



M I S S I O N

**To provide Alaskans
access to safe, quality,
affordable housing**

AHFC is a self-supporting public corporation with offices in 15 communities statewide. It provides financing for multi-family complexes, congregate facilities, and single-family homes, with special loan programs for low- and moderate-income borrowers, veterans, teachers, and those living in rural areas of the state.

It also provides energy and weatherization programs; low-income rental housing; and special programs for the homeless and those seeking to become self-sufficient. AHFC contributes more than \$100 million annually to Alaska's state revenues through cash transfers, capital projects and debt-service payments.

- . . .Building homes, schools, and infrastructure*
- . . .Building a healthy environment*
- . . .Building dreams and futures*
- . . .Building opportunities*

AHFC - Building Alaska



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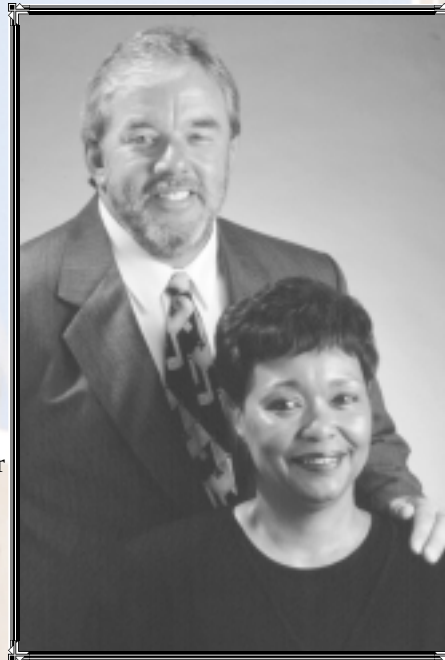
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Board of Directors & CEO

Daniel R. Fauske
CEO/Executive Director

Jewel Jones
Board Chair



Dear Governor Knowles,

It has been a pleasure to work on behalf of the Alaska Housing Finance Corporation throughout the eight years of your administration. During that time, Alaska has shown consistent growth, a strong economy, and low unemployment. We made significant headway in improving home-ownership rates; providing quality, affordable rental housing for low-income Alaskans; and eliminating the honey bucket in much of rural Alaska. AHFC has been a key player in these successes.

Since 1994, Alaska's home-ownership rate has increased to 65.2%, up from 58%, nearly the fastest growing rate in the country. AHFC provided financing for 16,000 families to buy their first homes. We financed \$368 million in 438 multi-family projects to provide 9,445 more units of affordable rental housing in 27 communities throughout Alaska. Based on national home builders' statistics, AHFC helped create 4,500 jobs for each of the past eight years.

To operate our home-ownership programs, we issued \$3.5 billion in bonds. With our successful history, strong management team, and healthy assets, our bond ratings improved and are some of the best in the country: AA-/Aa/AA+.

We increased the number of Section 8 vouchers from the U.S. Department of Housing & Urban Development (HUD) from under 2,500 in 1994 to more than 4,000 in 2002 for the 11 communities served by this program. Nearly \$20 million a year is paid to private landlords for rental assistance for Alaskans earning less than 50% of the median income.

Since 1996, AHFC has paid an annual cash dividend of \$50 million to Alaska's general fund, in addition to a \$53 million annual capital budget. In 1999, the legislature recognized the value of AHFC's ability to issue bonds. Since then, AHFC has sold nearly \$265 million for state capital projects. We sold \$40 million in bonds for a state office building in downtown Anchorage, \$33 million for dorms at UAA in Anchorage, and \$104 million for military housing at Eielson and Elmendorf Air Force bases. Through legislative authorization, AHFC formed the Northern Tobacco Securitization Corporation, which also issued more than \$235 million in tobacco-settlement revenue bonds for State projects. Since 1994, AHFC has transferred more than \$850 million in equity to the State, paid all of AHFC's operating and capital expenditures, and increased total assets to \$5.3 billion, with just a \$7 million reduction in net assets.

AHFC has four major goals for the future:

- To make home ownership a reality for every Alaskan who dreams of owning their own home;
- To provide a variety of housing opportunities for Alaska's growing senior population;
- To increase the availability of safe, quality, and affordable rental housing throughout the state; and
- To maintain the viability of AHFC to provide future generations these same opportunities.

We look forward to continuing AHFC's successes under the direction of a new administration. Congratulations on your successful term as Alaska's governor.

Sincerely,

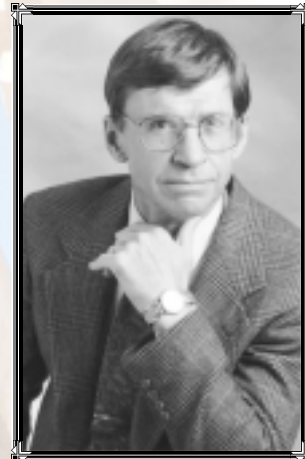
Daniel R. Fauske
Daniel R. Fauske

Sincerely,

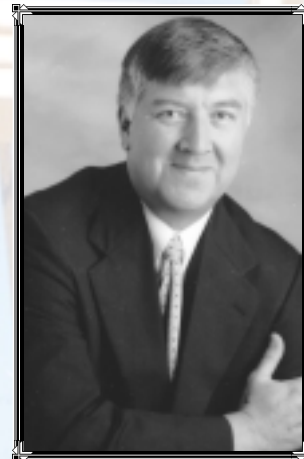
Jewel Jones
Jewel Jones



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Social Services



Deborah Sedwick
Commissioner
Dept. of Community &
Economic Development

Home Ownership - Building Dreams



Shane and Amber Timothy enjoy playtime with son, **Reese**, in their new home at **Treadwell Prospect** in **Douglas**. **AHFC** partnered with **Housing First** and the **Juneau Housing Trust** to make home ownership affordable.

AHFC provides home-ownership opportunities throughout Alaska—whether it's a first home purchase or the new construction of a dream home, AHFC helps make it happen. From low-interest loans for veterans to rate reductions for low-income borrowers, AHFC is there. From renovated public housing for sale to tenants to grants for down-payment assistance and special programs for people with disabilities, AHFC continues innovative programs to make home ownership accessible to Alaskans.

Throughout the '90s, Alaska had the highest percentage increase in homeownership of any state. This year, AHFC provided \$560 million for 3,721 Alaskans to purchase homes. We also:

- Maintained a residential loan delinquency rate of less than 3.8%.
- Approved 13 new condominium/PUD projects, a total of 470 housing units.
- Closed 21 Assistance Provider Interest-Rate Reduction loans totaling \$4.4 million.
- Assisted 46 low-income home buyers through \$930,000 in Home Opportunity Program grants.

Shane and Amber Timothy are among four new home owners under an innovative program offered by Housing First and the Juneau Housing Trust. With housing costs in Juneau some of the highest in Alaska, this program keeps housing costs low, because ownership of the land is retained by the Trust. The home buyer pays \$152,000 for the home and receives a 99-year land lease. AHFC provided a \$196,000 grant to Juneau Housing under the HOME Investment Partnerships Program GOAL Homeownership Development component. The Trust provided \$20,000 forgivable loans to the borrowers.

Judy Dragseth cares for the profusion of flowers in her yard in Valdez. She used two of AHFC's programs designed especially for first-time home buyers to buy her home; 782 families used similar financing this year.

Judy Dragseth bought her home in Valdez, 308 miles southeast of Anchorage, using AHFC's tax-exempt First-Time Home Buyer Program and the Interest-Rate Reduction for Low-Income Borrowers.

This year, AHFC provided \$319 million to finance nearly 2,500 first-time home purchases for Alaskans. More than half were through the tax-exempt loan program, at an average sales price of \$115,585, with an interest rate of 5.94%. Borrowers under this program reported average monthly income of \$3,274.

AHFC also offers a Taxable First-Time Home Buyer Program without income or sales-price restrictions. The 1,023 home buyers under this program in FY02 purchased homes averaging \$164,826 at 6.65% interest. Their monthly incomes averaged \$5,431.





Elsie Qualls' home is like new thanks to an AHFC loan to RurAL CAP to purchase and upgrade the Bragaw Apartments in Anchorage.

Rental Housing - Building Infrastructure

Alaska's rental housing is more affordable and in better shape than at any time in the past thanks to AHFC's Multi-Family and Special Needs Housing Programs. Since 1994, AHFC has provided \$368 million in low-interest loans, many combined with grants and tax credits, to assist developers in building and/or upgrading nearly 9,000 units of rental housing in 27 communities throughout the state.

One of the 94 loans AHFC provided this year was a \$620,000 tax-exempt loan to RurAL CAP to buy and rehabilitate two eight-plexes. New landscaping will include a small park between the buildings.

The Bragaw Apartments, located in the Mountain View area of Anchorage, provide long-term, affordable housing for tenants graduating from transitional housing to self-sufficiency. RurAL CAP set aside 40% of the units for tenants whose income is 60% or less of the median.

This year, AHFC:

- Managed 1,700 low-income and senior rental units owned by AHFC and 4,100 Housing Choice Vouchers for low-income rentals in the private sector.
- Purchased/closed 94 multi-family loans totaling \$58.4 million for 1,368 units of rental housing.
- Closed four loans totaling \$2.2 million for 76 units of senior housing.
- Maintained a multi-family loan delinquency rate of less than .5%.

Ruth Boz and Allen Horton live in the historic MacKinnon Apartments in Juneau. AHFC provided financing for its purchase and rehabilitation.



The 1916-era MacKinnon Apartments is now listed in the National Register of Historic Buildings. AHFC provided \$1.67 million in Low-Income Housing Tax Credits and \$1 million in financing to assist the developer in purchasing and rehabilitating the 23-unit apartment building, which also qualified for \$472,000 in Historic Tax Credits.



AHFC provided tax credits and long-term financing for the Ridgcrest Park Apartments, 40 units of low-income family housing in Wasilla, 42 miles north of Anchorage. The developer, Alpine Partners, is also constructing 32 units of senior housing on an adjoining property.



Barbara Coates crochets in her newly built home at BayView Apartments in Seward.

AHFC provided Low-Income Housing Tax Credits and a second loan under the HOME program for these 18 units of affordable rental housing.

Through the power of partnerships, AHFC is able to expand its resources and programs. From tapping into the financial resources of federal and private grants or low-income housing tax credits to providing low-interest-rate loans to developers and nonprofits for multi-family and senior housing, we thank and commend our many state, federal, and private partners.

When the Low-Income Housing Tax Credit Program (LIHTC) began in 1987, AHFC was designated the agency to oversee allocation of Alaska's tax credits. Since then, AHFC has allocated \$12 million in tax credits for the development of 2,225 units of multi-family rental housing in 22 communities across Alaska. The tax-credit allocations are available annually to the developer or investor for 10 years, essentially bringing the total tax-credit allocation to nearly \$120 million.

