANS (Continued)

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

The required contributions to fund the annual pension cost of the Plan for the years ended September 30, 2006, 2005 and 2004 were $558,000, $452,000 and $372,000 respectively, or about 23.1%, 24.3% and 21.8% of covered participant compensation, respectively. Actual employer contributions to the plan totaled $670,000, $432,000 and $499,000 for the years ended September 30, 2006, 2005 and 2004 respectively. The net pension (asset) obligation at September 30, 2006, 2005 and 2004 was ($498,000), ($374,000) and ($382,000).

The annual required contribution for the current year was determined as part of the September 30, 2006 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, 2006, the plan had the following participants:

Active participants	51
Vested terminated participants	0
Retired participants and beneficiaries	0
Total	51

10. OPERATING LEASES

The Authority leases office space under operating leases expiring through 2010. Rent expense for the years ended September 30, 2006 and 2005, totaled $256,000 and $234,000, respectively. These amounts are included in program, general and administrative expenses in the accompanying financial statements. Future minimum rental payments required under these leases for the year ending September 30 (in thousands):

2007	$ 262
2008	195
2009	253
2010	93

11. EARLY RETIREMENT OF BONDS

The Authority's mortgage revenue bonds are subject to certain extraordinary redemption provisions. During the years ended September 30, 2006 and 2005, the Authority called approximately $167,479,000 and $214,604,000 (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, 2006 through January 10, 2007, the Authority issued approximately $260,000,000 of bonds in the single-family bond program and called approximately $24,850,000 of bonds prior to their scheduled maturities. The Authority called $13,330,000 of bonds in the multifamily bond program during the same time period with none issued.

13. RECLASSIFICATIONS

Certain reclassifications have been made to the 2005 financial statements to conform to the 2006 presentation.

OTHER FINANCIAL INFORMATION

ALABAMA HOUSING FINANCE AUTHORITY

STATEMENTS OF NET ASSETS
SINGLE-FAMILY BOND SERIES
ADDITIONAL SEGMENT DATA (IN THOUSANDS)
SEPTEMBER 30, 2006

	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 2005 A&B 2006 A	2006 B-E	Combined Single-Family
CURRENT ASSETS								
Cash on deposit	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accrued interest receivable	-	-	-	-	-	-	-	-
Mortgage loans receivable, net	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Restricted:								
Cash on deposit	-	-	-	-	-	-	-	-
Accrued interest receivable	922	1,221	3	369	-	682	1,200	4,397
Mortgage loans receivable, net	-	-	-	-	-	-	-	-
Mortgage loans held for sale	-	-	-	-	-	-	-	-
Investments	14,938	18,927	31	1,300	-	42,577	57,917	135,690
Other assets	-	-	-	-	-	-	-	-
Total current assets	15,860	20,148	34	1,669	-	43,259	59,117	140,087
NONCURRENT ASSETS								
Mortgage loans receivable, net	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Restricted:								
Mortgage-backed securities	94,392	122,491	684	78,068	-	107,390	27,174	430,199
Mortgage loans receivable, net	-	-	-	-	-	-	-	-
Investments	28	2,500	-	-	-	29,174	-	31,702
HOME program loans receivable, net	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Deferred debt financing and servicing costs	864	1,660	100	141	-	149	685	3,599
Total noncurrent assets	95,284	126,651	784	78,209	-	136,713	27,859	465,500
TOTAL ASSETS	$ 111,144	$ 146,799	$ 818	$ 79,878	$ -	$ 179,972	$ 86,976	$ 605,587
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Bonds payable, net	$ 11,945	$ 14,975	$ 1	$ 927	$ -	$ 8,995	$ -	$ 36,843
Notes payable	-	-	-	-	-	-	-	-
Accrued interest payable	2,588	3,600	3	373	-	33	1,118	7,715
Accrued arbitrage rebate	184	-	-	-	-	-	-	184
Due to (from) other funds	47	60	-	-	-	-	(217)	(110)
Other liabilities	7	10	-	-	-	-	4	21
Total current liabilities	14,771	18,645	4	1,300	-	9,028	905	44,653
NONCURRENT LIABILITIES								
Bonds payable, net	83,195	112,345	702	78,671	-	44,670	85,590	405,173
Refundable HOME program grants	-	-	-	-	-	-	-	-
Accrued arbitrage rebate	940	1,843	-	-	-	-	-	2,783
Deferred commitment fees	-	-	-	-	-	-	-	-
Total noncurrent liabilities	84,135	114,188	702	78,671	-	44,670	85,590	407,956
TOTAL LIABILITIES	98,906	132,833	706	79,971	-	53,698	86,495	452,609
NET ASSETS								
Restricted	12,238	13,966	112	(93)	-	126,274	481	152,978
Unrestricted	-	-	-	-	-	-	-	-
Total net assets	12,238	13,966	112	(93)	-	126,274	481	152,978
TOTAL LIABILITIES AND NET ASSETS	$ 111,144	$ 146,799	$ 818	$ 79,878	$ -	$ 179,972	$ 86,976	$ 605,587

