



**Alaska
Housing**
FINANCE CORPORATION
2001
Annual Report

DareToDream

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*This is the true nature of home — it is the place of
peace; the shelter, not only from injury, but from all
terror, doubt and division.*

John Ruskin

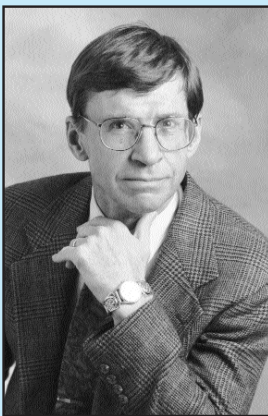


Board Members & CEO

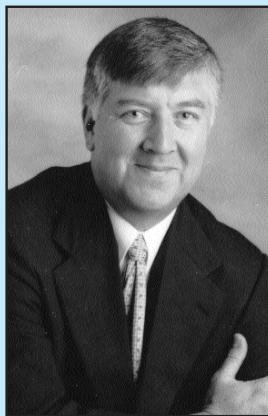


Daniel R. Fauske
CEO/Executive Director

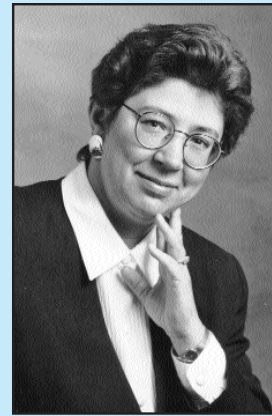
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Board Chair



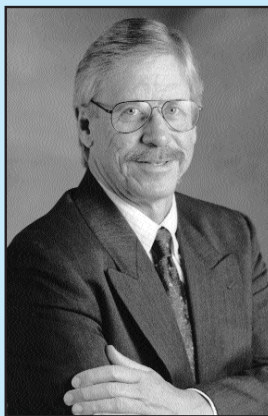
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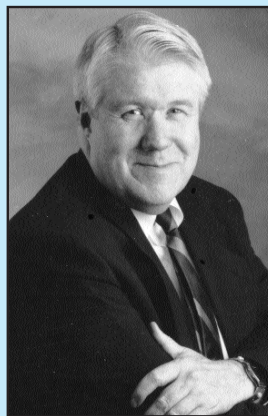
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Economic Development

Letter to Governor

The Honorable Tony Knowles
Office of the Governor
Juneau, Alaska



Dear Governor Knowles:

Dare to Dream! . . . of a better job, a better life, and someday of owning a home. This past year, AHFC provided nearly \$648 million for Alaskans to purchase homes. One of the stories you'll find in this annual report is that of Darryl Jenkins. His dream of home ownership came true with our Veterans Mortgage Program (VMP). Dr. Thomas Bird of Eagle River, John and Janice Poole of Fairbanks, and Gregory and Terry Timeche of Healy were also among the 430 veterans to achieve "the dream" this past year with the VMP.

AHFC participated in StandDown, a two-day event to provide services for homeless veterans who are dreaming of a better life, and we were instrumental in upgrading the housing for our service men and women at Elmendorf Air Force Base. AHFC provided a \$48 million loan to develop the 780 units of military housing.

We're at a time in our history when Alaskans must unite. The dream of safe and affordable home ownership cannot be limited to urban Alaskans. There is a glaring need for better housing conditions and opportunities in rural Alaska. Maintaining housing opportunities for all Alaskans is imperative for the economic viability of all communities across the state.

AHFC's successes this past year include:

- Perfect scores from HUD for our public housing operations
- Improved net income and innovative bond deals
- Applying for and receiving 430 additional vouchers to provide rental assistance to low-income Alaskans
- Helping more than 3,500 Alaskans purchase their first home
- A 12% increase in the number of home loans financed
- An 18% increase in the positive perception of AHFC

Housing remains a key component of healthy families and communities. In spite of our successes, we see many housing needs that should be addressed: veterans, seniors, rural, teachers. With the expertise and financial strength of AHFC, Alaska is well positioned to meet these needs.

AHFC has one stockholder—the State of Alaska. Our goal is to keep AHFC financially viable for many years to come. We look forward to continuing discussions with you and the Alaska Legislature to achieve our goal of keeping the dreams of home ownership alive for the next generation, and the next. . . .

Sincerely,

A handwritten signature in dark ink, appearing to read "Jewel Jones".

Jewel Jones
Board Chair

Sincerely,

A handwritten signature in dark ink, appearing to read "Daniel R. Fauske".

Daniel R. Fauske
CEO/Executive Director



Darryl Jenkins helps four of his seven children with homework in their new home purchased through AHFC's Veterans Mortgage Program.



Fighting for the Right to Dream

"Home ownership has been a dream come true for my family and I," Darryl Jenkins said, speaking at a fall 2000 news conference for the ground breaking of his new Anchorage home. "It is by the goodness of God that in our great country, we have some precious rights: life, liberty, and the pursuit of happiness; freedom of liberty; and the freedom to dream.

"While serving this great country in the U.S. Army, I have experienced the opportunities to fight for those very rights to keep our liberty, our life, with the conquering of the American Dream. Soldiers across the world have fought for that same right and this dream of owning a piece of it is not only possible to me but to them as well."

Darryl and Karen Jenkins arrived at Ft. Richardson Army Base in 1993 and soon decided Alaska was the place to raise their growing family—now seven children, with twins expected in January. While building their dream home, both Darryl and Karen were attending college. Darryl will graduate with an MBA in telecommunications from Alaska Pacific University in May. Although having a family has postponed Karen's journalism career, and the recent pregnancy delayed her graduation until 2003, she says, "I'm still going to have fame and fortune."

The Jenkinses qualified for a low interest rate using AHFC's Veterans Mortgage Program, with an additional reduction under the Interest-Rate Reduction for Low-Income Borrowers feature.

Alaska is one of only five states in the nation able to offer loans under the Veterans Mortgage Program. AHFC financed \$73.2 million in home loans for 430 veterans last year. Authority to issue bonds for this program must receive voter approval. The last vote in 1986 authorized \$600 million. Pending legislative approval, AHFC will ask voters to approve additional bonds in the 2002 general election.



Proud to be a Partner

Housing has already improved for the first 120 families to move into new homes on Elmendorf Air Force Base. The first phase of the \$98.5 million project to upgrade housing on the base was completed this fall. AHFC provided a \$48 million loan to Aurora Military Housing LLC. The private developer will own and manage 828 housing units on base when the project is completed.

During the three-year construction phase, Aurora will build 372 new townhouse-style housing units, renovate 200 housing units, demolish 176 units, and operate 208 units of occupied housing units that were recently renovated.

AHFC welcomed the opportunity to participate in this public/private partnership to provide better housing for the men and women protecting our right to dream.





AHFC is proud to be a partner in this \$99 million project to provide better housing for our military men and women at Elmendorf Air Force Base.





The Dream Comes True for First-Time Buyers



Delores Churchill in the studio of her new Ketchikan home, financed using AHFC's first-time home buyer program, with a lower interest rate through energy-efficiency and low-income features.

"Retirement" for Delores Churchill, after 23 years with the Ketchikan General Hospital, means building a new home—a dream that became a reality the day after Christmas last year.

"Retirement" also means teaching basketry at the University of Alaska Ketchikan, along with a busy international speaking circuit, including a recent slide-show presentation at the British Museum.

After moving to Alaska in 1946, Churchill graduated from Ketchikan High School. She married in 1949 and began working as a maid at the hospital, eventually ending her remarkable career as an assistant to the controller, after attending the University of Chicago and the University of Colorado with the help of a Blue Cross scholarship.

"I love my home," says Churchill. "I could never have afforded it without AHFC. My husband and I owned a big shack in this same spot. This is my first new home."

She combined three of AHFC's popular programs and features—first-time home buyer, energy-efficiency, and low-income borrower—to achieve an interest rate well below market.





The three-bedroom, one-bath home with a big yard is a welcome change from the Dundases' cramped rental. "We finally have something big enough for everyone," says Arnita Dundas, referring to their family of six, including three grandchildren, Tei, 16; TearZa, 8; and Casey, 5.

Dennis Dundas, born and raised in Ketchikan, is semi-retired after years of working in the spruce mill, pulp mill, and for the City of Ketchikan. His wife, Arnita, is a Certified Nurses Assistant at Ketchikan General Hospital.

Ketchikan Indian Corporation supplemented the Dundases' down payment to make this dream of owning their very first home a reality. AHFC's reduced interest rate for low-income borrowers made their monthly payment even more affordable.



Dennis Dundas with granddaughters, Tei and Casey





"We received a call from the Lord Jesus Christ to plant a church in Ketchikan," says George Miller. He and his wife, Marty, moved from White Fish, Montana, in 1997, and he now serves as pastor for the Good News Fellowship nondenominational church. She teaches adult basic education at SouthEast Initiatives Regional Technology in Education Consortium.

The Millers were among the 1,768 Alaskans who last year took advantage of AHFC's Taxable First-Time Home Buyer Program. The taxable program offers lower interest rates for first-time buyers who might not qualify for the tax-exempt program because of its restrictions on purchase price and income. The Millers received an even lower interest rate under AHFC's feature for low-income borrowers.



George and Marty Miller work in the yard of their Ketchikan home purchased under AHFC's Taxable First-Time Home Buyer Program.



Even as the sun peaks out, David and Collette Taylor, with children Taylor, Elias, and Elleanor, bundle up for the inevitable Ketchikan rains. The Taylors purchased their first home using a combination of AHFC programs.

Even the 168 inches of rain Ketchikan receives each year can't dampen the spirits of David and Collette Taylor, who bought their first home this year. "We prayed about making such a big commitment," said David. The house had come on the market just a couple of days before they discovered it was for sale; and when the retirement money from his previous job arrived in the mail, they knew it was meant to be.

The Taylors moved to Ketchikan from Portland, Oregon, in 1999. They had visited Alaska a couple of years earlier, liked it, and already having friends here, decided to pursue job opportunities. David accepted a position with the Ketchikan Gateway Borough, and Collette teaches American Sign Language for the University of Alaska Southeast in Ketchikan.

With AHFC's Taxable First-Time Home Buyer Program, energy upgrades to their 1920-era home, and a reduction for low-income borrowers, the Taylors qualified for an interest rate well below market.





Dreams Fulfilled with Rural and Energy Programs

David Ellington first built their Homer residence 17 years ago, three years after moving to Alaska with his wife, Lisa. Like many Alaskans, they visited here in 1981, fell in love with it, and returned permanently the following year. Sons Leif and Chris were soon born in Homer.

A couple of years ago, David, a builder, decided it was time for a remodel. A refinance of their home under AHFC's Rural Owner-Occupied Loan Program provided the funds to carry out the project at an attractive interest rate.

David and Lisa Ellington, with sons Leif and Chris, make a family project of remodeling their home under AHFC's rural loan program.

Shelley Gill's 30 years in Alaska could fill volumes. A writer since 1983, she is known across the country for her many children's books, including *Danger: The Dog Yard Cat (Last Wilderness Adventure)*. A former Valley newspaper publisher, Gill has raised a dog team and run the Iditarod.

"I was thrilled to see that AHFC would finance a log home," said the former stone mason, who did much of the work, including the fireplace, of her 5*+ home. "I've pretty much lived in log homes since coming to Alaska, and that's what I really wanted to build."

According to Gill, the home is located on what was the Rubin Call homestead. "In the back yard is his old cabin. He used 6" logs that he could lift himself. We used 18" logs that you have to lift with a crane."

Gill purchased the land from the University and is currently working with the U.S. Department of Agriculture to develop a lake for migratory habitat, especially sandhill cranes. "We also have moose and wolves come through," says Gill. She has donated 78 acres for conservation to the Kachemak Heritage Land Trust and plans to use the old homestead cabin and habitat to teach children about Alaska.

Children's book writer Shelley Gill and her daughter, Kye, work in the yard of their new log home in Homer. Gill financed the home using AHFC's rural loan program, securing an even lower interest rate for energy efficiency.



Weatherization Program Saves Energy/Money

Since the Low-Income Weatherization Assistance Program began in 1977, AHFC and its predecessors have awarded more than \$105 million to weatherization sub-grantees to upgrade over 30,000 homes, providing safer, more comfortable and more affordable housing through energy-efficiency, health/safety, and building-durability improvements.