This year, AHFC awarded \$3.3 million in grants and \$2.3 million in federal tax credits to produce 264 rental housing units under the LIHTC, Senior Citizens Housing Development Fund, and HOME programs. One project made possible through these programs is Eagle Nest Senior Housing, 65 units of mixed-income senior housing by Wasilla Area Seniors, its third project of this type.



Students learn a trade while building these 25 single-family rental units in Juneau's Mendenhall Valley. Tlingit-Haida Regional Housing Authority developed the homes using NAHASDA funds, Low-Income Housing Tax Credits, and a grant from AHFC.

AHFC's Supplemental Housing Development Grants provide 20% matching funds to regional housing authorities for projects funded by HUD. Since HUD funds are inadequate for the high cost of construction in many parts of Alaska, the AHFC funds pay for infrastructure development and energy-efficiency construction and materials. Since FY93, AHFC has provided \$112.7 million in grants to build 7,857 home ownership and rental homes under this program.

Three projects nearing completion are 10 single-family homes in Savoonga with a \$400,000 grant to Bering Straits Regional Housing Authority, 12 single-family homes in Fairbanks with a \$528,018 grant to Interior Regional Housing Authority, and 25 single-family homes in Juneau with a \$150,000 grant to the Tlingit-Haida Regional Housing Authority. This project, known as Ha'ane'e Hittee ("houses of our land" in Tlingit) is being built through the Southeast Alaska Guidance Association (SAGA), under which the students receive classroom instruction and on-the-job training to earn their GED and a trade.

AHFC also awarded a grant to Tagiugmiullu Nunamiullu Housing Authority in Barrow for \$1,251,447 for energy-efficiency features and access roads to construct up to 25 low-income rental housing units in seven villages.



The Flemings—Doug, Carlee, Michael, Cheryle, and Madison—enjoy family time in the dining room of their energy-efficient home in Valdez.

Energy Improvements - Building Resources

Energy-efficient homes not only save Alaskans money, but provide immeasurable benefits in comfort. AHFC provides lower interest rates to home buyers who build or buy a home or upgrade an existing home to high energy standards.

Alaska born and raised, Doug and Cheryle Fleming have known each other "all of our lives." Cheryle was born in Valdez, while Doug moved there from Glennallen as a child. Their families still live nearby.

Prior to building their new energy-efficient home, they owned a lot with a mobile home. "It's a major difference—not only in the bill, but just being able to keep warm," said Doug. "And it's cooler in the summer. Trailers can get pretty hot."

The Flemings finished their new home in September of 2000, and he says they're already talking about upgrading. Doug works at the Alyeska Pipeline terminal in Valdez, while Cheryle is a stay-at-home mother of three. They financed their home using AHFC's Interest-Rate Reduction for Energy Efficiency. In FY02, more than 600 home buyers made their homes more energy efficient to qualify for the reduction.



Judy and Bert Flaming, M.D., enjoy their new energy-efficient home in Glennallen, where he is one of the town's two physicians.

Dr. and Mrs. Bert Flaming's new home is energy efficient, with easy maintenance. "We have no upkeep. It has metal siding, and even all the wood screws are covered with siding." His father was in the construction business, and Dr. Flaming built a previous home; but with his call schedule, he decided to just tend to the landscaping this time.

Dr. Flaming is one of two physicians at a mission clinic in Glennallen, a town of 440 located 189 miles east of Anchorage. When the Flaming family moved to Alaska from Oklahoma in 1992, it consisted of his wife, and three teenagers now attending college. Three other children live Outside. Dr. Flaming admits it's hard to be so far away from family; but with a son who works for Alaska Airlines, they visit their children and eight grandchildren regularly. An avid sports hunter, Dr. Flaming displays his numerous African trophies and builds cartridges in the gun room of his new home.

The Flamings financed their home using AHFC's Rural Owner-Occupied Loan Program. The Energy-Efficiency Interest-Rate Reduction provided an even lower interest rate. First National Bank served as the lender.

Promoting energy upgrades through lower interest rates is just one of the ways AHFC encourages energy efficiency. The Low-Income Weatherization and Enhanced Weatherization Assistance Programs provide grants to non-profits to make cost-effective home-energy improvements for low-income families through funds from AHFC and grants from the U.S. Departments of Energy and Health & Social Services. The programs serve more than 2,000 people annually. In FY02:

- AHFC completed weatherization upgrades on nearly 900 units, benefiting more than 1,500 elderly, disabled, and children under 5.
- AHFC completed extensive renovations on 34 homes under the HOME Program.
- The American Lung Association of Alaska completed work under a grant from AHFC to develop standards for a "Health House," three of which have now been completed in Alaska.
- HUD awarded a \$700,000 Healthy Homes grant to AHFC. The Cold Climate Housing Research Center, UAF Institute of Northern Engineering, RurAL CAP, Interior Weatherization, and UAA Institute for Circumpolar Health Studies will test occupants and homes, implement weatherization and health and safety measures, and retest.

Weatherization improvements benefit hundreds of low-income Alaskans each year.



AHFC is systematically upgrading the 1,750 units of public housing it owns statewide. This not only provides better living conditions for the tenants, but saves utility costs and our natural resources.

In 1995, an innovative 10-year modernization and rehabilitation plan kicked off \$100 million in renovation and new-construction projects. AHFC has made considerable progress in eliminating deferred maintenance, cleaning up environmental hazards, and making energy-conservation improvements to its properties statewide. This year, AHFC:

- Renovated six public housing homes in Anchorage for sale to low-income first-time home buyers.
- Contracted for 42 senior and statewide projects at facilities throughout the state, ranging from exterior painting in Juneau to office renovations in Fairbanks.
- Completed renovations in senior and family properties in Fairbanks, Juneau, Wasilla, and Anchorage.
- Completed design work for the AVTEC student dormitory in Seward.
- Began renovation and demolition/construction projects in Anchorage, Sitka, and Cordova.

Landscaping upgrades are important to the major renovation under way at Chugach View in Anchorage. AHFC's construction department managed more than 55 projects statewide this year.



David Wellman with Tidashi and Birdoc in their home in Kenny Lake about 260 miles northeast of Anchorage. The Wellmans financed a major rebuild under AHFC's Rural Owner-Occupied Loan Program.



David Wellman says his house is a little crooked, but that's okay, because what's now an open-beam dream house began as a 1955 flat-roofed duplex. David moved the original 80' x 30' structure 40 miles to its current location, requiring road closures and tipping it on its side to traverse a bridge. He designed the rebuild, which he characterized as "more than a remodel."

David, who was raised in upstate New York and moved to Alaska in 1973, teaches science and computers at the Kenny Lake School. His wife, Gay, works with families at risk for the Copper River Native Association. They have two children in college and a menagerie at home, including cats, Scritter and Kamali; a dog, Birdoc (But I Really Do Care); and his pet iguana, Tidashi. David says Tidashi is "a wonderful guy," but he wouldn't recommend them as pets. "He's out of place in Alaska. He needs 85° - 95°, has to have UV light, and gets aggressive during mating season."

The Wellmans financed their home reconstruction under AHFC's Rural Owner-Occupied Loan Program's renovation/refinance option. Wells Fargo Home Mortgage served as the lender.

2 0 0 2 Highlights

Planning, Research, & Economic Development—Building Opportunities

- Completed planning and development of the Annual Action Plan, bringing \$7 million in HUD funds to Alaska.
- Completed biannual statewide surveys of service providers to the homeless, which support over \$3 million in federal grant applications each year.
- Compiled statewide housing market data for the biannual Alaska Housing Market Indicators.
- Awarded \$1.3 million in grants under the Homeless Assistance Program, USDA Housing Preservation Grant Match Program, and the HUD Supportive Housing Program.
- Provided \$500,000 for the Senior Access Accessibility Modification Program.
- Distributed \$15.5 million in grants to more than 30 organizations and agencies.
- Provided more than \$12.3 million in servicing fees to Alaskan lenders.
- Purchased 183 Streamlined Refinance Loans with an average savings for Alaskans of \$207 per month, providing \$450,000 annually to the economy.
- Waived up to \$250,000 in commitment fees for HomeChoice™ participants.
- Contributed nearly \$20 million to private landlords under the Housing Choice Voucher rental assistance program.
- Received funding awards for more than \$2.5 million in federal funds from nine grant applications.
- Created 4,500 jobs annually, based on national home builders' statistics.



Training and Education—Building Lives

AHFC provides training and technical assistance to the community, housing industry, nonprofits, and staff. Last year, AHFC:

- Provided dozens of presentations to hundreds of participants (the public, lenders, Realtors, builders, non-profits, developers, social service providers, and regional housing authorities) on healthy, energy-efficient housing technology, regulatory requirements, loan programs, rental housing development, lead-based-paint risk assessment, fair housing, universal design for persons with disabilities, supportive housing, and HOME and CDBG programs.
- Conducted 240 HomeChoice™ and HomeOptions™ workshops in 35 communities with nearly 4,000 participants. Two thousand obtained AHFC loan commitments.
- Awarded Building Science Education Contract to Alaska Building Science Network (ABSN) to provide classes for energy raters, builders, and consumers statewide.
- Sponsored training for 30 staff to become certified in Public Housing Management and Uniform Physical Inspection Standards, and 10 employees to become certified in Occupancy for Section 8 New programs.

Each year, AHFC provides speakers, and technical and financial assistance for housing conferences throughout the state. This year, AHFC sponsored or co-sponsored:

- Common Ground III aging/service conference.
- Senior Housing Fair.
- Building Our Communities conference.
- Alaska Coalition on Housing and Homelessness annual conference.
- Affordable Housing Investment Forums in Anchorage, Fairbanks, and Kenai.