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, 2006

	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 2005 A&B 2006 A	2006 B-E	Combined Single-Family
OPERATING REVENUES								
Interest on mortgage loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest on mortgage-backed securities	6,775	8,073	35	4,814	592	6,047	135	26,471
Investment income	611	834	2	31	836	2,652	1,023	5,989
Net (decrease) in fair value of investments	(154)	(76)	(12)	(1,484)	(1,746)	(1,192)	(739)	(5,403)
Loan fees and other income	-	-	-	77	-	-	-	77
Total operating revenues	7,232	8,831	25	3,438	(318)	7,507	419	27,134
OPERATING EXPENSES								
Interest on bonds and notes	6,326	7,651	35	4,876	76	2,125	994	22,083
Amortization of deferred debt financing and servicing costs	655	496	5	30	17	96	8	1,307
Program, general and administrative	26	28	-	24	18	25	4	125
Total operating expenses	7,007	8,175	40	4,930	111	2,246	1,006	23,515
OPERATING INCOME (LOSS)	225	656	(15)	(1,492)	(429)	5,261	(587)	3,619
NONOPERATING REVENUES (EXPENSES)								
HOME program grants	-	-	-	-	-	-	-	-
HOME program expenditures	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	-	-	-	-	-	-	-	-
INCOME BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS	225	656	(15)	(1,492)	(429)	5,261	(587)	3,619
CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS								
Owner contributions (reductions)	-	-	-	-	-	-	-	-
Transfers in (out)	(5,136)	(127)	-	(62)	(51,006)	55,164	1,068	(99)
Extraordinary loss on early retirement of bonds	(780)	-	-	-	-	-	-	(780)
CHANGES IN NET ASSETS	(5,691)	529	(15)	(1,554)	(51,435)	60,425	481	2,740
NET ASSETS								
Beginning of year	17,929	13,437	127	1,461	51,435	65,849	-	150,238
End of year	$ 12,238	$ 13,966	$ 112	$ (93)	$ -	$ 126,274	$ 481	$ 152,978

See independent auditors' report.

ALABAMA HOUSING FINANCE AUTHORITY

STATEMENTS OF NET ASSETS
MULTIFAMILY BOND SERIES
ADDITIONAL SEGMENT DATA (IN THOUSANDS)
SEPTEMBER 30, 2006

	1989 A-F	1991 A-D	1992 A-I	1995 A-M	1996 A-F	1997 A&B
CURRENT ASSETS						
Cash on deposit	$ -	$ -	$ -	$ -	$ -	$ -
Accrued interest receivable	-	-	-	-	-	-
Mortgage loans receivable, net	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Restricted:						
Cash on deposit	-	-	-	-	-	-
Accrued interest receivable	6	7	1	116	82	18
Mortgage loans receivable, net	180	210	20	95	1,075	-
Mortgage loans held for sale	-	-	-	-	-	-
Investments	83	196	197	173	596	3,742
Other assets	-	-	-	-	-	8
Total current assets	269	413	218	384	1,753	3,768
NONCURRENT ASSETS						
Mortgage loans receivable, net	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Restricted:						
Mortgage-backed securities	-	-	-	2,919	2,521	-
Mortgage loans receivable, net	1,866	1,973	1,914	2,412	43,743	-
Investments	-	-	-	6,223	-	-
HOME program loans receivable, net	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Deferred debt financing and servicing costs	-	-	-	-	-	-
Total noncurrent assets	1,866	1,973	1,914	11,554	46,264	-
TOTAL ASSETS	$ 2,135	$ 2,386	$ 2,132	$ 11,938	$ 48,017	$ 3,768
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Bonds payable, net	$ 180	$ 210	$ 55	$ 145	$ 15	$ 3,590
Notes payable	-	-	-	-	-	-
Accrued interest payable	6	7	9	129	127	32
Accrued arbitrage rebate	-	-	-	-	-	-
Due to (from) other funds	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total current liabilities	186	217	64	274	142	3,622
NONCURRENT LIABILITIES						
Bonds payable, net	1,925	2,140	1,490	11,380	47,605	-
Refundable HOME program grants	-	-	-	-	-	-
Accrued arbitrage rebate	-	-	-	-	-	-
Deferred commitment fees	-	-	-	-	-	-
Total noncurrent liabilities	1,925	2,140	1,490	11,380	47,605	-
TOTAL LIABILITIES	2,111	2,357	1,554	11,654	47,747	3,622
NET ASSETS						
Restricted	24	29	578	284	270	146
Unrestricted	-	-	-	-	-	-
Total net assets	24	29	578	284	270	146
TOTAL LIABILITIES AND NET ASSETS	$ 2,135	$ 2,386	$ 2,132	$ 11,938	$ 48,017	$ 3,768