Igiugig was one of the villages served in 2000. Often the people whose lives are affected tell their story best. In a letter dated January 2, 2001, Daniel Salmon, Village Council Administrator, says, "As winter progresses, we have noticed considerable energy savings to local residents. Oil consumption to heat stoves and furnaces for individual homes is greatly reduced...saving families the expense of \$2.69 per gallon oil. This is especially important this year due to weather conditions and low water, subsequently no fuel was delivered to communities in the Iliamna Lake Region by barge delivery. This has resulted in fuel having to be flown by aircraft costing 1/3 more over large bulk barge delivery prices.

"Electrical savings to homeowners with your appliance and fixture upgrades provided added benefit to the community as we have been able to maintain existing, or reduce our electrical loads, (despite a population increase) and therefore operate our smallest generator for greater periods of times... again saving fuel for the utility, and eliminating the need to purchase and store additional quantities as we were having to do every year."

Mr. Salmon went on to thank the crew for their professionalism and efficiency, saying he would highly recommend the service and program to other communities.

AHFC funds helped weatherize nearly twelve hundred homes throughout Alaska last year.





Affordable Rental Housing: Dreams Become Reality for 2,000 Families

Glacier Park, located in Ketchikan, was the first multi-family rental project developed in Alaska using Low-Income Housing Tax Credits. Built in 1987 in the midst of Alaska's recession, vacancy rates were at historic highs, and few new-construction projects were considered feasible. Just one—or maybe two—projects a year were developed under the program until 1994 when vacancy rates dropped below 5% and rents began to increase. Since 1994, we've averaged six projects per year, with the exception of 1995, when just one project was built.

Since the program began, AHFC has allocated \$10,301,127 in tax credits for the development of 2,035 units of multi-family rental housing in 20 communities across Alaska. The tax-credit allocations are available to the developer or investor annually for 10 years, essentially bringing the total tax-credit allocation to more than \$100 million.

Glacier Park in Ketchikan, the first of 50 tax-credit projects developed in Alaska since 1987.



Dreaming of Friends and Future

Boys and girls from public housing and the surrounding neighborhoods find a haven at after-school drop-in programs operated by Camp Fire Boys and Girls. Centers can be found at three of AHFC's public-housing facilities: Loussac Manor in Anchorage and Birch Park and Spruce Park in Fairbanks.

Every child who participates in the program is unique: some love basketball, drama, singing or science experiments, others want socialization, safety, and to make friends. They learn respect for diversity and how to set goals and personal focuses. Centers provide a safe place for children kindergarten age and up. For many children it becomes like a second family.

AHFC provides the facility for the Centers and operating funds through HUD drug-elimination grants.



Camp Fire Boys and Girls operates after-school drop-in programs in AHFC facilities in Anchorage and Fairbanks.



The Dream of a Better Life: A Success Story

AHFC provides rental assistance to nearly 5,400 low-income families in properties we own and through payments to private-sector landlords under the Housing Choice Voucher Program (formerly Section 8).

On December 1, 2000, we heard from Kathleen, a former participant in the voucher program. She said, "I gave notice yesterday that I would no longer need my housing certificate. I have used my AHFC certificate since the summer of 1998. I want to thank you and everyone else, who helped me secure safe, decent and affordable housing."

Kathleen went on to say that before she got her certificate, she had been living in a tent with her two children. "We had been wet, cold and uncomfortable for almost three months. A girlfriend of mine allowed us to pitch the tent on her property. Prior to this we were staying in a woman's shelter."

Kathleen thanked the staff and said they were professional and treated her kindly. "I now have a job that is satisfying and rewarding. I am moving on. I hope the next family that uses the certificate will be as blessed as we have been. Please tell everyone that you work with, thank-you for me."

2001 Highlights



Home Ownership

- Renovated five single-family public-housing units in Anchorage for sale to low-income first-time home buyers
- Increased loan portfolio from 28,325 to 30,239; average delinquency rate remained low at 3.46%; home-ownership rate remained stable at 66.4%
- Increased loan applications from 3,940 to 4,742
- Increased loan purchases to \$647.6 million for 4,816 homes (excluding refinances)
- Provided a new loan of \$3 million under the Loans to Sponsors Program to Anchorage Neighborhood Housing Services. AHFC has a total of \$18,848,869 outstanding in loans to six sponsors, with 573 recipients having benefited from the program.

Rental Housing

- Completed the construction of 15 low-income rental duplexes and a multi-purpose building at Spruce Park in Fairbanks
- Provided grants of \$6,454,147 under the Supplemental Housing Development Grant Program to leverage \$32.2 million in federal funds. The 33 grants to 11 regional housing authorities will facilitate the construction of 198 single-family homes and 68 multi-family units of housing in rural Alaska.
- Constructed a multi-purpose building at Riverbend public-housing development in Juneau
- Completed replacement of seven public-housing units in Valdez
- Completed initial phase of renovations at public-housing facilities in Juneau and Ketchikan
- Completed more than 22 deferred maintenance projects at public-housing facilities throughout the state

Weatherization and Energy

- Provided grants for contractors to weatherize 1,127 homes statewide
- Established 12 direct subcontracts for weatherization work
- Held one round of the Owner-Occupied Rehabilitation Program for weatherization of low-income single-family homes and weatherized 28 homes

Statewide Planning and Research

- Completed the planning and development of the Annual Action Plan for the Housing and Community Development Plan (HCD) and the Annual Performance Report (APR), bringing \$7 million in HUD funds to Alaska annually
- Completed the spring and winter 2001 statewide surveys of homeless service providers
- Compiled data for the *Fall 2000* and *Spring 2001 Alaska Housing Market Indicators*, a comprehensive profile of the Alaska housing market, including construction-cost and rental-market surveys, and loan and home sale price information
- Completed the Annual Update for the Public Housing Agency Plan





Economic Development

- Assisted in creating 156 weatherization jobs statewide
- Assisted in creating 510 local jobs statewide in 33 communities with the Supplemental Housing Development Program

Program Development and Management

- Held two rounds for the GOAL Program for low-income rental housing development, which includes \$21.7 million in federal tax credits and grants for homeownership development and pre-development for senior housing
- Held nine rounds for grants under various programs for homeless, weatherization, housing preservation, supportive housing, low-income home ownership, senior accessibility, operating assistance, and special needs housing
- Awarded 92 grants for a total of \$25 million

Awards and Recognition

- Submitted score of 100% "High Performer" under HUD's Public Housing Assessment System (PHAS)
- Submitted score of 100% under HUD's Section 8 Management Assessment Program (SEMAP)
- Received 2000 Award of Excellence from the Alaska Chapter Public Relations Society of America for Third Place for 1999 Annual Report



Training/Education

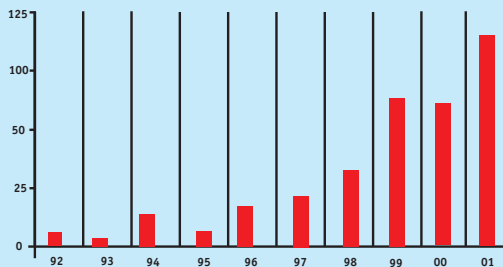
- Coordinated conferences, forums, workshops, and statewide technical assistance training for nearly 1,000 people in various subjects, including housing-development, Affordable Housing Investment to bring the private-sector development community together with non-profits to form partnerships in housing and infrastructure development, housing and homelessness, supportive housing, lead-based paint risk assessment, fair housing, universal design for persons with disabilities, HOME and CDBG programs, computerized home energy ratings, and energy-efficient residential construction
- Established an AHFC Toastmasters Club for staff to improve communication and leadership skills
- Provided more than 300 hours of technical assistance to grantees, applicants, and public- and private-sector requests for statistical information on housing and the housing market
- Coordinated TechNet meetings to update AHFC staff on new construction techniques and products
- Completed video production of *Alaska Log Building Construction Techniques*
- Conducted 198 HomeChoice workshops in 41 communities with 4,464 certificates issued
- Graduated 11 families from the Family Self-Sufficiency Program; 112 participants currently enrolled in the program
- Responded to 4,056 requests for energy and construction information—the highest number on record—from 3,105 users in 56 communities in Alaska and throughout the world
- Sponsored the Cold Comfort Conference. The international conference included speakers and 267 participants from numerous western states and Canada.



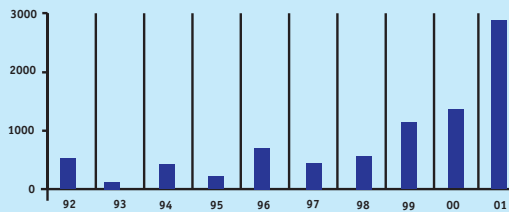
Multi-Family Projects/Units Financed 1992-2001

Fiscal Year	Number of Projects	Units Financed	Dollar Volume
1992	6	592	\$15,355,700
1993	2	41	\$1,705,000
1994	12	522	\$13,501,336
1995	6	246	\$15,763,350
1996	16	776	\$73,012,335
1997	21	460	\$9,939,780
1998	29	532	\$17,519,540
1999	79	1,097	\$34,705,731
2000	76	1,468	\$54,456,876
2001	117	2,976	\$103,847,605

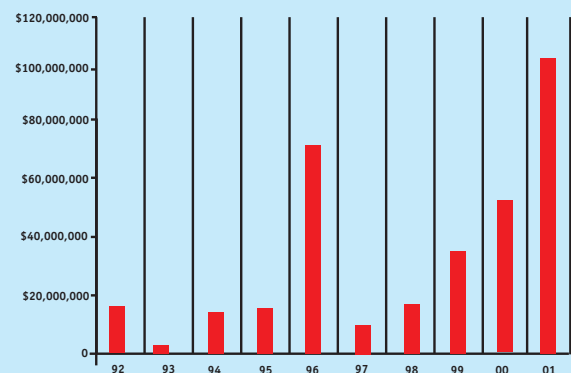
Number of Projects



Units Financed



Dollar Volume





HOME Funds

Fiscal Year	Number of Projects	Units Financed	HOME Funds
1992	1	1	\$57,677
1993	0	0	0
1994	3	36	\$820,636
1995	0	0	0
1996	6	109	\$3,286,884
1997	5	152	\$2,571,906
1998	3	76	\$1,953,585
1999	4	50	\$1,931,692
2000	4	69	\$406,250
2001	6	53	\$1,664,314
Total	32	546	\$12,692,944

Senior Citizen Housing Development Funds

Fiscal Year	Number of Projects	Units Financed	SCHDF Funds
1994	5	126	\$2,197,671
1995	0	0	0
1996	1	13	\$773,150
1997	2	40	\$1,484,807
1998	5	127	\$3,046,239
1999	1	8	\$156,250
2000	1	26	\$675,000
2001	3	39	\$2,030,521
Total	18	379	\$10,363,638

Low-Income Housing Tax Credit Projects

Fiscal Year	Units Financed	Number of Projects	Tax Credits Allocated
1987	22	1	\$62,307
1988	0	0	0
1989	107	2	\$210,937
1990	16	1	\$54,498
1991	23	1	\$71,575
1992	39	2	\$162,594
1993	55	2	\$154,369
1994	297	6	\$2,027,521
1995	87	1	\$783,651
1996	238	7	\$898,315
1997	120	4	\$568,093
1998	195	6	\$1,105,395
1999	61	4	\$674,860
2000	610	7	\$1,443,975
2001	165	6	\$2,083,037
Totals	2,035	50	\$10,301,127



Loan Programs Statistics



Programs	Number of Loans	Dollar Volume
Taxable	2,042	\$309,431,425
Tax-Exempt First-Time Home Buyer	1,764	\$176,696,601
Taxable First- Time Home Buyer	1,768	\$269,903,909
Veterans Mortgage	430	\$73,184,764
Rural Enhanced Loan Program	17	\$2,540,633
Streamline Refinance	41	\$3,735,028
Interest-Rate Reduction for Low-Income Borrowers	1,527	\$154,505,022
Energy-Efficiency Interest-Rate Reduction	1,230	\$190,011,485
New Urban Loans (excludes refinances)	4,238	\$559,496,090
New Rural Loans (excludes refinances)	578	\$88,135,244