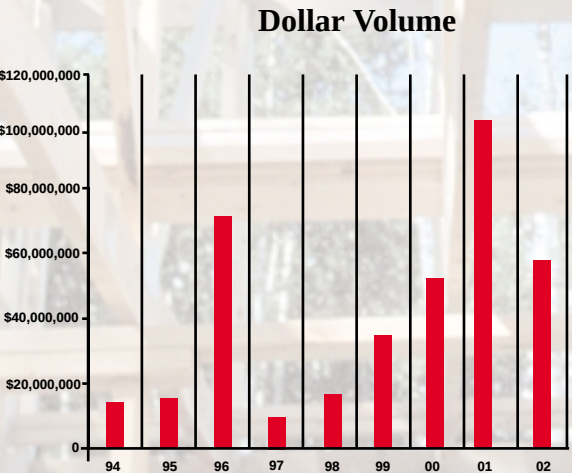
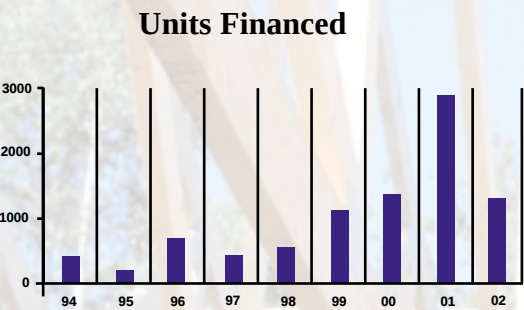
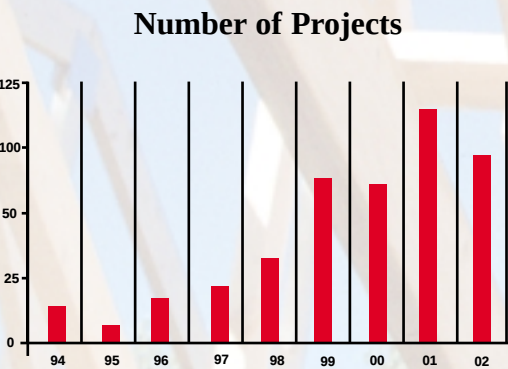
Awards and Recognition—Building Alaska

AHFC strives for excellence, which is recognized on the local, state, and national level:

- Maintained a High Performer rating of 100% in HUD's Public Housing Assessment System.
- Received three national awards and a local award for the Assistance Provider Interest-Rate Reduction program for enhancing the quality of life for Alaskans who experience a developmental disability.
- Two outreach staff received Affiliate of the Year Awards from the Mat-Su Board of Realtors.
- Received Public Relations Society of America Award of Excellence for 2001 annual report.
- Received award from the National Association of Housing and Redevelopment Officials (NAHRO) for the 5(h) Homeownership Program.

Multi-Family Projects/Units Financed 1994-2002

Fiscal Year	Number of Projects	Units Financed	Dollar Volume
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
2002	94	1,368	\$ 58,477.200



HOME Funds

Fiscal Year	Number of Projects	Units Financed	HOME Funds
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	67	\$ 2,134,672
2000	4	69	\$ 464,167
2001	6	53	\$ 2,299,314
2002	4	46	\$ 1,677,208
Total	35	608	\$14,312,475

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	48	\$ 1,817,562
1998	5	167	\$ 3,615,794
1999	0	0	\$ 0
2000	1	46	\$ 789,500
2001	3	22	\$ 1,193,221
2002	2	13	\$ 1,651,000
Total	20	435	\$12,037,898

Low-Income Housing Tax Credit Projects

Fiscal Year	Number of Projects	Units Financed	Tax Credits Allocated
1994	6	297	\$ 2,027,521
1995	1	87	\$ 783,651
1996	7	238	\$ 898,315
1997	4	120	\$ 568,093
1998	6	195	\$ 1,105,395
1999	4	70	\$ 674,860
2000	7	603	\$ 1,165,025
2001	5	148	\$ 1,837,800
2002	7	205	\$ 2,320,355
Totals	47	1,963	\$11,381,015

Loan Programs Statistics

Programs	Number of Loans	Dollar Volume
Tax-Exempt First-Time Home Buyer	1,475	\$ 160,248,062
Taxable First-Time Home Buyer	1,023	\$ 159,144,062
Taxable*	322	\$ 49,787,753
Veterans Mortgage	300	\$ 55,262,216
New Urban Loans•	3,120	\$ 424,442,093
New Rural Loans•	601	\$ 90,327,684



Features		
Rural Enhanced Loan Program	12	\$ 890,760
Interest-Rate Reduction for Low-Income Borrowers	782	\$ 79,306,632
Energy-Efficiency Interest-Rate Reduction	616	\$ 104,153,307
Streamline Refinance	183	\$ 18,709,129



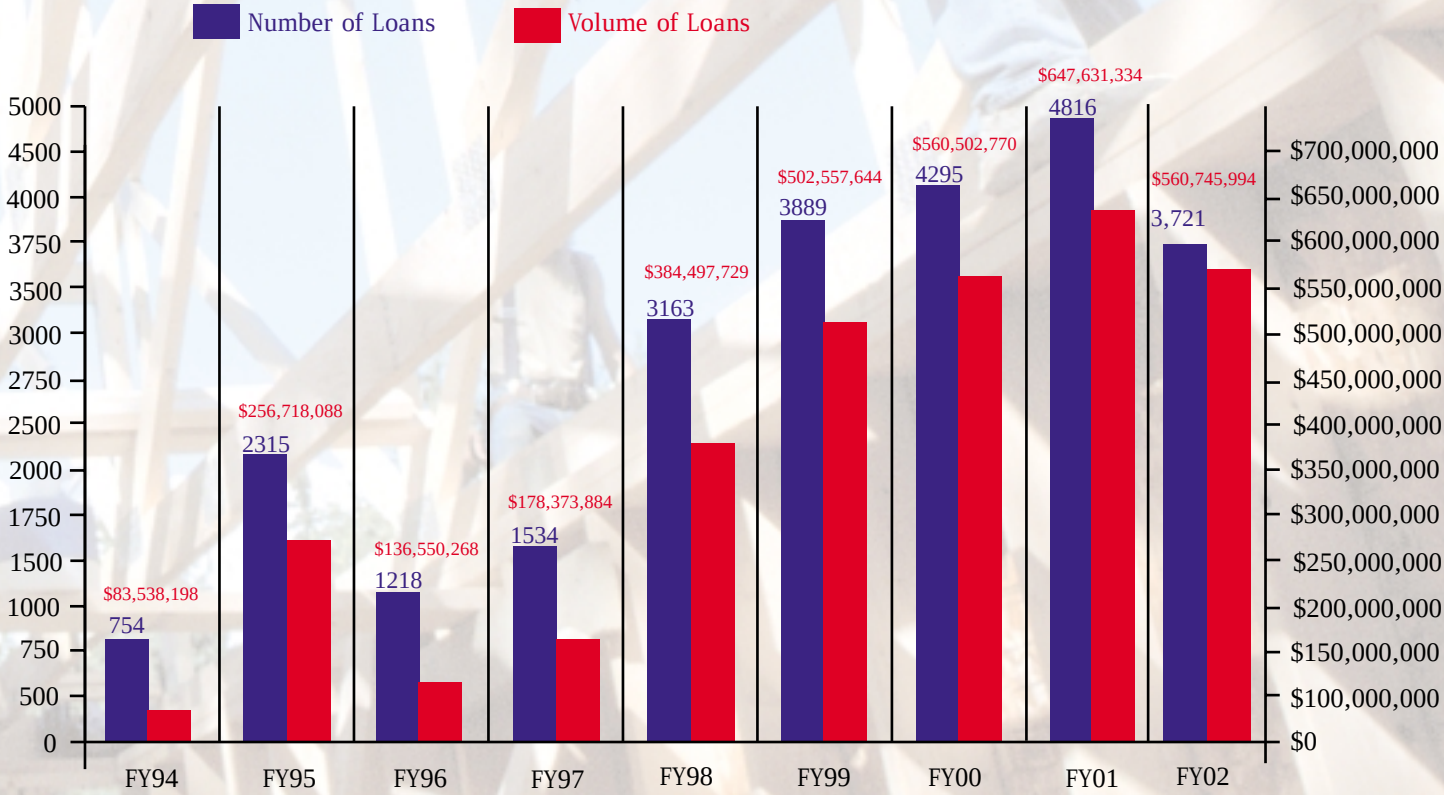
* Excluding Taxable First-Time Home Buyer
• Excluding refinances

Borrower & Program Average Comparison FY02

	All Programs	Tax-Exempt First-Time Home Buyer	Taxable First-Time Home Buyer	Taxable*	Veterans
Total Number of Loans	3,721	1,475	1,023	322	300
Sales Price	\$150,698	\$115,585	\$164,826	\$180,271	\$208,374
Loan Amount	\$138,342	\$108,643	\$155,566	\$154,620	\$184,207
Loan-to-Value Ratio	91.82%	92.93%	93.85%	87.45%	90.52%
Interest Rate	6.211%	5.945%	6.650%	6.669%	6.318%
P & I Payment	\$861	\$652	\$1,002	\$1,014	\$1,156
Monthly Income	\$4,786	\$3,274	\$5,431	\$5,613	\$7,259
Age of Borrower	37	34	35	39	50
Household Size	2	2	3	3	3