1999 A&B	2000 A-K	2001 A-D	2002 A-J	2003 A-N	2004 A-H	2005 A-F	Combined Multi Family
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
28	84	32	49	71	110	71	675
-	173	50	195	500	135	180	2,813
-	-	-	-	-	-	-	-
119	426	204	376	599	438	8,825	15,974
-	-	-	-	-	-	-	8
147	683	286	620	1,170	683	9,076	19,470
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,338	-	-	-	-	3,746	-	15,524
-	40,764	15,743	21,137	35,716	24,594	55,684	245,546
-	-	-	-	-	-	-	6,223
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,338	40,764	15,743	21,137	35,716	28,340	55,684	267,293
$ 6,485	$ 41,447	$ 16,029	$ 21,757	$ 36,886	$ 29,023	$ 64,760	$ 286,763
$ 135	$ 70	$ 58	$ 210	$ 592	$ 169	$ 42	$ 5,471
-	-	-	-	-	-	-	-
27	132	125	159	254	114	213	1,334
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	27	-	-	112	6	494	639
162	229	183	369	958	289	749	7,444
6,270	41,105	15,742	21,195	35,804	28,294	63,695	276,645
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,270	41,105	15,742	21,195	35,804	28,294	63,695	276,645
6,432	41,334	15,925	21,564	36,762	28,583	64,444	284,089
53	113	104	193	124	440	316	2,674
-	-	-	-	-	-	-	-
53	113	104	193	124	440	316	2,674
$ 6,485	$ 41,447	$ 16,029	$ 21,757	$ 36,886	$ 29,023	$ 64,760	$ 286,763

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, 2006

	1989 A-F	1991 A-D	1992 A-I	1995 A-M	1996 A-F	1997 A&B
OPERATING REVENUES						
Interest on mortgage loans	$ 74	$ 80	$ 153	$ 259	$ 1,497	$ -
Interest on mortgage-backed securities	-	-	-	226	167	-
Investment income	3	5	13	290	13	109
Net increase (decrease) in fair value of investments	-	-	-	(76)	(44)	-
Loan fees and other income	-	-	-	-	-	-
Total operating revenues	77	85	166	699	1,633	109
OPERATING EXPENSES						
Interest on bonds and notes	74	80	115	849	1,663	199
Amortization of deferred debt financing and servicing costs	-	-	-	-	-	-
Program, general and administrative	-	-	15	11	21	8
Total operating expenses	74	80	130	860	1,684	207
OPERATING INCOME (LOSS)	3	5	36	(161)	(51)	(98)
NONOPERATING REVENUES (EXPENSES)						
HOME program grants	-	-	-	-	-	-
HOME program expenditures	-	-	-	-	-	-
Total nonoperating revenues (expenses)	-	-	-	-	-	-
INCOME BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS	3	5	36	(161)	(51)	(98)
CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS						
Owner contributions (reductions)	-	-	-	(39)	-	-
Transfers in (out)	-	-	-	-	-	-
Extraordinary loss on early retirement of bonds	-	-	-	-	-	-
CHANGES IN NET ASSETS	3	5	36	(200)	(51)	(98)
NET ASSETS						
Beginning of year	21	24	542	484	321	244
End of year	$ 24	$ 29	$ 578	$ 284	$ 270	$ 146

1999 A&B	2000 A-K	2001 A-D	2002 A-J	2003 A-N	2004 A-H	2005 A-F	Combined Multi Family
$ -	$ 1,609	$ 729	$ 905	$ 2,324	$ 1,181	$ 2,197	$ 11,008
348	-	-	-	-	201	-	942
6	15	6	11	21	21	344	857
(76)	-	-	-	-	(21)	-	(217)
-	-	-	-	-	-	-	-
278	1,624	735	916	2,345	1,382	2,541	12,590
333	1,599	712	864	2,063	1,370	2,517	12,438
-	-	-	-	-	-	-	-
9	15	15	12	573	30	4	713
342	1,614	727	876	2,636	1,400	2,521	13,151
(64)	10	8	40	(291)	(18)	20	(561)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(64)	10	8	40	(291)	(18)	20	(561)
-	-	-	-	330	70	296	657
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(64)	10	8	40	39	52	316	96
117	103	96	153	85	388	-	2,578
$ 53	$ 113	$ 104	$ 193	$ 124	$ 440	$ 316	$ 2,674