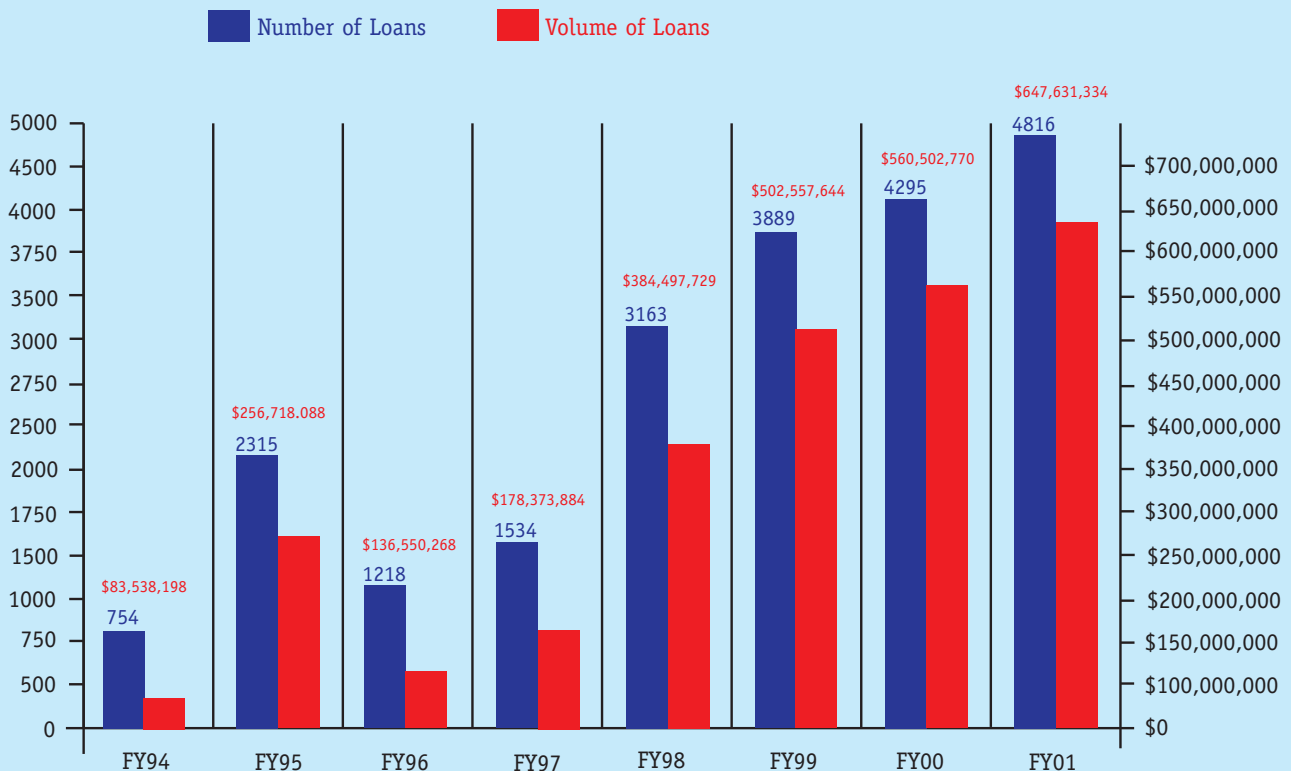


Borrower & Program Average Comparison FY01

	All Programs	Taxable excluding TFTHB	Tax-Exempt First-Time Home Buyer	Taxable First-Time Home Buyer	Veterans
Total Number of Loans	4,509	220	1,731	1,718	411
Sales Price	\$145,494	\$165,422	\$109,496	\$162,063	\$188,757
Loan Amount	\$132,686	\$136,011	\$99,943	\$152,500	\$168,890
Loan-to-Value Ratio	90.79%	92.30%	89.89%	93.51%	91.02%
Interest Rate	6.423%	7.065%	5.636%	7.031%	6.545%
P & I Payment	\$853	\$1,019	\$584	\$1,028	\$1,090
Monthly Income	\$4,791	\$5,514	\$3,140	\$5,490	\$6,911
Age of Borrower	37	37	34	36	50
Household Size	3	3	2	3	2



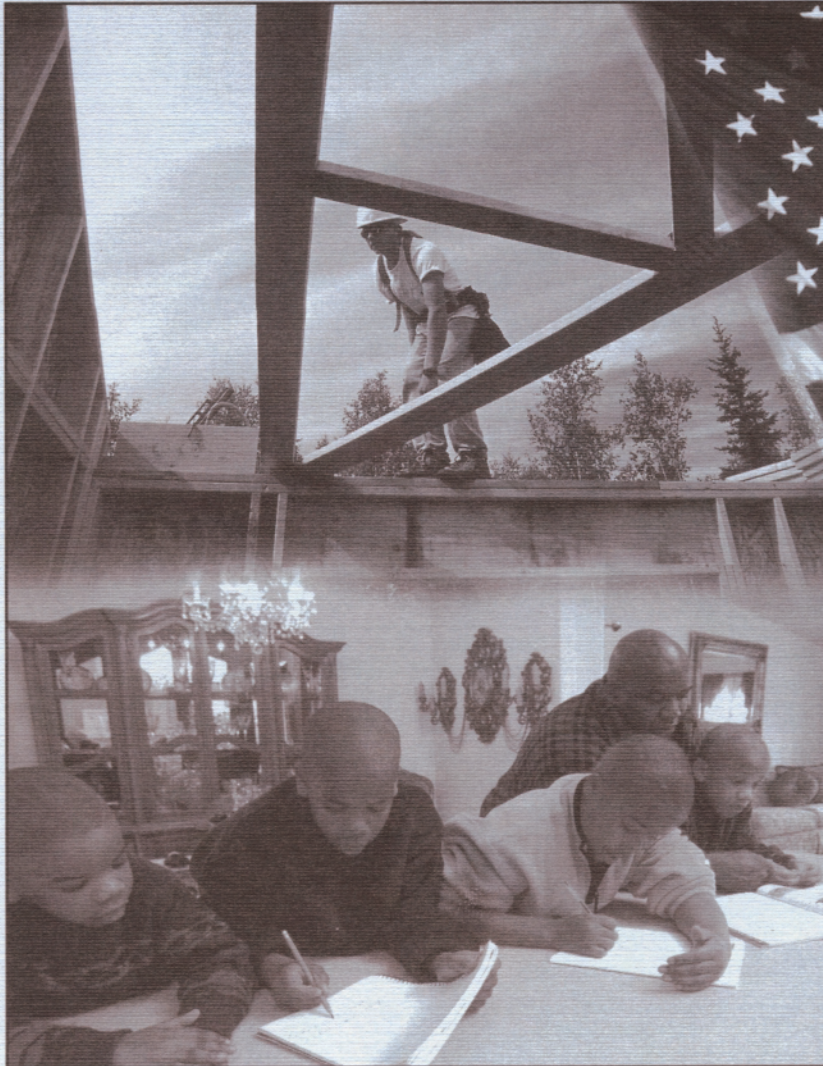
Total AHFC Loans Purchased (excluding refinances)



AHFC Employees



Phill Adams · Sandra Amox · Ross Anderson · Roy Anderson · Steve Anderson · Griselda Andujar · Marge Arnold · Janelle Ashley · Steve Ashman · Debra Athan · Sue Ayers · Brian Baines · Barbara Baker · Nancy Barnacle · Linda Barrows · Stuart Barrows · Kristian Beckner · Toni Bell · Vince Benjamin · Ineke Benkers · Tony Berdahl · Barry Billings · Barbara Bitney · John Bitney · Martha Blanchett · Permelia Boatman · Cary Bolling · Peter Bonadurer · Janice Booth · Genie Borgford · Kari Bowers · Debbie Boyce · Bob Brean · Nick Brewer · Danny Brown · Edgar Brown · Kelley Brown · Sue Buchholz · Linda Bueltmann · Mike Buller · Mimi Burbage · Willy Burnett · Toni Butler · Donald Cain · Doreen Calahan · Les Campbell · Lucy Carlo · Jenna Carp · Marion Carter · Nola Cedergreen · Ed Chan · Cera Choi · Naomi Christensen · Chris Christley · Jim Clark · Patrick Cochran · Colin Coker · Malina Colon · Esther Combs · Grace Concepcion · Jenny Coppola · Ann Cothron · Mike Courtney · Gerry Cox · Kim Coy · Nancy Crockett · Leslie Cross · Doc Crouse · Cheryl Curtis · Mike David · Bernard Davis · Danny Davis, Jr. · Laura Davis · Maria DeBaun · Sarah De Jesus · Steve DeBusk · Linda Demientieff · John DeMott · Judith DeSpain · Gerry Deta · Vicki Bourque Diamond · Marlon Dimatulac · Jeff Doll · Sherrylee Dovolos · Gwendolynn Drake · Joe Dubler · Luan Dudley · Kris Duncan · Gloria Dunmore · Pam Duran · Steve Eastlake · Sheila Edward · Henry Elizarde · Diane Erwin · Gregory Evans · Diane Faude · Martin Faulkner · Dan Fauske · Diane Ferguson · Gail Fesler · David Finley · Zarie Flemig · Virgiale Florez · Michele Foley · Melissa Ford · Les Forbes · Victor Forrester · Roxanne Frank · Karen Fredericks · Laura Galiher · Susan Garrett · Gudrun Gayman · Dave Gildersleeve · Brenda Glaze · Joseph Gleaton · John Glidden · David Gonzales · Paula Graber · Debbie Grizzle · Marc Grober · Jim Gurke · Bruce Gwalhthney · Jill Haag · Peter Haines · Betty Hall · Sheryl Hall · Lynn Hallford · Linda Hamilton · Amber Hansen · Paul Hansmeyer · Cynthia Hanson · Jeri Harris · Judy Harris · Kurt Hartman · Steve Hatzis · Eric A. Havelock · Christopher Haynes · Jean Henderlong · Amy Hiley · Candace Hiner · Linda Hobert · Elaine Hodl · Joan Hodson · Eric Hoffman · Elaine Hollier · Shannon Hollier · Marjorie Holt · Laurie Holte · Marilyn Holvoet · Tammy Hunter-Greco · Pam Huyck · Deborah Inama · Arturo Irizarry · Gary Isaacson · Jessie Jackson · Kim Jakeway · Tammie James · Harvey Jennings · Denise Jewell · Judy Johnson · Anna Jolliff · liljones · Gay Jurgensen · Paul Kapansky · Bob Kelly · Jacqueline Kelly · Shelly Kice · Joseph Kilian · Kasey Kim · Michael Kincaid · Terry Kincaid · Marci Knight · Gerri Koechling · Robert Koski · Daniel Kuntze · La-Von Landis · Maureen Lavoie · Margaret Lawson · Kathy Lepley · James Lester · Steve Lewis · Wilda Libby · Anne Liddelow · Kelli Lindahl · JoAnn Lipps · Aleshia Lockhart · Beverly Lopez · Christopher Lysne · Christie George Maiden · David Maiden · Debra Manzo · Diane March · Charles Martin · Monica Martinez · John Massey · Bernie Massin · Cindy Mathias · Mary Ann Mattera · Mary Matthews · Jim McCall · Dave McDowell · Peggy McGuire · Gwen McKee · Megan Mercier · Teeny Metcalfe · Teresa Meyers · Joyce Michaelson · Andy Montoya · Latoya Moore · Ken More · Ilene Morin · Jim Morris · Bette Morrison · Maude Morse · Jimmie Nelson · Paula Nelson · Timothy Nelson · Janet Niemann · James Nitchman · Jeanie Nixa · Stanley Olchowski · Alexander Oliphant · Eva O'Malley · Judy Ondeck · Kyle Orr · Linda Packard · Sandra Palmer · Cheryl Parker · James Parson · Cheryl Patterson · Bill Pellman · Victor Peralta · Michael Phelps · Bob Pickett · Harold "Hap" Pierce · Monica Pirrotta · Hess Poland · Sally Poland · Kassye Potter · Ana Poulivaati · Jacklyn Radie · Elsie Rado · John Randall · Roy Range · Dewey (Raymond) Ransom · Terri Ready · Anna Margaret Rear · Carma Reed · Greg Reed · Sheila Reese · James Rheault · Donnis Richard · Carol Richards · Rosie Ricketts · Nadine Robertson · Patrick Rodey · Fay Romer · Mark Romick · Anita Rosett · Ray Rouzan · Patti Ruppert · Holly Rutka · Jenifer Santos · Karen Savage · Fina Schlosser · Carol Schumacher · Roxanne Schwindt · Brian Seim · Terry Shepard · Tom Siegrist · Dave Silva · Sherrie Simmonds · Debbie Sims · Amy Sjodin · Herman Smith · Melanie Smith · Michelle Snook · Vickie Snelgrove · Konni Snyder · Dreilin Sosa · Cindi Sowder · Cyndy Speight · Jon Stachelrodt · Bobbie Stallone · Norma Stanford · Cathy Stanley · Pamela Stantorf · Tammy Steele · Rutha Stone · Michael Strand · Mike Sullivan · Jose Sumbat · Robbie Tabios · Pola Takher · Dolores Tamagni · Don Taylor · Scott Taylor · Gary Teague · Robenett Terrell · Brad Thomas · Tracy Thornton · Sheryl Tichenor · Brenda Tomuro · R. Kevin Tune · Glen Turner · Ray Utter · Richard VanCamp · Marlin Vanduisen · Barbara Venarchick · Rodney Vitt · Karl Voiles · Douglas Wade · Mark Ward · Reggie Ward · Scott Waterman · Ron Wehrli · Wes Weir · Douglas Wells · Harvey Wheaton · Richard Whitehead · James Wiedle · Cal Williams · Vicki Williams · Victoria Wilson · Kelly Windom · Duane Wise · Buncha Wongkritwit · Greg Wood · Susan Woodard · James Wright · Laurie Wright · Joseph Yaletchko · Gerni Yambao · Cherie Young ·