* Excluding Taxable First-Time Home Buyer

Total AHFC Loans Purchased*



* Excluding Refinances

AHFC Employees

Phill Adams · James Alpiak · Sandra Amox · Ross Anderson · Roy Anderson · Steve Anderson ·
Griselda Andujar · Marge Arnold · Debra Athan · Sue Ayers · Brian Baines · Barbara Baker ·
Linda Banovich · 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 ·
Shannon Brown · Sue Buchholz · Linda Bueltmann · Mike Buller · Tracy Bumgarner · 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 · Derek Christenson ·
Chris Christley · Patrick Cochran · Colin Coker · Esther Combs · Grace Concepcion · Jenny Coppola ·
Denise Cora · Ann Cothron · Gerry Cox · Kim Coy · Leslie Cross · Doc Crouse · Lisa Curran ·
Cheryl Curtis · Mike David · Bernard Davis · Lona Dayan · Maria DeBaun · Sarah De Jesus ·
Steve DeBusk · Martin Delfino · Linda Demientieff · John DeMott · Judith DeSpain · Gerry Deta ·
Vicki Bourque Diamond · Marlon Dimatulac · Jeff Doll · Sherrylee Dovolos · Josephine Doyle ·
Joe Dubler · Kris Duncan · Gloria Dunmore · Pam Duran · Wayne Eaker · Sheila Edward ·
Henry Elizarde · Dianna Erwin · Gregory Evans · Diane Faude · Martin Faulkner · Dan Fauske ·
Diane Ferguson · Gail Fesler · David Finley · Kari Flansaas · Virgiale Florez · Michele Foley ·
Melissa Ford · Les Forbes · Victor Forrester · Roxanne Frank · Susan Garrett · Brenda Glaze ·
Joseph Gleaton · John Glidden · David Gonzales · Paula Graber · Gwen Graham · Debbie Grizzle ·
Sharon Groner · Jim Gurke · Peter Haines · Betty Hall · Sheryl Hall · Jennifer Hamsley · Amber Hansen ·
Paul Hansmeyer · Cynthia Hanson · Jeri Harris · Judy Harris · Kurt Hartman · Eric A. Havelock ·
Christopher Haynes · Amy Hiley · Candace Hiner · Linda Hobert · Elaine Hodl · Dawn Hoeberman ·
Eric Hoffman · Elaine Hollier · Marjorie Holt · Laurie Holte · Marilyn Holvoet · Tammy Hunter-Greco ·
Pam Huyck · Aaron Ilutsik · Deborah Inama · Arturo Irizarry · Gary Isaacson · Jessie Jackson ·
Kim Jakeway · Tammie James · Shelly Jehlen · Harvey Jennings · Anna Jolliff · liljones · Gay Jurgensen ·
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Andy Montoya · Latoya Moore · Ken More · Jim Morris · Bette Morrison · Maude Morse · Jimmie Nelson ·
Timothy Nelson · Janet Niemann · James Nitchman · Jeanie Nixa · Sherri O'Conar · Stanley Olchowski ·
Judy Ondeck · Sandra Palmer · Cheryl Parker · James Parson · Bill Pellman · Victor Peralta ·
Michael Phelps · Bob Pickett · Harold "Hap" Pierce · Martin Pigg · Monica Pirrotta · Hess Poland ·
Kassye Potter · Ana Poulivaati · Huston Prescott · Jacklyn Radie · Elsie Rado · Roy Range ·
Dewey (Raymond) Ransom · Anna Margaret Rear · Carma Reed · Sheila Reese · James Rheault · Donnis Richard ·
Carol Richards · Rosie Ricketts · Tamiesha Roblez · Tim Rock · Darla Rodland · Fay Romer · Mark Romick ·
Vita Rosier · Ray Rouzan · Patti Ruppert · Holly Rutka · Linda Samuelson · Jeniffer Santos · Karen Savage ·
Fina Schlosser · Carol Schumacher · Roxanne Schwindt · Brian Seim · Terry Shepard · Robert Sherry ·
Dave Silva · Jeffrey Simbahon · Sherrie Simmonds · Debbie Sims · Jill Smart · Herman Smith · Melanie Smith ·
Michelle Snook · Vickie Snelgrove · Konni Snyder · Dreilin Sosa · Cindi Sowder · Cyndy Speight ·
Cynthia Spezialy · Jon Stachelrodt · Bobbie Stallone · Norma Stanford · Pamela Stantorf · Tammy Steele ·
Rutha Stone · Michael Strand · Mike Sullivan · Jose Sumabat · Robbie Tabios · Carla Taff · Pola Takher ·
Don Taylor · Gary Teague · Robenett Terrell · Brad Thomas · Tracy Thornton · Brenda Tomuro ·
R. Kevin Tune · Glen Turner · Ray Utter · Richard Van Camp · Tammy B. Vaughan · Barbara Venarchick ·
Rodney Vitt · Karl Voiles · Douglas Wade · Reggie Ward · Scott Waterman · Ron Wehrli · Wes Weir ·
Douglas Wells · Harvey Wheaton · Larry White · Deidre White · James Wiedle · Calvin Williams ·
Victoria Wilson · Kelly Windom · Buncha Wongkritwit · Greg Wood · James Wright · Laurie Wright ·
Joseph Yaletchko · Gerni Yambao · Matthew Yeomans · Cherie Young ·

AHFC FINANCIAL HIGHLIGHTS FY 2002

AHFC issued a total of \$757,360,000 of long-term debt during FY 2002 to continue its various ongoing lending programs and also to fund State capital projects. As of June 30, 2002, \$3.391 billion was outstanding under the Corporation's long-term debt programs. The following table summarizes the long-term debt issued by the Corporation during FY 2002:

Title & Amount of Bond Issue	Ratings: S&P/ Moody's/ Fitch	Date Issued	Program/ Project Funded	Tax Status
\$370,170,000 Governmental Purpose Bonds \$76,580,000 2001 Series A (Variable) \$93,590,000 2001 Series B (Variable) \$100,000,000 2001 Series C (Variable)(Taxable) \$100,000,000 2001 Series D (Variable)(Taxable)	AAA/A-1+; Aaa/VMIG-1; AAA/F-1+	02-Aug-01	Governmental Purpose	Tax Exempt & Taxable
\$137,190,000 Mortgage Revenue Bonds \$32,740,000 2001 Series A (Non-AMT) \$104,450,000 2001 Series B (AMT)	AAA/Aaa/AAA	17-Oct-01	Tax-Exempt First Time Homebuyer Mortgage Program	Tax Exempt
\$50,000,000 Veterans Collateralized Bonds \$50,000,000 2002 First Series	AAA/Aaa/AAA	04-Apr-02	Veterans Mortgage Program	Tax Exempt
\$200,000,000 Home Mortgage Revenue Bonds \$170,000,000 2002 Series A (Variable)(AMT) \$30,000,000 2002 Series B (Variable)(Taxable)	AAA/A-1+; Aaa/VMIG-1; AAA/F-1+	16-May-02	Tax-Exempt First Time Homebuyer Mortgage Program	Tax Exempt & Taxable

1. AHFC Reports Decrease in Net Income for Fiscal Year 2002

AHFC posted net income of \$75,660,000 for Fiscal Year 2002, down 21% from FY 2001 and 8% from FY 2000. Our mortgage loan portfolio increased by almost \$2 million, resulting in a 9% increase in mortgage loan interest over the prior fiscal year. Due to lower interest rates earned on our short-term portfolio, our investment income decreased 34% over the prior fiscal year.

2. Selection of Qualified Underwriters

AHFC solicited for Qualified Underwriters in November 2001 for the purpose of selling bonds on a negotiated basis. Upon the recommendation of the Investment Advisory Committee, the AHFC Board of Directors approved the following for the Qualified Underwriter List: Lehman Brothers, Merrill Lynch, Bear Stearns, and George K. Baum. These firms will be selected on a rotational basis to senior manage specific transactions or financing programs. Salomon Smith Barney was appointed as Co-Manager and, along with the firms on the Qualified Underwriter List which are not appointed as the senior managing underwriter, will serve as co-manager for the Corporation's transactions. The process and performance of those firms on the list will be reviewed every three years at which time consideration may be given to re-soliciting for statements of qualifications.

3. 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 bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation. As of June 30, 2002, 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. The Corporation has disbursed \$147,283,151 and \$14,763,667 of the bond proceeds, respectively, for State capital-project expenditures under the bonds.



701 West Eighth Avenue
Suite 600
Anchorage, AK 99501

Independent Auditors' Report

The Board of Directors
Alaska Housing Finance Corporation:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation as of and for the year ended June 30, 2002, which collectively comprise Alaska Housing Finance Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation as of June 30, 2002, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, as of July 1, 2001 the Corporation adopted Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

September 27, 2002, except for Note 19, as to which
the date is October 15, 2002



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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

This section of the Alaska Housing Finance Corporation's (the "Corporation") annual financial report presents management's discussion and analysis of financial position and the results of operations during the fiscal year ended June 30, 2002. This information is being presented to provide additional information regarding the activities of the Corporation and to meet the disclosure requirements of Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This information should be read in conjunction with the Independent Auditors' Report, financial statements and accompanying notes.

The Corporation's operations are of business type activities and follow enterprise fund reporting. The Corporation is a component unit of the State of Alaska and is discretely presented in the State's financial statements.

Condensed Financial Information and Financial Highlights

(in thousands)

	2002	2001	Increase (Decrease)
Investments	\$ 1,587,877	\$ 1,457,510	\$ 130,367
Mortgage loans, notes and other loans net	3,373,640	3,150,156	223,484
Total assets	5,182,154	4,830,838	351,316
Bonds and notes, net	3,267,553	2,898,024	369,529
Total liabilities	3,416,344	3,057,161	359,183
Total net assets	1,765,810	1,773,677	(7,867)

The assets of the Corporation exceeded its liabilities at June 30, 2002 by \$ 1.8 billion. Of this amount \$98 million represents capital assets, net of accumulated depreciation and related debt, \$1.4 billion is restricted by bond resolutions or by contractual or statutory agreements and \$210 million is available to meet the obligations of the Corporation.

Total assets increased by a net amount of \$351 million during 2002 primarily due to increases in both investments and loans. An increase in investments was due to the influx of new money from the issuance of bonds, and from an increase in loan repayments from borrowers. The increase in mortgage loans, notes and other loans was due to increased growth in the loan portfolio net of repayments and a lower reserve on new loans.

Total bonds and notes increased by \$370 million during the year. See discussion below under Debt Administration for analysis of the change in bonds and notes.

Condensed Financial Information and Financial Highlights - Results of Operations
(in thousands)

	2002	2001	Increase (Decrease)
Mortgages and loan revenue	\$ 222,446	\$ 204,084	\$ 18,362
Investment interest income	71,115	108,303	(37,188)
Externally funded programs	46,283	43,508	2,775
Total operating revenues	349,230	368,968	(19,738)
Interest expense	174,582	172,373	2,209
Operations and administration	32,393	31,997	396
Housing grants and subsidies	39,520	39,161	359
Total operating expenses	273,570	279,815	(6,245)
Operating income	75,660	89,153	(13,493)
Contributions to the State of Alaska or other State Agencies	85,562	75,031	10,531
Special item	2,035	—	2,035
Change in net assets	(7,867)	21,322	(29,189)

Total operating revenues decreased by a net amount of \$20 million during 2002 primarily due to a decrease in investment interest income resulting from lower interest rates. Although total revenues decreased, mortgage and loan revenue increased due to continued growth of the Corporation's loan portfolio.

Total operating expenses decreased by a net amount of \$6 million during 2002. The allowance for loan loss reserve is an estimate of uncollectible amounts that is used to reduce the reported value of the loan portfolio. During the current year the allowance has been decreased due to the review of assigned risk ratings, delinquent payment history, and changing economic conditions. This resulted in a decrease in the provision for loan loss of \$5 million. Operating expenses also decreased due to changes in the arbitrage rebate accrual, which is influenced by a lower interest rate environment.

The Corporation continued its series of annual equity payments to the State of Alaska General Fund. During the fiscal year ended June 30, 2002, the Board of Directors of the Corporation approved a budget for FY 2003 that included a \$50 million cash payment and an additional \$46 million capital budget, for a total payment to the State of \$96 million, equal to the Corporation's net income for the fiscal year ended June 30, 2001, pre-GASB statement No. 34 net income. That amount was modified to \$103 million during the Legislative Session. The FY 2004 contribution to the State's General Fund is anticipated to be \$75.66 million, equal to the FY 2002 operating net income.

During the fiscal year 2002, the Corporation had a special item of \$2 million on the Statement of Revenues, Expenses and Changes in Net Assets. This is a result of closing an inactive Mutual Help Program and writing off of the remaining assets and liabilities of that program.

Major Fund – Administrative Fund

The Administrative fund is the main operating fund of the Corporation. It represents all of the Corporation's activity not presented in other funds. The resources in this fund:

- provide for general working capital requirements of the Corporation
- fund program requirements
- are available to meet outstanding obligations and to fund continuing appropriations
- are available to absorb future loan foreclosure losses, and

- are the source for transfers to, and debt service payments for debt issued on behalf of, the State of Alaska for legislatively authorized transfers and state capital projects.