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, 2006

	Combined Single Family	Combined Multi Family	HOME Fund	Housing Assistance Fund	General Fund	Combined Totals
CURRENT ASSETS						
Cash on deposit	$ -	$ -	$ -	$ 573	$ -	$ 573
Accrued interest receivable	-	-	-	44	-	44
Mortgage loans receivable, net	-	-	-	1,000	-	1,000
Investments	-	-	-	9,382	-	9,382
Restricted:						
Cash on deposit	-	-	1,654	-	1,376	3,030
Accrued interest receivable	4,397	675	4,780	-	130	9,982
Mortgage loans receivable, net	-	2,813	-	-	1,500	4,313
Mortgage loans held for sale	-	-	-	-	18,249	18,249
Investments	135,690	15,974	-	-	216	151,880
Other assets	-	8	506	-	1,714	2,228
Total current assets	140,087	19,470	6,940	10,999	23,185	200,681
NONCURRENT ASSETS						
Mortgage loans receivable, net	-	-	-	20,394	-	20,394
Investments	-	-	-	10,292	-	10,292
Restricted:						
Mortgage-backed securities	430,199	15,524	-	-	-	445,723
Mortgage loans receivable, net	-	245,546	-	-	10,617	256,163
Investments	31,702	6,223	-	-	4,300	42,225
HOME program loans receivable, net	-	-	161,579	-	-	161,579
Other assets	-	-	-	-	798	798
Deferred debt financing and servicing costs	3,599	-	-	-	6,617	10,216
Total noncurrent assets	465,500	267,293	161,579	30,686	22,332	947,390
TOTAL ASSETS	$ 605,587	$ 286,763	$ 168,519	$ 41,685	$ 45,517	$ 1,148,071
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Bonds payable, net	$ 36,843	$ 5,471	$ -	$ -	$ -	$ 42,314
Notes payable	-	-	-	-	12,812	12,812
Accrued interest payable	7,715	1,334	4,780	-	-	13,829
Accrued arbitrage rebate	184	-	-	-	-	184
Due to (from) other funds	(110)	-	506	(99)	(297)	-
Other liabilities	21	639	-	-	147	807
Total current liabilities	44,653	7,444	5,286	(99)	12,662	69,946
NONCURRENT LIABILITIES						
Bonds payable, net	405,173	276,645	-	-	-	681,818
Refundable HOME program grants	-	-	163,233	-	-	163,233
Accrued arbitrage rebate	2,783	-	-	-	-	2,783
Deferred commitment fees	-	-	-	-	10,499	10,499
Total noncurrent liabilities	407,956	276,645	163,233	-	10,499	858,333
TOTAL LIABILITIES	452,609	284,089	168,519	(99)	23,161	928,279
NET ASSETS						
Restricted	152,978	2,674	-	-	22,356	178,008
Unrestricted	-	-	-	41,784	-	41,784
Total net assets	152,978	2,674	-	41,784	22,356	219,792
TOTAL LIABILITIES AND NET ASSETS	$ 605,587	$ 286,763	$ 168,519	$ 41,685	$ 45,517	$ 1,148,071

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, 2006

	Combined Single Family	Combined Multi Family	HOME Fund	Housing Assistance Fund	General Fund	Combined Totals
OPERATING REVENUES						
Interest on mortgage loans	$ -	$ 11,008	$ -	$ 361	$ 1,835	$ 13,204
Interest on mortgage-backed securities	26,471	942	-	-	-	27,413
Investment income	5,989	857	-	1,099	466	8,411
Net increase (decrease) in fair value of investments	(5,403)	(217)	-	(431)	(296)	(6,347)
Loan fees and other income	77	-	-	2	6,252	6,331
Total operating revenues	27,134	12,590	-	1,031	8,257	49,012
OPERATING EXPENSES						
Interest on bonds and notes	22,083	12,438	-	-	466	34,987
Amortization of deferred debt financing and servicing costs	1,307	-	-	-	1,070	2,377
Program, general and administrative	125	713	-	283	6,945	8,066
Total operating expenses	23,515	13,151	-	283	8,481	45,430
OPERATING INCOME (LOSS)	3,619	(561)	-	748	(224)	3,582
NONOPERATING REVENUES (EXPENSES)						
HOME program grants	-	-	10,430	-	-	10,430
HOME program expenditures	-	-	(10,430)	-	-	(10,430)
Total nonoperating revenues (expenses)	-	-	-	-	-	-
INCOME BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS	3,619	(561)	-	748	(224)	3,582
CAPITAL CONTRIBUTIONS, TRANSFERS AND EXTRAORDINARY LOSS						
Owner contributions (reductions)	-	657	-	-	-	657
Transfers in (out)	(99)	-	-	-	99	-
Extraordinary loss on early retirement of bonds	(780)	-	-	-	-	(780)
CHANGES IN NET ASSETS	2,740	96	-	748	(125)	3,459
NET ASSETS						
Beginning of year	150,238	2,578	-	41,036	22,481	216,333
End of year	$ 152,978	$ 2,674	$ -	$ 41,784	$ 22,356	$ 219,792

See independent auditors' report.

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