2001

Financial Section

FINANCIAL HIGHLIGHTS

Alaska Housing Finance Corporation (AHFC) issued a total of \$293,620,000 of debt during the year ended June 30, 2001, to continue its various lending programs and to fund State capital projects. As of June 30, 2001, \$2.908 billion in debt was outstanding. The following table summarizes the debt issued during FY01:

Title & Amount of Bond Issue	Ratings: S&P/Moody's/ Fitch	Date Issued	Program/ Project Funded	Tax Status
\$156,635,000 Mortgage Revenue Bonds \$58,315,000 2000 Series A (Non-AMT) \$3,795,000 2000 Series B (Non-AMT) \$68,785,000 2000 Series C (AMT) \$25,740,000 2000 Series D (Taxable)	AAA/Aaa/AAA (Ambac Insured)	14-Nov-00	Tax-Exempt First Time Homebuyer Program	Tax Exempt & Taxable
\$62,450,000 Housing Development Bonds \$20,745,000 2000 Series A (AMT) \$41,705,000 2000 Series B (Non-AMT)	AA-/A-1+; Aa2/VMIG1; AA+/F1+	13-Dec-00	Multi-Family, Special Needs & Congregate Housing	Tax Exempt
\$74,535,000 State Capital Project Bonds \$61,115,000 2001 Series A-1 (Non-AMT) \$13,420,000 2001 Series A-2 (Non-AMT)	AAA/Aaa/AAA (MBIA Insured)	8-Feb-01	State Capital Projects	Tax Exempt

AHFC Reports Increase in Net Income for Fiscal Year 2001

AHFC posted net income of \$96,353,000 for FY01, up 18% from FY00 and 21% from FY99. This included a 13% increase in mortgage-loan interest, resulting from a 16% increase in net mortgage loans from the prior fiscal year.

AHFC Transfers Funds to the State of Alaska

The 1998 Legislature adopted legislation authorizing approximately \$224 million in capital project bonds of the Corporation to finance state capital projects. The legislation stated that the intention was that the sum of withdrawals for repayment of bonds, for transfer to the State's general fund, and for corporate-funded capital projects should not exceed the Corporation's net income for the preceding year.

The 2000 Legislature adopted legislation authorizing the issuance of bonds in sufficient amounts to fund the construction of various State capital projects, and extending the Transfer Plan to 2008. The Corporation views passage of the 1998 and 2000 legislation as a continuation of the plan of the legislature, stated in its legislative intent in 1995, to authorize \$103 million annually until the year 2008.

As of June 30, 2001, the Corporation has issued \$196,345,000 principal amount of State Capital Project bonds pursuant to the 1998 Act, and \$74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, and has completed its issuance authority under the Acts.

State Capital Project Bonds, 2001 Series A

In February 2001, the Corporation issued \$74,535,000 in State Capital Project Bonds, which will provide financing for capital projects throughout the State of Alaska. These projects include the construction and renovation of university facilities, port and harbor facilities, vocational-educational facilities, and public-housing facilities. The underlying ratings on the bonds were based upon the Corporation's General Obligation, and debt service payments on the bonds will be made from the General Account of the Revolving Fund.

Northern Tobacco Securitization Corporation

The 2000 Legislature authorized the Corporation to form a subsidiary for the purpose of purchasing from the State 40% of the revenues to be received from the Master Settlement Agreement between major tobacco producers and the State of Alaska (together with 45 other states and certain U.S. territories). The proceeds of that purchase were to be raised through the sale of bonds and were to be used to pay for state capital projects.

In October 2000, the Corporation created a new subsidiary, the Northern Tobacco Securitization Corporation ("NTSC"). Also in October, NTSC sold \$116,050,000 of Tobacco Settlement Asset-Backed Bonds, Series 2000. The net proceeds of \$93,000,000 were made available for the capital projects authorized by the Legislature.

The 2001 Legislature authorized NTSC to purchase an additional 40% of the tobacco-settlement revenues for \$109,942,839, and to issue bonds to provide the purchase price, which would be used for additional State capital projects.



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Anchorage, AK 99501-2258

Independent Auditors' Report

The Board of Directors
Alaska Housing Finance Corporation:

We have audited the accompanying combined balance sheet of Alaska Housing Finance Corporation as of June 30, 2001, and the related statements of revenues and expenses, cash flows, and changes in equity for the year then ended. These financial statements are the responsibility of Alaska Housing Finance Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying combined financial statements of Alaska Housing Finance Corporation as of June 30, 2000, were audited by other auditors whose report thereon dated September 15, 2000, expressed an unqualified opinion on those statements.

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

In our opinion, the 2001 financial statements referred to above present fairly, in all material respects, the financial position of Alaska Housing Finance Corporation as of June 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

September 14, 2001



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

EXHIBIT A

COMBINED BALANCE SHEETS
(in thousands)

	JUNE 30	
ASSETS	2001	2000
Cash	\$13,642	\$8,520
Investments	1,457,510	1,786,242
Mortgage loans and mortgage-backed securities, net	3,114,821	2,673,689
Mobile home loans, net	4,250	6,149
Notes receivable	31,085	32,124
Accrued interest receivable	24,395	25,180
Net investment in direct financing lease	39,150	40,528
Unamortized bond issuance costs	26,263	25,097
Due from other funds	150,332	96,982
Real estate and mobile homes owned	472	652
Property and equipment at cost, net	95,619	90,264
Other assets	23,631	22,378
	\$4,981,170	\$4,807,805
LIABILITIES AND FUND EQUITY		
Liabilities:		
Bonds and notes, net of discounts	\$2,898,024	\$2,699,419
Commercial paper	110,426	126,680
Securities sold under agreements to repurchase	-	87,497
Accrued interest payable	16,426	15,376
Due to other funds	150,332	96,982
Accrued expenses and other liabilities	32,285	29,496
Total liabilities	3,207,493	3,055,450
Commitments and Contingencies (Notes 8, 11, 12, 14, 15, 17, 18, 20 and 22)		
Fund equity:		
Contributed capital	425,555	500,586
Retained earnings	1,348,122	1,251,769
Total fund equity	1,773,677	1,752,355
	\$4,981,170	\$4,807,805

See accompanying notes to combined financial statements.

Exhibit B

COMBINED STATEMENTS OF REVENUES AND EXPENSES
(in thousands)

	YEARS ENDED JUNE 30	
REVENUES	2001	2000
<i>Interest and Investment Income:</i>		
Mortgages and loans	\$204,084	\$180,656
Investments	108,303	111,936
Net change in the fair value of investments	3,524	(3,562)
Insured real estate owned	146	65
	316,057	289,095
Rental and lease income	6,920	7,003
Other income	2,483	1,097
Settlement income	7,200	-
Externally funded program revenues	43,508	34,091
TOTAL REVENUES	376,168	331,286
EXPENSES		
Interest	172,373	159,672
Mortgage service fees	11,335	9,844
Operations and administration	31,997	30,282
Trustee fees, insurance and financing costs	6,047	3,732
Provision for loan losses	8,124	8,017
Write down and expenses associated with real estate and mobile homes owned	503	93
Grants and subsidies	39,161	32,171
Rental housing operating expenses	10,275	9,954
TOTAL EXPENSES	279,815	253,765
Net income before cumulative effect of accounting change	96,353	77,521
Cumulative effect of accounting change	-	4,281
NET INCOME	\$96,353	\$81,802

See accompanying notes to combined financial statements.

COMBINED STATEMENTS OF CASH FLOWS
(in thousands)

	YEARS ENDED JUNE 30	
	2001	2000
OPERATING ACTIVITIES		
Net income before cumulative effect of accounting change	\$96,353	\$77,521
Removal of non-operating activity:		
Investment interest income	(101,849)	(107,214)
Net change in fair value of investments	(3,524)	3,562
Interest on bonds and other debt	170,320	157,214
Net operating income	161,300	131,083
Adjustments to reconcile net operating income to net cash used by operating activities:		
Depreciation expense	5,455	5,684
Net amortization of discounts and bond issuance costs	3,415	3,801
Acquisition of loans and notes receivable	(760,087)	(631,628)
Loan principal repayments and reduction in real estate and mobile homes owned	314,105	265,520
Increase in mortgage and notes interest receivable	(1,997)	(1,163)
Increase (decrease) in other liabilities and assets	1,856	(30,903)
Increase in allowance for loan losses, net of charge offs	8,115	7,681
Net expenses for (recovery of) real estate and mobile homes owned	(147)	(1,008)
Receipt of federal rent subsidies	16,338	13,874
Payment of federal rent subsidies	(16,690)	(13,897)
NET CASH USED BY OPERATING ACTIVITIES	(268,337)	(250,956)
NONCAPITAL FINANCING ACTIVITIES		
Net proceeds from issuance of commercial paper and securities sold under agreements to repurchase	756,086	1,574,928
Net principal retirement of commercial paper and securities sold under agreements to repurchase	(859,678)	(1,644,653)
Interest payments on commercial paper and securities sold under agreements to repurchase	(8,530)	(14,609)
Net proceeds from sale of mortgage bonds	295,042	881,082
Bond issuance costs paid	(2,097)	(6,575)
Principal payments on mortgage bonds	(100,620)	(428,315)
Interest payments on mortgage bonds	(159,140)	(137,651)
Contributed capital repaid to State of Alaska	(75,031)	(102,022)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(153,968)	122,185

EXHIBIT C (CONTINUED)

COMBINED STATEMENTS OF CASH FLOWS
(in thousands)

	YEARS ENDED	
	JUNE 30	
	2001	2000
CAPITAL FINANCING ACTIVITIES		
Capital asset purchases	(10,810)	(11,621)
Direct financing lease payments	3,550	1,000
Principal payments on capital bonds and notes	(23)	(23)
Interest payments on capital bonds and notes	(5)	(5)
Contributed capital - federally funded	-	2,846
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(7,288)	(7,803)
INVESTING ACTIVITIES		
Purchases of investments	(7,017,107)	(8,874,566)
Maturities of investments	7,349,388	8,903,494
Interest received from investments	102,434	105,307
NET CASH PROVIDED BY INVESTING ACTIVITIES	434,715	134,235
Increase (decrease) in cash	5,122	(2,339)
Cash at beginning of year	8,520	10,859
CASH AT END OF PERIOD	\$13,642	\$8,520

Noncash Investing, Capital and Financing Activities

The Corporation had noncash activities as follows (in thousands):

Activity	June 30, 2001	June 30, 2000
Interfund asset transfers	\$131,815	\$340,313
Amortization of Investment in Direct Financing Lease	-	1,095
Removal of capitalized soft costs	-	23,548
HUD debt reclassified	-	5,242

See accompanying notes to combined financial statements.