USING THIS FINANCIAL REPORT

This financial report consists of two parts, the MD&A and the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets and a statement of cash flows.

Required Financial Statements

The *Statement of Net Assets* answers the question, “How is our financial health at the end of the year?”. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies.

All of the current year’s revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Assets*. This statement measures the success of the Corporation’s operations over the past year and can be used to determine whether the Corporation has successfully recovered all of its costs through mortgages and loans, externally funded programs and other revenue sources. This statement also helps answer the question “Is the Corporation as a whole better off or worse off as a result of the year’s activities?”

The other required financial statement is the *Statement of Cash Flows*. The primary purpose of this statement is to provide information about the Corporation’s cash receipts and cash payments during the accounting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing and investing activities. It provides answers to such questions as “where did cash come from?”, “what was cash used for?” and “what was the change in cash balance during the reporting period?”

DEBT ADMINISTRATION

At year-end, the Corporation had \$3.2 billion of bonds and notes payable secured by the Corporation. The Corporation’s debt is generally rated by three major rating agencies. The ratings assigned to the Corporation by each of those agencies is:

Rating Category	Fitch Ratings	Moody’s Investors Service	Standard & Poor’s
General Obligation:			
Long Term	AA+	Aa2	AA-
Short Term	F1+	P-1	A-1+
General Account Fund Rating:			
Credit Quality			AAAf
Volatility			S1

Significant debt activity during the year included the following:

- Issued \$50 million of Tax-Exempt Veterans Mortgage Program Bonds;
- Issued \$337 million of Tax-Exempt First-Time Homebuyer Bonds;
- Issued \$370 million of Tax-Exempt Governmental Purpose Bonds, which for tax purposes partially refunded a 1995 Governmental Purpose Bond issue in the amount of \$160 million;
- Redeemed bonds through surplus redemption provisions of their respective indentures in the amount of \$157 million and;
- Issued and redeemed short-term commercial paper under the Corporation's \$150 million commercial paper program.

The Operating Budget of the State of Alaska for the fiscal year ended June 30, 2002, authorized the issuance of \$798 million in bonds by the Corporation. This limitation did not apply to refunding bonds. Bond issuances for the year were under this limit.

Additional information on the Corporation's long-term debt can be found in the notes of the financial statements.

ECONOMIC FACTORS AND OTHER FINANCIAL INFORMATION

During the Fiscal Year ended June 30, 2002, the world financial markets experienced a pattern of volatility that, if extended for a significant period of time, could have a negative impact upon the Corporation's operations.

Fluctuations in the stock markets have driven investors out of equity holdings and into the fixed-income market. This has had a favorable impact upon the Corporation's debt issuances, affording it some of the lowest coupon debt in its history.

However, with approximately \$1.6 billion in investment securities, of which approximately \$1.1 billion is subject to interest rate fluctuations, a reduction in short-term rates in excess of 3% from the prior fiscal year has caused a 34% reduction in investment interest income for Fiscal Year 2002.

Lower interest rates had no apparent impact on the Corporation's loan portfolios during Fiscal Year 2002. However, mortgage rates are currently at 40 year lows, and borrowers are refinancing at a pace not seen in recent history. Those refinanced loans may be made under existing programs at AHFC, which will have the effect of lowering the yield on our portfolios by, as a general rule, more than 1%. If the loans are refinanced through competitors, the size of AHFC's loan portfolio will decline. In either event, large bond redemptions in the next fiscal year are probable.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, please visit the Corporation's web site www.ahfc.state.ak.us or contact the Financial Reporting Officer at dboyce@ahfc.state.ak.us.

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

As of June 30, 2002

(in thousands of dollars)

	Administrative Fund	General Mortgage Revenue Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	State Capital Project Bonds 1999 B
<u>ASSETS</u>				
Current				
Cash	2,762	150	213	358
Investments	404,932	27,164	4,735	22,499
Accrued interest receivable	2,510	2,228	2,190	629
Mortgage loans, notes and other loans	1,533	4,782	12,177	-
Net investment in direct financing lease	-	-	-	-
Other assets	586	108	377	-
Intergovernmental receivable	-	-	-	-
Total Current	412,323	34,432	19,692	23,486
Non-Current				
Investments	-	260,735	130,737	31,421
Mortgage loans, notes and other loans, net of allowance	113,402	202,893	284,557	-
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	2,933	1,638	670
Capital assets, net	571	-	-	-
Other assets	1,459	-	-	-
Total Non-Current	115,432	466,561	416,932	32,091
Total Assets	527,755	500,993	436,624	55,577
<u>LIABILITIES</u>				
Current				
Bonds and notes payable	-	2,410	4,735	18,735
Short term debt	108,541	-	-	-
Accrued interest payable	165	2,063	860	314
Other liabilities	5,133	4,273	416	4
Intergovernmental payable	5	-	-	-
Total Current	113,844	8,746	6,011	19,053
Noncurrent				
Bonds and notes payable, net of current portion	-	427,659	362,045	54,914
Other liabilities	328	-	-	-
Total Non-Current	328	427,659	362,045	54,914
Total Liabilities	114,172	436,405	368,056	73,967
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	571	-	-	-
Restricted by bond resolutions	-	64,588	68,568	-
Restricted by contractual or statutory agreements	119,998	-	-	-
Unrestricted net assets, (deficit)	293,014	-	-	(18,390)
Total Net Assets (deficit)	413,583	64,588	68,568	(18,390)

See accompanying notes to the financial statements.

Other Non-Major Funds	Total
6,025	9,508
203,605	662,935
17,458	25,015
66,664	85,156
1,533	1,533
18,124	19,195
618	618
314,027	803,960
502,049	924,942
2,687,632	3,288,484
36,164	36,164
22,864	28,105
98,469	99,040
-	1,459
3,347,178	4,378,194
3,661,205	5,182,154
48,490	74,370
-	108,541
10,851	14,253
6,651	16,477
8,474	8,479
74,466	222,120
2,348,565	3,193,183
713	1,041
2,349,278	3,194,224
2,423,744	3,416,344
97,837	98,408
645,927	779,083
557,879	677,877
(64,182)	210,442
1,237,461	1,765,810

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2002

(in thousands of dollars)

	Administrative Fund	General Mortgage Revenue Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	State Capital Project Bonds 1999 B
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	12,756	15,405	19,847	-
Investment interest	16,440	13,732	5,275	3,733
Net change in the fair value of investments	509	65	11	147
Total Investment Revenue	16,949	13,797	5,286	3,880
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	1,238	-	5	-
Total Operating Revenues	30,943	29,202	25,138	3,880
<u>OPERATING EXPENSES</u>				
Interest	2,365	25,631	10,828	4,233
Mortgage and loan costs	888	861	1,040	-
Operations and administration	224	873	1,246	-
Financing expenses	1,034	(2,445)	358	135
Provision for loan loss	(3,325)	(6,473)	6,738	-
Housing grants and subsidies	1	-	-	-
Rental housing operating expenses	-	-	-	-
Total Operating Expenses	1,187	18,447	20,210	4,368
Operating Income (Loss)	29,756	10,755	4,928	(488)
<u>NONOPERATING EXPENSES.</u>				
<u>SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	(10,701)	-	-	(35,589)
Special Items (Note 20)	-	-	-	-
Transfers - Internal	(351,005)	(48,998)	63,640	18,413
Change in Net Assets	(331,950)	(38,243)	68,568	(17,664)
Net assets at beginning of year	745,533	102,831	-	(726)
Net Assets at End of Period	413,583	64,588	68,568	(18,390)

See accompanying notes to the financial statements.

Other Non-Major Funds	Total
174,438	222,446
31,935	71,115
(621)	111
31,314	71,226
46,283	46,283
7,034	7,034
998	2,241
260,067	349,230
131,525	174,582
10,144	12,933
30,050	32,393
3,115	2,197
5,750	2,690
39,519	39,520
9,255	9,255
229,358	273,570
30,709	75,660
(39,272)	(85,562)
2,035	2,035
317,950	-
311,422	(7,867)
926,039	1,773,677
1,237,461	1,765,810

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASHFLOWS

For the Year Ended June 30, 2002

(in thousands of dollars)

	Administrative Fund	General Mortgage Revenue Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	State Capital Project Bonds 1999 B
Cash flows from operating activities:				
Interest income on mortgages and loans	12,433	15,830	17,081	-
Principal payments received on mortgages and loans	6,483	36,470	53,664	-
Purchases of mortgages and loans	(555,271)	-	-	-
Receipt (payment) for loan transfers between funds	665,226	(50,721)	(139,948)	-
Cash payments to employees for services	(9,221)	-	-	-
Cash payments to suppliers for goods and services	(24,106)	-	(144)	-
Cash received for externally funded programs	-	-	-	-
Other operating cash receipts	8,404	-	5	-
Net cash provided by (used for) operating activities	103,948	1,579	(69,342)	-
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	-	-	370,170	-
Principal paid on bonds	-	(2,305)	(3,390)	(17,860)
Payment of bond issuance costs	-	-	(1,522)	-
Interest paid	(2,752)	(24,808)	(9,968)	(4,415)
Proceeds from issuance of short term debt	566,000	-	-	-
Payment of short term debt	(567,499)	-	-	-
Contributions to the State of Alaska or other State agencies	(36,272)	-	-	(35,589)
Transfers (to) from other funds	(68,474)	156,305	(155,096)	17,978
Net cash provided by (used for) noncapital financing activities	(108,997)	129,192	200,194	(39,886)
Cash flows from capital financing activities:				
Acquisition of capital assets	(7,223)	-	-	-
Principal paid on capital notes	-	-	-	-
Interest paid	-	-	-	-
Proceeds from the direct financing lease payments	-	-	-	-
Net cash provided by (used for) capital financing activities	(7,223)	-	-	-
Cash flows from investing activities:				
Purchase of investments	(2,628,745)	(1,294,141)	(297,414)	(103,589)
Proceeds from maturity of investments	2,623,759	1,149,624	161,953	139,895
Interest received from investments	16,533	13,489	4,822	3,938
Net cash provided by (used for) investing activities	11,547	(131,028)	(130,639)	40,244
Net Increase (decrease) in cash	(725)	(257)	213	358
Cash at the beginning of year	3,487	407	-	-
Cash at end of period	2,762	150	213	358
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	29,756	10,755	4,928	(488)
<i>Adjustments:</i>				
Depreciation expense	174	-	-	-
Provision for loan losses	(3,325)	(6,473)	6,738	-
Amortization of bond issuance costs	-	83	28	23
Net change in the fair value of investments	(509)	(65)	(11)	(147)
Transfers between funds for operating activity	(28,512)	(1,655)	1,443	112
Investment interest income	(16,533)	(13,489)	(4,822)	(3,938)
Interest expense	2,365	25,631	10,828	4,233
<i>Changes in assets and liabilities:</i>				
Mortgages and loans	116,438	(14,251)	(86,284)	-
Other assets & liabilities	4,094	1,043	(2,190)	205
Net cash provided by (used for) operating activities	103,948	1,579	(69,342)	-
Noncash investing, capital and financing activities:				
Asset transfers	(1,072)	(217,134)	217,134	-
Special item writeoff of assets & liabilities for Mutual Help program	-	-	-	-

See accompanying notes to the financial statements.

Other Non-Major Funds	Total
163,495	208,839
359,377	455,994
(128,270)	(683,541)
(474,557)	-
(8,750)	(17,971)
(40,398)	(64,648)
40,426	40,426
8,161	16,570
(80,516)	(44,331)

387,172	757,342
(367,725)	(391,280)
-	(1,522)
(129,813)	(171,756)
-	566,000
-	(567,499)
(13,701)	(85,562)
49,287	-
(74,780)	105,723

(697)	(7,920)
(24)	(24)
(5)	(5)
3,549	3,549
2,823	(4,400)

(3,654,796)	(7,978,685)
3,773,203	7,848,434
30,343	69,125
148,750	(61,126)
(3,723)	(4,134)
9,748	13,642
6,025	9,508

30,709	75,660
4,116	4,290
5,750	2,690
1,896	2,030
621	(111)
28,612	-
(30,343)	(69,125)
131,525	174,582
(243,450)	(227,547)
(9,952)	(6,800)
(80,516)	(44,331)

1,072
2,035

NOTES TO FINANCIAL STATEMENTS

FOOTNOTE INDEX

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

1 AUTHORIZING LEGISLATION AND FUNDS

The Alaska Housing Finance Corporation (Corporation), a public corporation and government instrumentality of the State of Alaska (State), 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. The Corporation is a component unit of the State of Alaska and is discretely presented in the State's Financial Statements.

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.

Northern Tobacco Securitization Corporation (NTSC) was incorporated in the State of Alaska pursuant to House Bill No. 281 of the Alaska Legislature, as a subsidiary of the Corporation. 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. NTSC is a government instrumentality of, but separate and apart from, the State of Alaska.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation's funds are accounted for as enterprise funds for financial reporting purposes. All funds utilize the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The Corporation applies all Governmental Accounting Standards Board's (GASB) pronouncements for the Corporation's funds, as well as the Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. After November 30, 1989, the Corporation only applies applicable GASB pronouncements unless the GASB specifically adopts the FASB pronouncement.

Basis of Presentation

GASB issued various statements; No. 34, *Basic Financial Statements and Management's Discussion and Analysis*, No. 37 *Basic Financial Statements and Management's Discussion and Analysis: Omnibus, an amendment of GASB statements No. 21 and No. 34*, and No. 38, *Certain Financial Statement Note Disclosures*. These statements established new financial reporting requirements (new reporting model) for state and local governments. The Corporation adopted these statements for the year ended June 30, 2002. The adoption of these statements required 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 Corporation's basic financial statements include a MD&A section, a classified Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets formatted to report operating and nonoperating revenues and expenses, a Cashflow Statement presented using the direct method, and modified Footnotes. The Corporation's statements present the Administrative Fund and the other Major Funds in separate columns. The remaining Non-Major Funds are aggregated and displayed in a single column. The Total column presents the entity-wide amounts for the Corporation.

The financial statements for the year ended June 30, 2002 do not include comparative financial information as a result of substantial changes in presentation due to the new reporting model required by GASB Statements No. 34, 37 and 38. In subsequent years the Corporation will present comparative financial statements.

NOTES TO FINANCIAL STATEMENTS

Major and Non-Major Funds

The Corporation reports the following major funds and non-major funds:

Administrative Fund. This is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation, except those accounted for in separate funds.

General Mortgage Revenue Bonds 1997 A. This fund accounts for debt issued and assets pledged for payment of the debt under this bond indenture.

Governmental Purpose Bonds 2001 A-D. This fund accounts for debt issued and assets pledged for payment of the debt under this bond indenture.

State Capital Project Bonds 1999 B. This fund accounts for State Capital Project Bonds of the Corporation to finance projects of the State and municipalities.

Other Non-Major Funds. Resources to assist in the financing, development and sale of housing units, public housing assistance programs, energy programs, and home loan programs are aggregated and reported in Other Non-Major Funds.

Restricted Assets and Fund Equity

The restricted net asset amounts of the Administrative Fund consist of the Corporation's remaining commitments to the State (refer to Footnote No. 15, State Authorizations and Commitments, for further details). The remaining resources of the Administrative Fund are unrestricted.

The other financial activities of the Corporation are restricted by the Corporation's bond resolutions, requirements from the Legislature, and statutory requirements or third party agreements that specify the restricted use of resources. These restricted resources are recorded in various special purpose funds and accounts. Restricted funds with a deficit net asset balance are shown as having an unrestricted net asset balance pursuant to reporting requirements.

When both restricted and unrestricted resources are available in a fund, it is the Corporation's policy to spend restricted funds to the extent allowed and only spend unrestricted funds when needed.

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.

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.

Accrued Interest Receivable on Loans and Real Estate Owned

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

available to make evaluations, future adjustments to the allowances may be necessary if there are significant changes in economic conditions or property disposal programs.

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. These amounts are included in other assets.

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.

Interest Rate Swap

The Corporation's Fiscal Policies allow, with certain restrictions, the Corporation to enter into certain derivative financial instruments called interest rate swap agreements, or swaps. The Corporation enters into these swaps with various counter-parties to achieve a lower overall cost of funds for certain of its fixed rate bond issuances. These agreements can be negotiated whereby the Corporation pays the counter-party a fixed interest rate in exchange for a variable interest rate payment from the counter-party, or vice-versa. The particulars of each swap are negotiated to achieve the financing objectives of the Corporation. Other than the net interest expense resulting from these agreements, no amounts are recorded in the Corporation's financial statements.

Operating Revenues and Expenses

The Corporation was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the Corporation into mortgage loans to qualified housing sponsors and to certain individuals. The Corporation's primary purpose is to borrow funds in the bond market and to use those funds to make single-family and multi-family mortgages and loans. Its primary operating revenue is derived from the interest income and fees from those mortgages and loans and on the invested proceeds from the bond issues. Additionally, the Corporation's statutory purpose includes providing financial assistance programs for rental subsidies to tenants of various housing developments. The Corporation records all revenues from mortgages and loans, investments, rental activities, and externally funded programs as operating revenues. The primary costs of providing these programs are recorded as operating expenses.

Income Taxes

The Corporation is exempt from federal and state income taxes.

3 CASH

Cash consists of demand deposits, time deposits and uninvested trust account balances. The carrying amount of the Corporation's cash is restricted by bond resolutions, contractual agreements, and statutory agreements. A summary of the Corporation's cash is shown below (in thousands):

	June 30, 2002
Restricted cash	\$7,049
Unrestricted	2,459
Carrying amount	\$9,508
Bank balance	\$10,817

NOTES TO FINANCIAL STATEMENTS

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) uninsured in trust and other accounts collateralized with securities held by bank trust departments, but not in the Corporation's name; and 3) uninsured and uncollateralized. 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.

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, 2002
Cash	\$10,817	-	-	\$10,817
Bank investment agreements	\$-	\$160,776	\$125,730	\$286,506
U.S. Treasury securities	24,835	23,417	-	48,252
Securities of U.S. Government agencies and Corporations	236,812	41,758	-	278,570
Asset-backed securities	36,345	9,182	-	45,527
Certificates of Deposit	15,000	-	-	15,000
Commercial paper & medium term notes	156,522	480,505	-	637,027
Subtotal	469,514	554,862	-	1,024,376
	\$469,514	\$715,638	\$125,730	1,310,882
Investment agreements				195,553
Money market funds				81,442
Total investments				\$1,587,877

Restricted Investments

The carrying amount of the Corporation's investments, restricted by bond resolutions, contractual agreements, and statutory agreements, is shown below (in thousands):

	June 30, 2002
Restricted investments	\$1,302,922
Unrestricted	284,955
Carrying amount	\$1,587,877

NOTES TO FINANCIAL STATEMENTS

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, "P-1" by Moody's, or "F-1" by Fitch;
- 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, "Aa" by Moody's, or "AA" by Fitch;
- Repurchase Agreements (repos) with a corporation or other entity which has long-term debt ratings of at least "A" by S&P, "A" by Moody's, or "A" by Fitch or short-term ratings of at least "A-1" by S&P, "P-1" by Moody's, or "F-1" by Fitch 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, "Aa" by Moody's, or "V-1+" by Fitch;
- 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, "Aa" by Moody's, or "AA" by Fitch;
- Floating rate notes issued by entities having outstanding unsecured long-term obligations rated "AA" by S&P, "Aa" by Moody's, or "AA" by Fitch, and with interest rates subject to adjustment no less frequently than every 90 days, and a maximum maturity of three years or less, or an optional tender available to bondholders no less frequently than every interest rate reset date;
- Adjustable rate funds, provided they are rated "AAAF" credit and "S-1" volatility by S&P and "Aaa" by Moody's;
- International Bank for Reconstruction & Development debt obligations rated "AAA" by S&P, "Aaa" by Moody's, or "AAA" by Fitch.

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, 2002
Due in one year or less	\$1,359,532
Due after one year through five years	226,330
Due after five years through ten years	-
Due after ten years	2,015
	<u>\$1,587,877</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 is shown below (in thousands):

	June 30, 2002
Beginning unrealized gain/loss	\$8,768
Ending unrealized gain/loss	8,008
Net change in unrealized gain/loss	(760)
Net realized gains	871
Net increase in Fair Value	<u>\$111</u>

NOTES TO FINANCIAL STATEMENTS

5 MORTGAGE LOANS, NOTES AND OTHER LOANS

A summary of mortgage loans, notes and other loans is shown below: (in thousands):

	June 30, 2002
Mortgage loans	\$3,374,452
Mortgage-backed Securities issued by the Corporation	70,255
Mobile home loans	3,478
University of Alaska loan	29,905
Other notes receivable	56
	<u>3,478,146</u>
<u>Less:</u>	
Allowance for losses	(104,506)
Net Mortgage loans, notes and other loans	<u><u>\$3,373,640</u></u>

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

	June 30, 2002
<u>Delinquencies and Foreclosures:</u>	
Loans delinquent 30 days or more	\$117,200
Foreclosures during period	3,524
Loans in foreclosure process	6,218
<u>Mortgage-related commitments:</u>	
To purchase mortgage loans	118,396
To repurchase loans upon foreclosure	57,401

6 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.