EXHIBIT D

COMBINED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Total Equity	State Capital Contributions	Federal Capital Contributions	Retained Earnings
Balance, June 30, 1999	1,788,035	520,188	97,880	1,169,967
HUD debt reclassified	5,242	-	5,242	-
HUD modernization & development	2,846	-	2,846	-
Removal of capitalized soft costs	(23,548)	-	(23,548)	-
Returned to State of Alaska	(102,022)	(102,022)	-	-
Net income	81,802	-	-	81,802
Balance, June 30, 2000	\$1,752,355	\$418,166	\$82,420	\$1,251,769
Returned to State of Alaska	(75,031)	(75,031)	-	-
Net income	96,353	-	-	96,353
Balance, June 30, 2001	\$1,773,677	\$343,135	\$82,420	\$1,348,122

See accompanying notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR YEARS ENDED JUNE 30, 2001 AND 2000

1 AUTHORIZING LEGISLATION AND FUNDS

The Alaska Housing Finance Corporation (Corporation), a public corporation and government instrumentality of the State of Alaska, was created in 1971, and substantially modified in 1992, by acts of the State of Alaska Legislature (Legislature) to assist in the financing, development and sale of dwelling units, operate the State's public housing, offer various home loan programs emphasizing housing for low-and moderate-income and rural residents, and administer energy efficiency and weatherization programs within Alaska.

Generally, the Corporation accomplishes its mortgage-related objectives by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. The Corporation is authorized, as approved by the Legislature, to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. Certain bonds issued to finance residences for qualified veterans are unconditionally guaranteed by the State of Alaska. No other obligations constitute a debt of the State.

The non-mortgage related programs of the Corporation are funded through various grant and program agreements with the federal government's departments of Housing and Urban Development (HUD), Energy (DOE), and Health and Human Services (HHS), as well as capital and operating subsidies from the Corporation's own funds.

During the second quarter of fiscal year 2001, Northern Tobacco Securitization Corporation (NTSC) was incorporated in the State of Alaska in pursuant to House Bill No. 281 of the Alaska Legislature. As a subsidiary of the Corporation, NTSC is a government instrumentality of, but separate and apart from, the State of Alaska. There is no financial accountability between NTSC & the Corporation. Neither the Corporation nor the State is liable for any debt issued by NTSC. NTSC is not a component unit of the Corporation and thus not included in the Corporation's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial activities of the Corporation, which are restricted by the Corporation's bond resolutions, requirements from the Legislature, HUD, DOE, and HHS program agreements, are recorded in various special purpose funds and accounts as specified in such instruments or necessitated by appropriation requirements. In general, financial activities and resulting account balances which are not so restricted are recorded in the General Account of the Revolving Fund. The Corporation's funds are considered to be proprietary funds for financial reporting purposes with revenues recognized when earned and expenses when incurred. The Corporation applies all Governmental Accounting Standards Board's (GASB) Statements and interpretations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Unrestricted Activities

The General Account of the Revolving Fund consists entirely of the Corporation's unrestricted assets, liabilities, equity and results of operations.

Investments

All investments are stated at fair value, except for nonparticipating investment agreements, which are stated at cost. The Corporation does not participate in any external investment pools.

Loans

Mortgage loans are carried at their unpaid principal balances net of allowance for estimated loan losses. Under previous agreements, the Corporation exchanged mortgages for mortgage-backed securities (MBSs) with Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC) and issued mortgage certificates guaranteed by the Government National Mortgage Association (GNMA). MBSs received in exchange for mortgages and those issued by the Corporation under its MBS program are carried at the unpaid principal balance of the underlying mortgage loans, net of related allowances.

NOTES TO COMBINED FINANCIAL STATEMENTS

Real Estate and Mobile Homes Owned

Real estate and mobile homes owned consist principally of properties acquired through foreclosure or repossession and are carried at the lower of cost or estimated net realizable value.

Accrued Interest Receivable on Loans and Properties

Interest is accrued based upon the principal amount outstanding. Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest becomes doubtful. When payment of interest is provided for pursuant to the terms of loan insurance or guarantees, accrual of interest on delinquent loans and real estate owned is continued.

Allowances for Estimated Loan Losses

The Corporation provides for possible losses on loans anticipated to be foreclosed upon. A potential loss is recorded when the net realizable value, or fair value, of the related collateral or security interest is estimated to be less than the Corporation's investment in the property less anticipated recoveries from private mortgage insurance, private credit insurance, and various other loan guarantees. In providing for losses, through a charge to operations, consideration is given to the costs of holding real estate, including interest costs. The loan portfolio, property holding periods and property holding costs are reviewed periodically. While management uses the best information available to make evaluations, future adjustments to the allowances may be necessary if there are significant changes in economic conditions or property disposal programs.

Amortization and Depreciation

Discount and issuance expenses on debt are deferred and amortized using the interest method over the life of the related bond issue, ranging from 30 to 40 years.

Depreciation and amortization of buildings, equipment, leasehold improvements and intangible assets are computed on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 3 to 40 years. The capitalization floor is \$5,000.

Bonds and Notes

The Corporation issues bonds and notes to provide capital for its mortgage programs, and other uses consistent with its mission. The bonds and notes are recorded at cost plus accreted interest and premiums, less discounts and deferred debt refunding expenses. Discounts and premiums are amortized using the effective interest method. Deferred debt refunding expenses are amortized over the shorter of the remaining life of the old debt, or the remaining life of the new debt.

Income Taxes

The Corporation is exempt from federal and state income taxes.

Reclassifications

Certain prior-year balances have been reclassified to conform to the current period presentation.

Accounting Change

Prior to fiscal year 2001, the Corporation had adopted the provision under GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting* to follow all applicable FASB statements and interpretations issued after November 30, 1989, except for those that conflict with, or contradict GASB pronouncements. As permitted by Statement 20, the Corporation has determined that the preferred method of accounting is to follow GASB and elected not to adopt any FASB Statements issued after November 30, 1989 unless the GASB specifically adopts the FASB pronouncement. The change took place in fiscal year 2001 retroactively to the original election date.

With respect to proprietary activities, the differences in theory and practice in accounting and financial reporting between public business types and the private sector has been shrinking due to new GASB pronouncements, i.e. new basic financial statements required by GASB Statement No. 34. The Corporation has determined that the impact of the change on the combined financial statements and related disclosures is not significant.

GASB Statement No. 33

In December 1998, the Government Accounting Standards Board (GASB) issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Statement 33 established accounting and financial reporting standards to guide state and local governments' decisions about how and when (in which fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. The Corporation adopted Statement 33 for the year ended June 30, 2001. This resulted in a minor change of \$3.7 million being moved from Contributed Capital to Externally Funded Revenues for HUD reimbursements for modernization and development expenditures on public housing facilities in the current year.

NOTES TO COMBINED FINANCIAL STATEMENTS

GASB Statement No. 34

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis*. The Statement establishes new financial reporting requirements (new reporting model) for state and local governments. The Corporation is required to adopt Statement 34 for the year ending June 30, 2002. The adoption of Statement 34 will require the Corporation to make several changes to the presentation of its basic financial statements and footnotes in addition to requiring the presentation of a new section called Management's Discussion and Analysis (MD&A). The new reporting model will help clarify and enhance information available in the financial statements for the citizenry, oversight bodies, investors and creditors.

GASB Statements No. 37 & 38

In June 2001, the GASB issued Statement No. 37 *Basic Financial Statements-and Management's Discussion and Analysis: Omnibus, an amendment of GASB statements No. 21 and No. 34*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement 37 modifies the requirements of Statement 34 which includes changing the minimum level of detail required for business-type activities in the statement of activities from segments to different identifiable activities. Statement 38 modifies or rescinds disclosure requirements that were effective before 1995, while establishing others. The Corporation is required to adopt Statements 37 & 38 for the year ended June 30, 2002.

3 CASH

Cash consists of demand deposits, time deposits and uninvested trust account balances. For purposes of the statement of cash flows the Corporation considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash. A summary of the Corporation's cash follows (in thousands):

	June 30, 2001	June 30, 2000
Restricted	\$10,107	\$2,108
Unrestricted	3,535	6,412
Carrying amount	\$13,642	\$8,520
Bank balance	\$15,356	\$9,443

4 INVESTMENTS**Custodial Credit Risk**

The Corporation assumes levels of custodial credit risk for its cash, deposits with financial institutions, bank investment agreements and investments. Cash and bank investment agreements are categorized as: 1) insured by federal depository insurance or collateralized by securities held by third parties in the Corporation's name; 2) uninvested in trust and other accounts collateralized with securities held by bank trust departments, but not in the Corporation's name; and 3) uninsured and un-collateralized. Investments are categorized as: 1) insured, registered, or held by the Corporation or its agent in the Corporation's name; 2) uninsured and unregistered, held by the counter party's trust department or agent in the Corporation's name; and 3) uninsured and unregistered investments that are held by a counter party, or by its trust department or agent, but not in the Corporation's name.

NOTES TO COMBINED FINANCIAL STATEMENTS

The bank balance of the Corporation's cash, bank investment agreements, and investments is categorized below (in thousands):

	Category 1	Category 2	Category 3	June 30, 2001	June 30, 2000
Cash	\$15,356	-	-	\$15,356	\$9,443
Bank investment agreements	\$-	\$127,217	\$92,050	\$219,267	\$288,867
U.S. Treasury securities	13,591	18,671	-	32,262	80,408
Securities of U.S. Government agencies and Corporations	250,850	86,218	-	337,068	347,206
Asset-backed securities	47,998	14,569	-	62,567	95,657
Certificates of Deposit	15,000	-	-	15,000	15,110
Commercial paper & medium term notes	148,900	330,392	-	479,292	410,388
Subtotal	476,339	449,850	-	926,189	948,769
	\$476,339	\$577,067	\$92,050	1,145,456	1,237,636
Investment agreements				235,897	350,886
Collateral for reverse repurchase agreements				-	87,497
Money market funds				76,157	110,223
Total investments				\$1,457,510	\$1,786,242

Investment Policies

Investments of trusted funds are made under terms of the indenture or agreement which applies to each pool of funds. Permitted investments may differ with each bond issue or other agreement. The Corporation's fiscal policies govern unrestricted funds and securities. The following are eligible for investment thereunder; however, individual indenture or agreement restrictions may not permit all of the following investments in any one pool of funds:

- Obligations of the United States or any agency or instrumentality thereof;
- Debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances of, and deposits with, any bank the short-term obligations of which have been rated at least "A-1" by S&P or "P-1" by Moody's;
- Deposits in and investments of a commercial bank or credit union which are fully insured by the FDIC or NCUA or that provide for the pledge of collateral maintained at a minimum level of 105%;
- Debt obligations, other than those that do not have a fixed par value or terms that do not promise a fixed dollar amount at maturity or call date, rated at least "AA" by S&P or "Aa" by Moody's;
- Repurchase Agreements (repos) with a corporation or other entity which has long-term debt ratings of at least "A" by S&P or "A" by Moody's or short-term ratings of at least "A-1" by S&P or "P-1" by Moody's and where the collateral is maintained at a minimum level of 102%;
- Money market funds which are rated at least "AAm" or "AAM-G" by S&P or "Aa" by Moody's;
- Investment agreements or guaranteed investment contracts with financial institutions having outstanding unsecured long-term obligations rated, or a claims paying or investment agreement rating, at least "AA" by S&P or "Aa" by Moody's;
- Floating rate notes issued by entities having outstanding unsecured long-term obligations rated "AA" by S&P or "Aa" by Moody's, and with interest rates subject to adjustment no less frequently than every 90 days, and a maximum maturity of three years or less;
- Adjustable rate funds, provided they are rated "AAA" credit and "aaa" volatility by S&P and "Aaa" by Moody's;
- International Bank for Reconstruction & Development debt obligations rated "AAA" by S&P or "Aaa" by Moody's.