7 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 Administrative Fund in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

8 DIRECT FINANCING LEASE

In July, 1997, the Corporation purchased an office building in downtown Anchorage with its administrative 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 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
2003	\$3,549
2004	3,549
2005	3,549
2006	3,549
2007	3,549
Thereafter	39,045
Gross Payments Due	56,790
Less: Unearned Revenue	(19,093)
Net investment in direct financing lease	\$37,697

9 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2002 is shown below (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Land	\$13,112	\$776	\$(1)	\$13,887
Construction in progress	39,939	7,654	(18,656)	28,937
	53,051	8,430	(18,657)	42,824
OTHER CAPITAL ASSETS:				
Buildings	116,553	14,191	(208)	130,536
Computers & Equipment	2,747	100	(36)	2,811
Vehicles	1,458	189	(20)	1,627
	120,758	14,480	(264)	134,974
Less: Accumulated depreciation	(78,190)	(4,297)	3,729	(78,758)
	42,568	10,183	3,465	56,216
Total capital assets, net	\$95,619	\$18,613	\$(15,192)	\$99,040

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 was \$6,755,000 at June 30, 2002.

10 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.

NOTES TO FINANCIAL STATEMENTS

Bonds and notes outstanding are shown in the following schedule (in thousands):

	Original Amount	June 30, 2002
MAJOR FUNDS:		
GENERAL MORTGAGE REVENUE BONDS:		
• Tax-Exempt:		
• 1997 Series A, 4.15% to 6.1%, due 2002-2037	\$434,911	\$426,236
Accreted interest	-	3,833
	<u>434,911</u>	<u>430,069</u>
GOVERNMENT PURPOSE BONDS:		
• Tax-Exempt:		
• 2001 Series A, Floating Rate*, 1.25 % at June 30, 2002, due 2030	76,580	75,375
• 2001 Series B, Floating Rate*, 1.33 % at June 30, 2002, due 2030	93,590	92,115
• Taxable:		
• 2001 Series C, Floating Rate*, 1.83% at June 30, 2002, due 2032	100,000	99,645
• 2001 Series D, Floating Rate*, 1.85% at June 30, 2002, due 2032	100,000	99,645
	<u>370,170</u>	<u>366,780</u>
STATE CAPITAL PROJECT BONDS:		
• Tax-Exempt:		
• 1999 Series B, 4.0% to 5.5%, due 2002-2005	103,980	72,365
Unamortized premium	-	1,284
	<u>103,980</u>	<u>73,649</u>
NON MAJOR FUNDS :		
FIRST-TIME HOME BUYER BONDS:		
<i>Collateralized Home Mortgage Bonds (CHMB):</i>		
• Tax-Exempt:		
• CHMB 1990 Series A, 5.7% to 7.05%, due 2002-2025	152,000	14,955
<i>Mortgage Revenue Bonds:</i>		
• Tax-Exempt:		
• 1996 Series A, 4.40% to 6.5%, due 2002-2027	159,871	77,175
• 1997 Series A, 4.15% to 6.0%, due 2002-2037	160,000	122,105
• 1998 Series A, 3.95% to 5.4%, due 2002-2035	70,000	58,280
• 1999 Series A1 & A2, 4.5% to 6.25%, due 2002-2035	200,000	196,680
• 2000 Series A, 5.9% to 6.0%, due 2036-2040	58,315	41,535
• 2000 Series B, 5.45%, due 2015	3,795	3,795
• 2000 Series C, 4.7% to 6.0%, due 2002-2032	68,785	68,785
• 2001 Series A, 2.5% to 5.3%, due 2002-2031	32,740	32,400
• 2001 Series B, 4.15% to 5.45%, due 2002-2041	104,450	104,450

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2002
• 2002 Series A, Floating Rate*, 1.35% at June 30, 2002, due 2032-2036	170,000	170,000
• Taxable:		
• 2000 Series D, 7.0% to 7.32%, due 2003-2020	25,740	19,785
• 2002 Series B, Floating Rate*, 1.85% at June 30, 2002, due 2036	30,000	30,000
TOTAL FIRST-TIME HOMEBUYER BONDS	1,235,696	939,945
VETERANS MORTGAGE PROGRAM BONDS:		
<i>Collateralized State Guaranteed Bonds:</i>		
• Tax-Exempt:		
• Collateralized Bonds 1991 First Series, 6.75% to 7.3%, due 2004-2033	45,000	2,325
• Collateralized Bonds 1991 Second Series, 6.5% to 7.1%, due 2004-2034	60,000	5,535
• Collateralized Bonds 1992 First Series, 6.25% to 6.75%, due 2005-2034	45,000	10,395
• Collateralized Bonds 1993 First Series, 4.5% to 5.875%, due 2002-2035	65,000	13,160
• Collateralized Bonds 1994 First Series, 5.3% to 6.8%, due 2002-2036	130,000	76,715
• Collateralized Bonds 1995 First Series, 4.6% to 6.55%, due 2002-2037	30,000	12,845
• Collateralized Bonds 1997 First Series, 5.5%, due 2002-2039	100,000	58,195
• Collateralized Bonds 1998 First and Second Series, 4.0% to 5.5%, due 2002-2040	60,000	44,245
• Collateralized Bonds 1999 First Series, 4.3% to 6.25%, due 2002-2039	110,000	91,735
• Collateralized Bonds 2000 First Series, 4.75% to 6.45%, due 2002-2039	70,000	66,830
• Collateralized Bonds 2002 First Series, 2.65% to 5.65%, due 2003-2034	50,000	50,000
TOTAL VETERANS MORTGAGE PROGRAM BONDS	765,000	431,980
OTHER BONDS AND NOTES:		
<i>Housing Development Bonds:</i>		
• Tax-Exempt:		
• 1991 Series A, 6.2% to 7.0%, due 2002-2021	5,755	4,875
• 1992 Series A, 6.15% to 7.0%, due 2002-2022	9,370	3,260
• 1993 Series A, 4.25% to 5.625%, due 2002-2023	8,325	7,055
• 1993 Series B, 4.25% to 5.625%, due 2002-2023	4,890	4,215
• 1993 Series C, 4.35% to 5.7%, due 2002-2023	1,200	1,045
• 1997 Series A, 4.15% to 5.7%, due 2002-2029	6,510	6,150
• 1997 Series B, 4.25% to 5.8%, due 2002-2029	17,000	16,080
• 1999 Series A, 4.1% to 6.3%, due 2002-2029	1,675	1,625
• 1999 Series B, 4.2% to 6.37%, due 2002-2029	5,080	4,945

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2002
• 1999 Series C, 4.1% to 6.2%, due 2002-2029	50,000	48,590
• 2000 Series A, Floating Rate*, 1.4% at June 30, 2002, due 2002-2030	20,745	18,715
• 2000 Series B, Floating Rate*, 1.30% at June 30, 2002, due 2002-2030	41,705	41,705
• Taxable:		
• 1993 Series D, 5.6% to 7.1%, due 2002-2023	4,675	4,155
• 1993 Series E, 5.6% to 7.1%, due 2002-2023	12,255	9,745
• 1997 Series C, 6.8% to 7.55%, due 2002-2029	23,895	22,980
General Mortgage Revenue Bonds:		
• Tax-Exempt:		
• 1999 Series A, 4.25% to 6.05%, due 2002-2049	302,700	299,670
General Housing Purpose Bonds:		
• Tax-Exempt:		
• 1992 Series A, 5.3% to 6.6%, due 2002-2023	200,000	42,415
• 1994 Series A, 4.0% to 5.4%, due 2002-2023	143,815	139,735
Government Purpose Bonds:		
• Tax-Exempt:		
• 1995 Series A, 4.5% to 5.875%, due 2002-2030	335,000	158,465
• 1997 Series A, Floating Rate*, 1.4% at June 30, 2002, due 2027	33,000	33,000
State Capital Project Bonds:		
• Tax-Exempt:		
• 1999 Series A, 3.4% to 5.0%, due 2002-2005	92,365	49,955
• 2001 Series A, 3.2% to 5.25%, due 2002-2007	74,535	73,230
State Building Lease Bonds:		
• Tax-Exempt:		
• 1999 Series, 4.25% to 5.8%, due 2002-2017	40,000	35,835
TOTAL OTHER BONDS AND NOTES	1,434,495	1,027,445
OTHER PROGRAMS:		
Home Ownership Notes:		
• Tax-Exempt:		
• Wrangell Project HUD Note, 1.0%-3.0%, due 2007	1,161	632
TOTAL OTHER PROGRAMS	1,161	632
TOTAL NON MAJOR FUND BONDS	3,436,352	2,400,002
Accreted interest		6,782
Unamortized deferred debt refunding expense		(3,044)
Unamortized discount/premium		(6,685)
TOTAL NET NON MAJOR FUND BONDS	3,436,352	2,397,055
TOTAL BONDS PAYABLE	\$4,345,413	\$3,267,553

* Interest rates on the annotated variable-rate bonds are determined weekly at a rate established by the Remarketing Agents on each Rate Determination Date.

NOTES TO FINANCIAL STATEMENTS

Bonds and Notes Payable Activity

The activity for bonds and notes payable for the year ended June 30, 2002 is summarized in the following schedule (in thousands):

	Balance	Additions	Reductions	Balance	Due Within One Year
General Mortgage Revenue Bonds, Series 1997 A	\$431,542	\$832	\$2,305	\$430,069	\$2,410
Governmental Purpose Bonds, Series 2001 A-D	-	370,170	3,390	366,780	4,735
State Capital Project Bonds, 1999 B	91,621		17,972	73,649	18,735
Other Non-Major Bonds	2,374,861	390,939	368,745	2,397,055	48,490
	<u>\$2,898,024</u>	<u>\$761,941</u>	<u>\$392,412</u>	<u>\$3,267,553</u>	<u>\$74,370</u>

Debt Service Requirements

Debt service requirements at June 30, 2002, related to all mortgage bonds and notes in the preceding schedule, are shown below (in thousands):

Period Ending June 30	Principal	Interest*	Total
2003	\$74,370	\$167,145	\$241,515
2004	79,956	163,153	243,109
2005	84,116	159,159	243,275
2006	88,852	154,652	243,504
2007	64,008	150,826	214,834
Total Fiscal Year 2003-2007	391,302	794,935	1,186,237
2008-2012	259,414	713,780	973,194
2013-2017	366,465	630,569	997,034
2018-2022	449,476	567,705	1,017,181
2023-2027	467,377	435,308	902,685
2028-2032	617,098	305,612	922,710
2033-2037	502,386	180,188	682,574
2038-2042	132,830	39,857	172,687
2043-2047	54,750	16,520	71,270
2048-2049	24,285	1,835	26,120
	<u>\$3,265,383</u>	<u>\$3,686,309</u>	<u>\$6,951,692</u>

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at June 30, 2002.