NOTES TO COMBINED FINANCIAL STATEMENTS

Investment Term

The fair value of debt security investments by contractual maturity is shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2001	June 30, 2000
Due in one year or less	\$1,216,458	\$1,425,804
Due after one year through five years	241,052	327,079
Due after five years through ten years	-	1,303
Due after ten years	-	32,056
	<u>\$1,457,510</u>	<u>\$1,786,242</u>

Realized Gains and Losses

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current period may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments included in the table below takes into account all changes in fair value (including purchases and sales) that occurred during the period. A summary of the gains and losses follows (in thousands):

	Year Ended	
	June 30, 2001	June 30, 2000
Net increase (decrease) in Fair Value	\$3,524	(\$3,562)
Ending unrealized gains	\$8,768	\$7,187
Net realized gains (losses)	<u>\$1,943</u>	<u>(\$1,077)</u>

5 MORTGAGE LOANS AND MORTGAGE-BACKED SECURITIES

A summary of mortgage loans and mortgage-backed securities follows (in thousands):

	June 30, 2001	June 30, 2000
<u>Mortgage Loans:</u>		
Pool insured	\$48,512	\$58,593
Federally insured or guaranteed	1,377,677	1,134,777
Other	1,689,312	1,444,411
<u>Mortgage-backed Securities issued by the Corporation:</u>		
FNMA	20,674	30,122
GNMA	69,534	85,352
FHLMC	10,013	12,556
	<u>3,215,722</u>	<u>2,765,811</u>
<u>Less:</u>		
Allowance for loan losses	(100,901)	(92,122)
Net Mortgage loans and mortgage-backed securities	<u>\$3,114,821</u>	<u>\$2,673,689</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

Other supplemental loan information is summarized in the following table (in thousands):

	June 30, 2001	June 30, 2000
<u>Delinquencies and Foreclosures:</u>		
Loans delinquent 30 days or more	\$100,047	\$85,143
Foreclosures during period	3,347	3,103
Loans in foreclosure process	5,078	7,157
<u>Mortgage-related commitments:</u>		
To purchase mortgage loans	235,889	105,500
To repurchase loans upon foreclosure	80,342	99,158

6 MOBILE HOME LOANS

A summary of mobile home loans follows (in thousands):

	June 30, 2001	June 30, 2000
Mobile home loans	\$5,160	\$7,626
Less reserve for mobile home loan losses	(910)	(1,477)
Net mobile home loans	\$4,250	\$6,149

7 NOTES RECEIVABLE

A summary of notes receivable follows (in thousands):

	June 30, 2001	June 30, 2000
University of Alaska loans	\$30,958	\$31,989
Others (net of reserve)	127	135
Total Notes Receivable	\$31,085	\$32,124

During 1997, under an act of the 19th Alaska State Legislative, the Corporation entered into an agreement with the University of Alaska to loan the University a total of \$33,000,000 for acquisition or construction of student housing facilities. The loan consists of a \$30,000,000 assisted portion at a rate of 1.826% per annum, and a \$3,000,000 unassisted portion at a rate of 6% per annum. The payments by the University began on August 1, 1999 and are scheduled thereafter February 1 and August 1 of each year through February 1, 2024, unless earlier repaid.

8 INSURANCE AGREEMENTS

The Corporation has obtained private mortgage insurance, credit insurance or guarantees on certain mortgages and loans. The agreements protect the Corporation to varying degrees against losses arising from the disposition of the related collateral obtained through foreclosure or repossession, as well as the costs of obtaining title to, maintenance and liquidation of the collateral. The Corporation is exposed to losses on disposition in the event the insurers or guarantors are unable or refuse to meet their obligations under these agreements.

9 INSURANCE PROGRAM FUNDS

The Corporation has three insurance funds for the purpose of insuring itself against losses which might occur as a result of mortgages purchased under the Rural Housing and various other programs. The insurance funds are held in trust by a commercial banking institution and are administered by the management of the Corporation. They are included in the General Account of the Revolving Fund in the accompanying financial statements.

10 DIRECT FINANCING LEASE

In July, 1997, the Corporation purchased an office building in downtown Anchorage with its general account assets for approximately \$26 million. The building will be part of the Corporation's State Lease Building Program (the "Program") and has been leased to the State of Alaska for occupancy by its Departments and Agencies located in Anchorage. The State has the option to purchase the building at the end of the lease for \$1. In December 1999 the Corporation issued the State Building Lease Bonds, 1999 series in the amount of \$40,000,000 to finance the

NOTES TO COMBINED FINANCIAL STATEMENTS

purchase. The lease of the building to the State has been recorded as a direct financing lease. The following table lists the components of the net investment in direct financing lease and shows the future minimum payments under the lease for the next five years and thereafter (in thousands):

Period Ending June 30	Future Minimum Payments Due
2002	\$3,549
2003	3,549
2004	3,549
2005	3,549
2006	3,549
Thereafter	42,595
Gross Payments Due	60,340
Less: Unearned Revenue	(21,190)
Net investment in direct financing lease	\$39,150

11 PROPERTY AND EQUIPMENT

A summary of balances follows (in thousands):

	June 30, 2001	June 30, 2000
Buildings	\$116,553	\$119,521
Construction in Process	39,939	28,200
Land	13,112	12,493
Computers & Equipment	2,747	2,540
Vehicles	1,458	1,422
	173,809	164,176
Less: Accumulated depreciation	(78,190)	(73,912)
	\$95,619	\$90,264

The Corporation is obligated under contracts and other commitments to purchase and/or modernize certain fixed assets. The total commitment, including amounts to be funded by third parties, is shown below.

	June 30, 2001	June 30, 2000
Commitments	\$676	\$4,356

12 BONDS AND NOTES PAYABLE

With the exception of the Veterans Mortgage Program Bonds, the Corporation's obligations are not a debt of the State and the State is not directly liable thereon. The Veterans Mortgage Program Bonds are backed by the full faith and credit of the State. All of the bonds and notes are secured, as described in the applicable agreements, by the revenues, monies, investments, mortgage loans and other assets in the funds and accounts established by the respective security agreements. A substantial portion of the assets of the Corporation is pledged to the outstanding obligations of the Corporation. Bonds and notes outstanding are as follows (in thousands):

	Original Amount	June 30, 2001	June 30, 2000
FIRST-TIME HOME BUYER BONDS:			
<i>Collateralized Home Mortgage Bonds (CHMB):</i>			
• Tax-Exempt:			
• CHMB 1988 Series A, 7.4% to 7.5%, due 2003-2015	\$85,000	\$2,940	\$5,890
• CHMB 1989 Series B, 7.55% to 7.65%, due 2001-2024	148,000	8,575	10,215
• CHMB 1990 Series A, 5.7% to 7.05%, due 2001-2025	152,000	19,760	24,075

NOTES TO COMBINED FINANCIAL STATEMENTS

	Original Amount	June 30, 2001	June 30, 2000
Mortgage Revenue Bonds:			
• 1996 Series A, 4.40% to 6.5%, due 2001-2027	159,871	80,521	97,771
• 1997 Series A, 4.15% to 6%, due 2001-2037	160,000	150,720	152,600
• 1998 Series A, 3.95% to 5.4%, due 2001-2035	70,000	65,975	66,405
• 1999 Series A1 & 2, 4.5% to 6.25%, due 2001-2035	200,000	200,000	200,000
• 2000 Series A, 5.9% to 6.0% due 2036-2040	58,315	58,315	-
• 2000 Series B, 5.45% due 2015	3,795	3,795	-
• 2000 Series C, 4.7% to 6%, due 2002-2032	68,785	68,785	-
• Taxable:			
• 2000 Series D, 7.0% to 7.32%, due 2003-2020	25,740	25,740	-
TOTAL FIRST-TIME HOMEBUYER BONDS	1,131,506	685,126	556,956
Accreted interest		5,276	3,859
Unamortized discount		(1,247)	(556)
NET FIRST-TIME HOMEBUYER BONDS		689,155	560,259
VETERANS MORTGAGE PROGRAM BONDS			
Collateralized State Guaranteed Bonds:			
• Collateralized Bonds 1989 First Series, 6.5% to 7.45%, due 2002-2031	45,000	780	1,525
• Collateralized Bonds 1990 First Series, 6.875% to 7.50%, due 2003-2033	35,000	865	1,310
• Collateralized Bonds 1991 First Series, 6.75% to 7.30%, due 2004-2033	45,000	3,955	4,630
• Collateralized Bonds 1991 Second Series, 6.5% to 7.10%, due 2004-2034	60,000	9,025	11,775
• Collateralized Bonds 1992 First Series, 6.25% to 6.75%, due 2005-2034	45,000	17,025	19,395
• Collateralized Bonds 1993 First Series, 4.50% to 5.875%, due 2000-2035	65,000	24,300	28,320
• Collateralized Bonds 1994 First Series, 5.30% to 6.80%, due 2001-2036	130,000	88,695	89,350
• Collateralized Bonds 1995 First Series, 4.60% to 6.55%, due 2001-2037	30,000	15,130	18,815
• Collateralized Bonds 1997 First Series, 5.5%, due 2001-2039	100,000	83,065	91,370
• Collateralized Bonds 1998 First and Second Series, 4.0% to 5.5%, due 2001-2040	60,000	55,025	58,660
• Collateralized Bonds 1999 First Series, 4.3% to 6.25%, due 2001-2039	110,000	107,635	110,000
• Collateralized Bonds 2000 First Series, 4.75% to 6.45%, due 2001-2039	70,000	69,470	70,000
TOTAL VETERANS MORTGAGE PROGRAM BONDS	795,000	474,970	505,150
Unamortized discount		(1,797)	(2,008)
NET VETERANS MORTGAGE PROGRAM BONDS		473,173	503,142
OTHER BONDS AND NOTES:			

NOTES TO COMBINED FINANCIAL STATEMENTS

	Original Amount	June 30, 2001	June 30, 2000
<i>Housing Development Bonds:</i>			
• 1991 Series A, 6.2% to 7%, due 2001-2021	5,755	4,985	5,090
• 1992 Series A, 6.15% to 7%, due 2001-2022	9,370	7,770	8,000
• 1993 Series A, 4.25% to 5.625%, due 2001-2023	8,325	7,240	7,415
• 1993 Series B, 4.25% to 5.625%, due 2001-2023	4,890	4,310	4,405
• 1993 Series C, 4.35% to 5.7%, due 2001-2023	1,200	1,070	1,090
• 1993 Series D, 5.6% to 7.1%, due 2001-2023	4,675	4,235	4,310
• 1993 Series E, 5.6% to 7.1%, due 2001-2023	12,255	9,930	10,320
• 1997 Series A, 4.15% to 5.7%, due 2001-2029	6,510	6,245	6,335
• 1997 Series B, 4.25% to 5.8%, due 2001-2029	17,000	16,325	16,560
• 1997 Series C, 6.8% to 7.55%, due 2001-2029	23,895	23,235	23,470
• 1999 Series A, 4.1% to 6.3%, due 2001-2029	1,675	1,650	1,675
• 1999 Series B, 4.20% to 6.37%, due 2001-2029	5,080	5,015	5,080
• 1999 Series C, 4.10% to 6.20%, due 2001-2029	50,000	49,310	50,000
• 2000 Series A, Floating rate 2.85% at June 30, 2001, due 2001-2030	20,745	20,745	-
• 2000 Series B, Floating rate 2.75% at June 30, 2001, due 2001-2030	41,705	41,705	-
<i>General Mortgage Revenue Bonds:</i>			
• 1997 Series A, 4.15% to 6.1%, due 2001-2037	434,911	428,541	430,751
• 1999 Series A, 4.25% to 6.05%, due 2001-2049	302,700	301,200	302,700
<i>General Housing Purpose Bonds:</i>			
• 1992 Series A, 5.3% to 6.6%, due 2001-2023	200,000	46,100	49,590
• 1994 Series A, 4.00% to 5.4%, due 2001-2023	143,815	140,340	140,925
<i>Government Purpose Bonds:</i>			
• 1995 Series A, 4.5% to 5.875%, due 2001-2030	335,000	320,730	325,040
• 1997 Series A, Floating Rate, 2.85 % at June 30, 2001, due 2027	33,000	33,000	33,000
<i>State Capital Project Bonds:</i>			
• 1999 Series A, 3.4% to 5.0%, due 2001-2005	92,365	62,725	74,905
• 1999 Series B, 4.0% to 5.5%, due 2001-2005	103,980	90,225	103,980
• 2001 Series A, 3.2% to 5.25%, due 2001-2007	74,535	74,535	-
<i>State Building Lease Bonds:</i>			

NOTES TO COMBINED FINANCIAL STATEMENTS

	Original Amount	June 30, 2001	June 30, 2000
• 1999 Series, 4.25% to 5.8%, due 2001-2017	40,000	37,410	38,925
TOTAL OTHER BONDS AND NOTES	1,973,386	1,738,576	1,643,566
Accreted interest		3,001	2,217
Unamortized deferred debt refunding expense		(4,639)	(6,235)
Unamortized discount/premium		(2,894)	(5,205)
NET OTHER BONDS AND NOTES		1,734,044	1,634,343
OTHER PROGRAMS:			
Home Ownership Notes:			
• Mutual Help HUD Note, 5.625% to 8.000%	996	996	996
• Wrangell Project HUD Note, 1.00%-3.00%, due 2007	1,141	656	679
TOTAL OTHER PROGRAMS	2,137	1,652	1,675
	\$3,902,029	\$2,898,024	\$2,699,419

Sinking Fund Payments

The minimum annual principal payments, including sinking-fund principal payments, related to all mortgage bonds and notes in the preceding schedule for the five years subsequent to June 30, 2001, and thereafter, are as follows (in thousands):

Year Ending June 30,	Amount
2002	\$62,519
2003	74,135
2004	79,171
2005	83,401
2006	88,122
Thereafter	2,512,976
	\$2,900,324

Redemption Provisions

The bonds and notes are generally subject to certain early-redemption provisions, both mandatory and at the option of the Corporation. The Corporation redeems debt, pursuant to the provisions of the related agreements which permit surplus revenues, resulting primarily from mortgage loan prepayments, to be used to retire the obligations at par. The accelerated amortization of related discounts and costs of issuance resulting from these surplus revenue redemptions is included in interest expense and financing costs.

In addition to surplus revenue redemptions, the Corporation refunds debt pursuant to redemption provisions in the related agreements. On September 28, 1999, the Corporation issued \$302,700,000 of General Mortgage Revenue Bonds, 1999 Series A to refund a total of \$300,000,000 outstanding General Mortgage Revenue Bonds, 1991 Series A and Series C. The net proceeds were used to redeem all outstanding bonds of the GMRB 1991 Series A & C. A summary of redemptions and refunding follows:

	Principal Redemptions			
	June 30, 2001	June 30, 2000	Accounting Gain/(Loss) *	Economic Gain/(Loss)**
Surplus Revenue Redemptions	\$48,695	\$94,860	\$-	\$-
Refunding:				
General Mortgage Revenue Bonds—1991 Series A & C	-	300,000	(2,557)	1,234
Total Redemptions	\$48,695	\$394,860	\$(2,557)	\$1,234

* The accounting loss is measured as the difference between the reacquisition price and the net carrying amount of the old debt including its cost of issuance. The loss has been deferred and will be amortized over the remaining life of the old debt and included in interest expense.

NOTES TO COMBINED FINANCIAL STATEMENTS

**The economic gain is calculated as the difference between the present value of the debt service requirements of the new debt and the present value of the debt service requirements of the refunded debt, discounted at the effective interest rate of 6.048%.

Defeased Debt

From time to time, the Corporation effects an advanced refunding where bonds are issued, the proceeds of which are used to defease outstanding debt of the Corporation. The result is an in-substance defeasance whereby the Corporation purchases securities which are deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. A summary of the defeased debt follows (in thousands):

	June 30, 2001	June 30, 2000
General Housing Revenue Bonds, 1992 Series A	\$120,980	\$120,980
	\$120,980	\$120,980

Conduit Debt

From time to time, the Corporation has issued debt to provide financial assistance to private-sector entities for the acquisition or construction of facilities deemed to be in the public interest. The bonds are secured by the properties financed and are payable solely from rents and payments received on the underlying mortgage loans. Neither the Corporation nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements. A summary of the conduit bonds outstanding follows (in thousands):

	June 30, 2001	June 30, 2000
<i>Alaska Vocational Technical Center:</i>		
• Certificates of participation	\$-	\$675
<i>Mortgage Revenue Refunding Bonds:</i>		
• Chinook Apartments	2,110	2,155
• Coho Park Apartments	2,360	2,460
	\$4,470	\$5,290

Reclassification of HUD Notes

To provide for the development and modernization of low-rent housing units, the Corporation issued Low Rent Project Notes and FFB Notes upon request of HUD. The notes are payable by HUD and secured through its annual contribution contract payments. These notes do not constitute a debt of AHFC and accordingly, at July 1, 1999, the balance of such debt in the amount of \$5,250,000 was reclassified from bonds and notes payable to contributed capital.

13 COMMERCIAL PAPER

The Corporation has been issuing Euro Commercial Paper (ECP) since 1986. No individual issue may exceed nine months in duration. The maximum aggregate outstanding principal balance authorized by the Board of Directors is \$150,000,000. On March 1, 1999, the Corporation adopted a domestic commercial paper program and has been issuing domestic commercial paper since. The ECP program is currently inactive. A summary of commercial paper, which represents an unsecured general obligation of the Corporation, follows (in thousands):

	June 30, 2001	June 30, 2000
Maturity amount	\$110,800	\$127,500
Less: Discounts	(374)	(820)
Balance outstanding	\$110,426	\$126,680
<i>Yields issued during period:</i>		
Lowest	3.8500%	6.1500%
Highest	4.7300%	6.7200%

NOTES TO COMBINED FINANCIAL STATEMENTS

14 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Corporation borrows funds for general corporate purposes utilizing reverse repurchase agreements. Such agreements involve the transfer of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The Corporation invests proceeds from securities sold under agreements to repurchase in investments maturing on or before the maturity date of the related agreement to repurchase. The fair value of the securities underlying reverse repurchase agreements normally exceeds the proceeds received, providing respective dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to return these securities to the Corporation, or provide securities or cash of equal value, the Corporation would suffer an economic loss equal to the difference between the par value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. A summary of securities sold under agreements to repurchase follows (in thousands):

	June 30, 2001	June 30, 2000
Maturity amount	\$-	\$88,298
Less: Discounts	-	(801)
	<u>\$-</u>	<u>\$87,497</u>

15 UNUSED LETTERS OF CREDIT AND OTHER CREDIT ARRANGEMENTS

For certain bond issues, the Corporation has entered into credit arrangements with various financial institutions to provide funds necessary to satisfy debt service or unpaid bond principal obligations. Varying commitment fees are required, generally $\frac{1}{4}$ to $\frac{1}{2}$ of 1% per annum of the aggregate liability or commitment amount.

The Corporation had unused letters of credit and similar credit enhancement agreements in connection with amounts required for debt service or unpaid bond principal for certain bond issues as follows (in thousands):

	June 30, 2001	June 30, 2000
Liquidity facility	\$ -	\$ -
Bond insurance	1,463,626	1,222,517
	<u>\$1,463,626</u>	<u>\$1,222,517</u>

The Corporation also has reestablished in August 1999 a \$150,000,000 Credit Agreement that is not related to a specific bond issue. At June 30, 2001 and 2000, no draw downs had been made on the Credit Agreement.

Government Purpose Bonds, 1995 Series A are insured by surety bonds. The agreement unconditionally and irrevocably guarantees scheduled payments of principal and interest on the bonds.

Certain letter-of-credit agreements contain covenants restricting the amendment of terms and redemption of bonds or notes, and setting the minimum combined fund equity of the Corporation and minimum debt-service reserve-fund balances.

16 YIELD RESTRICTION AND ARBITRAGE REBATE

Most mortgages purchased with the proceeds of tax-exempt bonds issued by the Corporation are subject to interest-rate yield restrictions of 1.125% to 1.500% over the yield of the bonds. These restrictions are in effect over the lives of the bonds. Most of the non-mortgage investments made under the Corporation's tax-exempt bond programs are subject to rebate provisions or restricted as to yields. The rebate provisions require that a calculation be performed every five years and upon full retirement of the bonds to determine the amount, if any, of excess yield earned and owed the Internal Revenue Service. Following is a summary of excess earnings recorded and paid (in thousands):

	Year Ended	
	June 30, 2001	June 30, 2000
Arbitrage Expense	\$1,736	\$(783)
Arbitrage Paid	<u>\$-</u>	<u>\$4,559</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

17 STATE AUTHORIZATIONS AND COMMITMENTS

The Corporation uses its assets to fund certain housing and non-housing capital projects identified by the State. The aggregate amount expected to be funded by the Corporation was expressed by the following language of legislative intent included in the fiscal year 1996 capital appropriation bill, enacted in 1995:

"The Legislature intends to ensure the prudent management of the Alaska Housing Finance Corporation to protect its excellent debt rating by the nation's financial community and to preserve its valuable assets of the State. To accomplish its goal, the sum of withdrawals for transfer to the general fund and for expenditure on corporate funded capital projects should not exceed the Corporation's net income for the preceding fiscal year."

The projected amounts stated in the legislative intent language were based on the Corporation's financial operating plan and represent the total amount of anticipated State transfers and capital expenditures rather than projected "net income".

A summary of State Authorizations follows (in thousands):

	Year Ended June 30, 2001		
	Total State Authorizations	Disbursements To- Date	Total Remaining Commitments
FY 1995*	\$22,500	\$22,274	\$226
FY 1996*	128,033	124,755	3,278
FY 1997	100,448	96,018	4,430
FY 1998	132,014	119,594	12,420
FY 1999	103,000	91,133	11,867
FY 2000*	105,168	76,830	28,338
FY 2001*	103,107	56,200	46,907
Total	\$694,270	\$586,804	\$107,466

* with re-appropriations

State Capital Projects Bonding

The 1998 Legislature adopted legislation authorizing approximately \$224 million in capital project bonds of the Corporation to finance projects of the State and municipalities. The legislation states the intention that the sum of withdrawals for repayment of bonds, for transfer to the State's general fund, and for corporate funded capital projects should not exceed the Corporation's net income for the preceding year. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The 2000 Legislature adopted legislation authorizing the issuance of Bonds in sufficient amounts to fund the construction of various State capital projects, and extended the Transfer Plan to 2008. The Corporation views passage of the 1998 and 2000 legislation as a continuation of the plan of the legislature, stated in its legislative intent in 1995, to authorize \$103 million annually to the year 2008.

As of June 30, 2001, the Corporation has issued \$196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, and \$74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, and has completed its issuance authority under the Acts.

Transfers to the State of Alaska

Since the inception of the Corporation, the State has contributed a total of \$1,069,523,000 to the Corporation. Beginning in fiscal year 1986, the Corporation began a series of plans to transfer funds to or on behalf of the State. Following is a summary of the different types of transfers (in thousands):

	June 30, 2001	June 30, 2000	Cumulative Prior Fiscal Years	Total Transfers to State
State Debt Repayment	\$-	\$ -	\$29,800	\$29,800
Asset Purchases	-	-	252,300	252,300
Dividends	-	-	114,300	114,300
Direct Cash Transfers	15,007	32,000	421,020	468,027
Non-Housing Capital Projects	23,490	29,767	99,293	152,550
State Capital Project Bond Fund	36,534	40,255	34,905	111,694
Total	\$75,031	\$102,022	\$951,618	\$1,128,671

NOTES TO COMBINED FINANCIAL STATEMENTS

18 GRANTS AND SUBSIDIES

The Corporation paid grants to third parties for the following programs (in thousands):

Program	Year Ended	
	June 30, 2001	June 30, 2000
<i>General Account of the Revolving Fund:</i>		
• Homeless Assistance Program	\$830	\$468
• Housing Preservation Matching Grant	40	152
• Craftsman Home Program	7	-
• Senior Citizens Housing	114	883
• Supplemental Housing	8,746	5,454
• Supportive Housing Grant Match	763	631
	<u>10,500</u>	<u>7,588</u>
<i>Energy Programs:</i>		
• Alaska Building Science Network	35	107
• Municipality of Anchorage	-	118
• Alaska Community Development Corp.	-	343
• Enhanced Weatherization	715	432
• Rural Community Action Program	-	650
• Tanana Chief's Conference	-	180
• Low-Income Weatherization Assistance	4,580	3,764
• Others	220	38
	<u>5,550</u>	<u>5,632</u>
<i>Section 8 Certificates and Vouchers</i>	<u>17,958</u>	<u>13,633</u>
<i>Other Housing Assistance Programs:</i>		
• HOME Program	4,036	4,467
• Drug Elimination Program	538	181
• Housing Opportunities for Persons with AIDS	225	225
• SAFAH	-	179
• Shelter Plus Care Program	107	143
• Others	247	223
	<u>5,153</u>	<u>5,318</u>
Total Grant Expenses	<u>\$39,161</u>	<u>\$32,171</u>
<i>General Account of the Revolving Fund:</i>		
• Village Safe Water Grants Program—FY 99 Appro.	\$10,643	\$17,095
• Pioneer Home Renovation	-	166
• University of Alaska—FY 99 Appro.	651	1,158
• DHSS Grants	6	321
• Municipal Matching Grants—FY 99 Appro.	8,623	6,259
• Others	87	260
• FY 98 Legislative Appropriations	1,133	2,975
• FY 99 Legislative Appropriations—Others	619	1,435
• FY 00 Legislative Appropriation	561	98
• FY 01 Legislative Appropriation	1,167	-
Total Contributed Capital Grants	<u>\$23,490</u>	<u>\$29,767</u>
Total Grants	<u><u>\$62,651</u></u>	<u><u>\$61,938</u></u>

In addition to grant payments made, the Corporation has advanced grant funds of \$8,813,000 and committed to third parties a sum of \$13,487,000 in grant awards at June 30, 2001.