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 Corporation also issues new debt whose proceeds are used to immediately redeem previously issued debt, called current refundings. The accelerated amortization of related discounts and costs of issuance resulting from these surplus revenue redemptions is included in interest expense and financing costs.

Principal Redemptions

	June 30, 2002
Surplus Revenue Redemptions	\$157,140
Current Refundings	171,515
	<u>\$328,655</u>

NOTES TO FINANCIAL STATEMENTS

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. The Corporation's defeased debt at June 30, 2002 is \$120,980 for General Housing Revenue Bonds, 1992 Series A.

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 is shown below (in thousands):

	June 30, 2002
<i>Mortgage Revenue Refunding Bonds:</i>	
• Chinook Apartments	\$2,065
• Coho Park Apartments	2,245
	<u>\$4,310</u>

Interest Rate Swap

In August, 2001, the Corporation entered into interest rate swap agreements (the "Agreements") with two counter-parties related to the \$170,170,000 Governmental Purpose Bonds, 2001 Series A and B. The purpose of the interest rate swap agreements is to reduce the Corporation's overall cost of borrowing long-term capital. Under the Agreements, the Corporation pays a fixed rate of interest equal to 4.14% of the notional amount of the swap in exchange for a variable rate payment from the counter-parties. The notional amount amortizes over a time-period that approximates the payments the Corporation would experience with a fixed-rate, level debt service schedule. The Corporation has the right to terminate the agreement at any time with 30 days notice and the payment of a termination fee. There are several additional risks the Corporation assumed in connection with the Agreements, including counter-party risk, basis risk, and tax risk. The notional amount of the swap agreements were the same as the outstanding bond balance of \$167,490,000 at June 30, 2000.

In May, 2002, the Corporation entered into an interest rate swap agreement relating to the \$170,000,000 Mortgage Revenue Bonds, 2002 Series A. Under this agreement, the Corporation pays to the swap counter party a fixed rate of 4.103% on \$50,000,000 principal in Series A-1 and a fixed rate of 4.343% on \$120,000,000 of principal in series A-2. The swap counter party pays a variable rate, which approximates that received by the bondholders. The Corporation has the right to terminate the swap agreement associated with Series A-2 at any time with 30 days notice and the payment of a termination fee. The swap agreement associated with Series A-1 is not eligible for early termination. The notional amount of the swap agreements were the same as the outstanding bond balance of \$170,000,000 at June 30, 2002.

11 SHORT TERM DEBT

The Corporation has a commercial paper program. 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. A summary of commercial paper, which represents an unsecured general obligation of the Corporation, is shown below (in thousands):

	June 30, 2002
Maturity amount	\$108,700
Less: Discounts	(159)
Balance outstanding	<u>\$108,541</u>
<i>Yields issued during period:</i>	
Lowest	1.8000%
Highest	3.7700%

NOTES TO FINANCIAL STATEMENTS

12 OTHER LIABILITIES

The activity for other noncurrent liabilities for the year ended June 30, 2002 is summarized in the following schedule (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued interest payable	\$16,422	\$19,164	\$21,333	\$14,253	\$14,253
Other liabilities	25,582	783,805	791,869	17,518	16,477
	<u>\$42,004</u>	<u>\$802,969</u>	<u>\$813,202</u>	<u>\$31,771</u>	<u>\$30,730</u>

The Corporation's liability for compensated absences is included in the Other Liabilities amount above. This accrued liability for unpaid, accumulated employee leave at June 30, 2002 was \$2,353,232.

13 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 shown below (in thousands):

	June 30, 2002
Liquidity facility	\$566,780
Bond insurance	<u>1,817,286</u>
	<u>\$2,384,066</u>

On July 26, 2001, the Corporation entered a liquidity facility swap agreement with a counter-party for up to \$370,000,000 relating to the Government Purpose Bonds 2001 Series A-D. The Corporation has an option to renew the agreement annually. The amount is reflected in the table above.

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, 2002 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.

14 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):

	June 30, 2002
Arbitrage Expense	\$(2,626)
Arbitrage Paid	<u>\$93</u>

NOTES TO FINANCIAL STATEMENTS

15 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 is shown below (in thousands):

	Total State Authorizations	Payments To-Date	Total Remaining Commitments
FY 1995*	\$22,500	\$22,493	\$7
FY 1996*	128,033	126,002	2,031
FY 1997	100,448	97,541	2,907
FY 1998	132,013	123,379	8,634
FY 1999	103,000	94,660	8,340
FY 2000*	105,168	88,307	16,861
FY 2001*	103,107	69,863	33,244
FY 2002	103,000	55,026	47,974
Total	\$797,269	\$677,271	\$119,998

* 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, 2002, the Corporation has issued \$196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, of which, \$122,320,000 remains outstanding and \$74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, of which \$73,230,000 remains outstanding. Issuance authority under the Acts has been completed.

The State Capital Projects Bonds carry a deficit net asset position in the financial statements, resulting from the transfer of bond proceeds to other governmental entities. The bonds were issued as general obligations of the Corporation. Payments of principal and interest on the State Capital Projects Bonds will be funded from the Corporation’s Administrative Fund, as debt service becomes due.

NOTES TO FINANCIAL STATEMENTS

Payments 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 pay out funds to or on behalf of the State. Following is a summary of the different types of payments (in thousands):

	June 30, 2002	Cumulative Prior Fiscal Years	Total Payments to State
State Debt Repayment	\$-	\$29,800	\$29,800
Asset Purchases	-	252,300	252,300
Dividends	-	114,300	114,300
Direct Cash Transfers	6,000	468,027	474,027
Non-Housing Capital Projects	30,272	152,550	182,822
State Capital Project Bond Fund	49,290	111,694	160,984
Total	<u>\$85,562</u>	<u>\$1,128,671</u>	<u>\$1,214,233</u>

NOTES TO FINANCIAL STATEMENTS

16 GRANTS

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

Program	June 30, 2002
<i>General Account of the Revolving Fund:</i>	
• Homeless Assistance Program	\$357
• Senior Citizens Housing	748
• Supplemental Housing	3,380
• Supportive Housing Grant Match	544
• Others	101
	<u>5,130</u>
<i>Energy Programs:</i>	
• Energy Efficiency Monitoring Research.	255
• Enhanced Weatherization	350
• Rural Community Action Program	260
• Low-Income Weatherization Assistance	4,047
• Others	51
	<u>4,963</u>
<i>Section 8 Vouchers and Contract Administration</i>	<u>19,659</u>
<i>Other Housing Assistance Programs:</i>	
• HOME Program	3,508
• Section 8 Contract Administration	5,166
• Drug Elimination Program	365
• Housing Opportunities for Persons with AIDS	414
• Shelter Plus Care Program	84
• Others	231
	<u>9,768</u>
Total Housing Grant Expenses	<u>\$39,520</u>
<i>General Account of the Revolving Fund:</i>	
• Benefit Special Needs Housing	\$1,112
• Pioneer Homes Renovation	638
• Others	70
• Village Safe Water Grants Program—FY 99 Appro.	10,742
• University of Alaska—FY 99 Appro.	692
• Municipal Matching Grants—FY 98 Appro.	1,776
• Municipal Matching Grants—FY 99 Appro.	10,253
• FY 98 Legislative Appropriations—Others	809
• FY 99 Legislative Appropriations—Others	558
• FY 00 Legislative Appropriation	749
• FY 01 Legislative Appropriation	1,488
• FY 02 Legislative Appropriation	1,385
Total Non-Housing Capital Project Grants	<u>\$30,272</u>
Total Grants	<u>\$69,792</u>

In addition to grant payments made, the Corporation has advanced grant funds of \$12,045,000 and committed to third parties a sum of \$12,060,000 in grant awards at June 30, 2002.

NOTES TO FINANCIAL STATEMENTS

17 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.

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
- 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

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

- Section 8 Vouchers
- Section 8 Moderate Rehabilitation

Section 8 Program consists of Corporate owned low-income housing facilities at various locations and the Wrangell 221(d)(3) housing facility, for which the Corporation receives tenant-based rental assistance under contract with HUD, and administration of HUD contracts directly with landlords:

- Section 8 New Construction
- Section 8 Contract Administration
- Wrangell Multi-Family

NOTES TO FINANCIAL STATEMENTS

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

18 PENSION PLAN

As of June 30, 2002, 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 be 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 6¾% of their annual covered salary and the Corporation is required to contribute an actuarially determined rate; the current rate is 6.76% 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, 2001. 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.

NOTES TO FINANCIAL STATEMENTS

Three-Year Trend Information for PERS (in thousands):

Year Ended	Annual Pension and Postretirement Health Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	\$975,000	100.00%	-
June 30, 2001	1,040,000	100.00%	-
June 30, 2000	830,000	100.00%	-

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, 2001	35,962	26,272	9,690	137%	13,636	71%
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%
Postretirement Health:						
June 30, 2001	15,227	11,124	4,103	137%	13,636	30%
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%

* No actuarial valuation was done for year ended June 30, 2000.

19 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 \$1,030,000 as of June 30, 2002.

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.

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 Administrative Fund. In management's opinion, disallowance, if any, will be immaterial.

Subsequent Events

The Corporation, on September 5, 2002, in the normal course of activities, issued \$125,000,000 in Housing Development Bonds, 2002 Series A, B, C and D. The 2002 Series A bonds mature on December 1, 2033, the 2002 Series B bonds mature on June 1, 2022 and the 2002 Series C bonds mature on December 1, 2032. The 2002 Series A-C bonds will bear interest at fixed rates of 1.6% to 5.3%. The 2002 Series D bonds mature on June 1, 2037 and initially will bear interest at a weekly rate; however, the Corporation has the option to convert all or portion of the variable rate bonds on any Effective Rate Date to fixed interest rates or an indexed rate.

NOTES TO FINANCIAL STATEMENTS

The Corporation, on October 15, 2002, in the normal course of activities, issued \$150,000,000 in General Mortgage Revenue Bonds, 2002 Series A. The bonds mature on June 1, 2040 and will bear coupon interest at fixed rates of 3.45% to 5.00%.

The Corporation continues to issue and redeem commercial paper under the domestic Commercial Paper Program, in the normal course of activities after June 30, 2002.

20 SPECIAL ITEMS

During the fiscal year ended June 30, 2002, the Corporation closed the inactive Mutual Help Program. This action resulted in the write off of the remaining assets and liabilities of the program and a special item net amount of \$2,035,000 on the Statement of Revenues, Expenses and Changes in Net Assets.