NOTES TO COMBINED FINANCIAL STATEMENTS

19 OTHER PROGRAMS

Other programs include energy conservation and public-housing activities funded from a combination of corporate receipts and external sources.

Energy Conservation Programs

The Petroleum Violation Escrow Program (PVE) includes the activities funded from the State of Alaska's share of settlement proceeds received as a result of various lawsuits between the federal government and oil producers. The Corporation holds these funds in trust, to be used for qualifying energy conservation activities under the U.S. Department of Energy's oversight.

Cash-basis PVE trust-account activity follows (in thousands):

	Year Ended	
	June 30, 2001	June 30, 2000
Beginning account balance	\$1,881	\$3,417
Receipts from U.S. Department of Energy	100	77
Interest earned	106	163
Program expenses paid	(355)	(1,776)
Ending account balance	\$1,732	\$1,881
Amount due to Corporation for unreimbursed program expenses	\$74	\$125

The Corporation pays expenses incurred by various programs funded by the PVE. Allowable program expenses incurred follow (in thousands):

PVE Settlement Name	Year Ended	
	June 30, 2001	June 30, 2000
Stripper	\$304	\$1,588

The Supplemental Housing and Senior Housing Programs are funded entirely by corporate funds.

The weatherization programs include the following programs and are funded by a combination of DOE grants, PVE funds, and corporate funds:

- Low-Income Weatherization Program
- Residential Energy Rehab Program (Enhanced Weatherization)

Other energy programs include the following programs and are funded by a combination of DOE grants, PVE funds, HHS grants, and corporate funds:

- State Energy Conservation Program
- Low-Income Home Energy Assistance Program (LIHEAP)
- Weatherization Assistance for Low-Income Persons (AKWarm Enhancement)
- Mental Health
- Adult Education
- Alaska Native Health Board Grant
- Association of Alaska Housing Authorities Grant

The following projects are or have been funded within the Petroleum Violation Escrow Program:

- Low-Income Weatherization Enhancement
- Energy Rated Homes of Alaska
- Business Energy Assistance
- Home Energy Rebates
- Home Energy Loan Program

NOTES TO COMBINED FINANCIAL STATEMENTS

- Warm Homes for Alaskans
- Alaska Craftsman Home Program

Housing Assistance Programs

Low Rent includes the following programs for various low-income housing facilities administered by the Corporation under contract with HUD:

- Modernization/Comprehensive Grant
- Low Rent Management

Home Ownership includes the following programs administered by the Corporation and funded by HUD:

- Mutual Help
- Turnkey III

Section 8 includes the following programs for tenant-based rental assistance administered by the Corporation under contract with HUD:

- Section 8 Certificates
- Section 8 Vouchers
- Section 8 Moderate Rehabilitation
- Section 8 New Construction
- Section 8 Contract Administration

Section 8 New Construction consists of low-income housing facilities at various locations owned by the Corporation, for which the Corporation receives tenant-based rental assistance under contract with HUD.

A summarized balance sheet and statement of revenues, expenses and retained earnings for the Section 8 New programs as of and for year ended June 30, 2001 follow (dollars in thousands):

	Chugach View	Golden Towers	Ptarmigan Park	Sunset View	Glacier View	Alpine Terrace	Total
Total assets	\$5,449	\$16,321	\$998	\$1,101	\$845	\$586	\$25,300
Total liabilities	(2,523)	(94)	74	397	1,588	1,294	736
Total fund equity	7,981	16,415	925	702	(747)	(712)	24,564
Total revenues	1,645	1,827	291	312	377	388	4,840
Total expenses	1,594	1,575	352	339	505	649	5,014
Net income (loss)	51	252	(61)	(27)	(128)	(261)	(174)
Beginning retained earnings	2,017	3,862	187	(595)	(512)	(1,131)	3,828
Transfers	336	-	-	-	-	-	336
Ending retained earnings	2,404	4,114	126	(622)	(640)	(1,392)	3,990

Wrangell consists of the Wrangell 221(d)(3) housing facility owned by the Corporation for which the Corporation receives tenant-based rental assistance under contract with HUD.

Other Housing Assistance Programs include the following HUD, state and privately funded activities:

- HOME Investment Partnerships Program (HOME)
- Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)
- Gateway Literacy Program
- Drug Elimination Grant
- Shelter Plus Care Program
- Housing Opportunities for Persons with AIDS (HOPWA)
- HOME Technical Assistance
- Youth Sports Program
- Family Self Sufficiency Program (FSS)
- Family Investment Center Grant

NOTES TO COMBINED FINANCIAL STATEMENTS

- Special Needs Assistance
- Supportive Housing Technical Assistance
- Service Coordinator for Public Housing Agencies Grant

20 PENSION PLAN

As of June 30, 2001, all regular employees of the Corporation who work more than fifteen hours per week participate in the Alaska Public Employees' Retirement System (PERS). PERS is an agent multiple-employer, statewide defined benefit plan, administered by the State of Alaska. Benefits and contributions provisions are established by Chapter 35 of Alaska Statute Title 39, and may amended only by state legislature. A publicly available financial report that includes financial statements and required supplementary information is issued annually by PERS. That report may be obtained by writing to State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0202.

Plan Description

Employees hired prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For employees hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. All service earned prior to July 1, 1986 will be calculated using the 2% multiplier. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The system also provides death and disability benefits and major medical benefits.

Funding Policy

Under State law, covered employees are required to contribute 6¼% of their annual covered salary and the Corporation is required to contribute an actuarially determined rate; the current rate is 7.48% of annual covered payroll.

Annual Pension Cost

The Corporation's annual pension and postretirement health cost shown below was equal to the required and actual contribution. The actuarial required contribution was computed as part of an actuarial valuation as of June 30, 1999. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 8.25% per year compounded annually and (b) projected salary increases of 5.5% a year for the first five years of employment and 4.5% per year thereafter, with distinction made between amounts for inflation (4.0%), merit (1.0%), and productivity (0.5%). The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five year period. The contribution rate for normal cost is determined using the projected unit credit actuarial funding method. The excess of assets over the actuarial accrued liability is amortized over a rolling 25 years which is an open amortization period. The percentage of pay method is used for amortization purposes.

Three-Year Trend Information for PERS

Year ended	Annual pension and postretirement health cost (APC)	Percentage of APC contributed	Net pension obligation
June 30, 2001	\$1,040,000	100.00%	-
June 30, 2000	830,000	100.00%	-
June 30, 1999	1,010,000	100.00%	-

NOTES TO COMBINED FINANCIAL STATEMENTS

Required Supplementary Information--Schedule of Funding Progress for PERS (in thousands)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Excess of Assets over AAL (a)-(b)	Funded ratio (a)/(b)	Covered payroll (c)	Excess as a percentage of Covered payroll ((a)-(b))/(c)
Pension:						
June 30, 1999	30,462	19,060	11,402	160%	12,789	89%
June 30, 1998	28,986	26,335	2,651	110%	12,329	22%
June 30, 1997	27,323	23,413	3,910	117%	11,928	33%
Postretirement Health:						
June 30, 1999	12,349	7,727	4,622	160%	12,789	36%
June 30, 1998	10,763	9,779	984	110%	12,329	8%
June 30, 1997	10,184	8,726	1,458	117%	11,928	12%

21 CUMULATIVE EFFECT OF ACCOUNTING CHANGE

Prior to fiscal year 2000, the Corporation capitalized all costs associated with the actual purchase or improvements in the form of construction and modernization of public housing buildings in accordance with Generally Accepted Accounting Principles (GAAP). New information from HUD explaining the type of costs associated with modernization and development of buildings has led to a change in industry practice of capitalizing hard costs and expending soft costs. The modernization and development costs such as management improvements, administrative, other costs defined as "Soft Costs" do not provide additional service potential and will not be allocated over the life of the building but expended as incurred. In the fourth quarter of fiscal year 2000, the Corporation removed all "soft costs" that had been capitalized over the prior periods and the corresponding accumulated depreciation. The net effect of the accounting change is shown as cumulative effect of prior year's amount in the Statement of Revenues and Expenses.

	Prior Years	FY 2000	Total
Total Soft Costs removed	\$(26,120)	\$(2,067)	\$(28,187)
Total Accumulated Depreciation removed	6,853	708	7,561
Total Net Fixed Assets removed	(19,267)	(1,359)	(20,626)
Decrease of Contributed Capital	(23,548)	(1,225)	(24,773)
Cumulative Effect on Net Income	4,281	-	4,281

22 OTHER COMMITMENTS AND CONTINGENCIES

Medical Self Insurance

During the Fiscal Year ended June 30, 1998, the Corporation began a program of self-insurance for employee medical benefits. Costs are billed directly to the Corporation by an Administrative Services Provider that processes all of the claims from the employees and their dependents. The Corporation has purchased a stop-loss policy that limits its liability to \$50,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of \$1,076,000 and \$713,000 as of June 30, 2001, and 2000 respectively.

Litigation

The Corporation, in the normal course of its activities, is involved in various claims and pending litigation, the outcome of which is not presently determinable. In the opinion of management, the disposition of these matters is not presently expected to have a material adverse effect on the Corporation's financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

Legal Settlement

In July 2001, the Corporation, a member of the Alaska Entities and the State of Alaska, entered into a Settlement Agreement with Bank of America Corporation and Bank of America, N.A. regarding the Bank's purported failure to escheat unclaimed funds to the State of Alaska and the Bank's alleged breaches of contractual, fiduciary, statutory, and common law obligations that the Bank purportedly had in its capacity as Corporate Trust Agent relating to the administration and management of Alaska Debt Instruments. The settlement amount has not been finalized but the estimated amount owed by the Bank to the Corporation will be approximately \$7.2 millions depending upon the final allocation of the settlement amount by the State to the various Alaska Entities. Accordingly, the Corporation recognized \$7.2 millions of the settlement income in fiscal year 2001.

Contingent Liabilities

The Corporation participates in several federally assisted programs. These programs are subject to program compliance audits and adjustment by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, would become a liability of the General Account of the Revolving Fund. In management's opinion, disallowance, if any, will be immaterial.

Subsequent Event

The Corporation, on August 2, 2001, in the normal course of activities, issued \$370,170,000 in Governmental Purpose Bonds 2001 Series A, B, C and D. The 2001 Series A & B Bonds mature on December 1, 2030 and the Series C & D Bonds mature on December 1, 2032. The bonds initially will bear interest at a weekly rate however, the Corporation has the option to convert all or a portion of the 2001 Bonds on any Effective Rate Date to fixed interest rate. On August 2, 2001 the Corporation entered into an interest rate swap agreements relating to the Series A and B bonds. Under these agreements, the Corporation pays a fixed rate of 4.14% to the counter party in Series A and B and the swap counter party pays the variable rate received by the bondholders.

The Corporation continues to issue and redeem commercial paper under the domestic Commercial Paper Program, in the normal course of activities after June 30, 2001

23 HUD ACTUAL DEVELOPMENT COST CERTIFICATE

As required by HUD, we present the following certificates as part of our financial reporting package. This certifies the total amount of financial assistance provided by HUD under the Comprehensive Grant Program (CGP) Project AK06P001706-97. These funds were expended during the fiscal years ended June 30, 1998, 1999, 2000 and 2001. Funds received were used to effect major rehabilitation of existing public housing and for construction of new public housing facilities.

NOTES TO COMBINED FINANCIAL STATEMENTS

Actual Modernization
Cost Certificate

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0044 (exp. 12/31/99)
OMB Approval No. 2577-0157 (exp. 12/31/99)

Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

ORIGINAL

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

HA Name:	Modernization Project Number:
ALASKA HOUSING FINANCE CORPORATION	AK06P001706

The HA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Original Funds Approved	\$	2,830,448.00
B. Funds Disbursed	\$	2,830,448.00
C. Funds Expended (Actual Modernization Cost)	\$	2,830,448.00
D. Amount to be Recaptured (A-C)	\$	0.00
E. Excess of Funds Disbursed (B-C)	\$	0.00

2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
5. That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.
Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)
Signature of Executive Director & Date:

X

Daniel R. Daudt

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

Date:

X

Michael J. Bullinger

1/18/01

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

X

form HUD-53001 (10/96)
ref Handbooks 7485.1 & 3