

# MAINE STATE LEGISLATURE

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# **HOME** **IS WHERE THE** **HEART** **IS**



2007 Audited Financial Statements



**MaineHousing**  
Maine State Housing Authority



# **Maine State Housing Authority**

Basic Financial Statements and  
Management's Discussion and Analysis

Year Ended December 31, 2007

# MAINE STATE HOUSING AUTHORITY

## FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

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**INDEPENDENT AUDITORS' REPORT**

The Board of Commissioners  
Maine State Housing Authority

We have audited the accompanying financial statements of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information of the Maine State Housing Authority (MaineHousing), a component unit of the State of Maine, as of and for the year ended December 31, 2007, which collectively comprise MaineHousing's basic financial statements as listed in the table of contents. These financial statements are the responsibility of MaineHousing's management. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information of MaineHousing, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008 on our consideration of MaineHousing's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, as listed in the table of contents, 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.

Portland, Maine  
March 31, 2008

*Baker Newman & Noyes*  
Limited Liability Company

**MAINE STATE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2007**

This discussion and analysis provides an overview of the Maine State Housing Authority's (MaineHousing) financial activities for the year ended December 31, 2007 and should be read in conjunction with the audited financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- Net assets increased by 9.2% or \$26.5 million as a result of operations.
- Net operating income increased by 45.6% or \$8.3 million. Total revenues increased by \$1.3 million, while total expenses decreased by \$7 million.
- Bonds outstanding decreased \$89.1 million to \$1.55 billion as of December 31, 2007. Debt issuances for the year totaled \$381.6 million, while debt retirements totaled \$471.7 million.
- Total mortgage receivable increased by \$56.2 million or 4.9% and totaled \$1.21 billion as compared to \$1.15 billion in 2006.

**OVERVIEW OF MAINEHOUSING**

MaineHousing was created in 1969 by an Act of the Maine Legislature and is a public corporation and government instrumentality of the State of Maine. MaineHousing was established to assist in the financing, development, and rehabilitation of housing in Maine for persons and families of low and moderate income. In this capacity, MaineHousing is authorized to issue bonds for the purchase or origination of notes and mortgages on single-family and multi-family residential properties.

MaineHousing also acts as an agent for the State of Maine in administering various Federal housing related programs. These programs are funded through various grants and program agreements with the Federal government's departments of Housing and Urban Development, Energy, and Health and Human Services, as well as capital and operating subsidies from MaineHousing's own funds.

MaineHousing is a component unit of the State of Maine and receives certain appropriations from the State legislature, all of which are used in connection with specified housing related programs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

MaineHousing's financial statements consist of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include agency-wide financial statements, fund financial statements, and notes to the financial statements.

- Agency-wide financial statements provide information about MaineHousing's overall financial position and results of operations. These statements consist of the Statement of Net Assets and the Statement of Activities.
- The fund financial statements of MaineHousing include its major proprietary funds, which operate similarly to business activities and of MaineHousing's governmental funds, for which activities are funded from Federal grants and State appropriations.
- The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the agency-wide and fund financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of these statements.



## Agency-wide Statements

Agency-wide statements report information about MaineHousing as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of MaineHousing's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two agency-wide statements report MaineHousing's net assets and how they changed. Net assets – the difference between MaineHousing's assets and liabilities – is one way to measure MaineHousing's financial position. Agency-wide financial statements are divided into two categories:

- *Business-type activities* – MaineHousing's primary activities are classified as business-type activities and consist of providing mortgage financing on single-family and multi-family residential properties. These activities are funded primarily through the issuance of bonds.
- *Governmental activities* – MaineHousing administers various State and Federal housing-related programs. These activities are financed by grant and program agreements with the Federal government and appropriations from the State legislature.

## Fund Financial Statements

The fund financial statements provide more detailed information about MaineHousing's most significant funds and not MaineHousing as a whole. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. MaineHousing has two kinds of funds:

- *Proprietary funds* – MaineHousing's primary activities are in its proprietary funds and they are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuance of bonds, the proceeds of which are mainly used to make various types of loans to finance low and moderate-income housing. The net assets of these funds represent accumulated earnings since their inception and interest rate subsidy amounts contributed from governmental funds, and are generally restricted for program purposes.
- *Governmental funds* – MaineHousing has four governmental funds. MaineHousing is the administrator of these funds; the revenues of which are appropriated to MaineHousing for making housing and housing-related grants and loans. These fund statements focus on how cash and other financial assets flowing into the funds have been used. A substantial portion of the funds' net assets is comprised of invested funds reserved for grants or making mortgage loans.



## AN OVERVIEW OF MAINEHOUSING'S FINANCIAL POSITION AND OPERATIONS

MaineHousing's overall financial position and operations for the past two years are summarized below based on the information included in the financial statements.

Agency-wide Net Assets (in millions of dollars)							Total Percentage Change
Business-type Activities		Governmental Activities		Total			
2007	2006	2007	2006	2007	2006		
Cash and investments	\$685.1	\$799.3	\$32.7	\$27.7	\$717.8	\$827.0	(13.2%)
Mortgage and other notes receivable	1,160.5	1,107.3	47.1	44.1	1,207.6	1,151.4	4.9%
Other assets	18.2	22.0	11.0	10.0	29.2	32.0	(8.8%)
<b>Total Assets</b>	<b>1,863.8</b>	<b>1,928.6</b>	<b>90.8</b>	<b>81.8</b>	<b>1,954.6</b>	<b>2,010.4</b>	<b>(2.8%)</b>
Deferred income	23.5	23.9	7.2	6.6	30.7	30.5	0.7%
Mortgage bonds and notes payable	1,550.5	1,639.6	0.0	0.0	1,550.5	1,639.6	(5.4%)
Other liabilities	15.1	11.8	43.1	39.8	58.2	51.6	12.8%
<b>Total Liabilities</b>	<b>1,589.1</b>	<b>1,675.3</b>	<b>50.3</b>	<b>46.4</b>	<b>1,639.4</b>	<b>1,721.7</b>	<b>(4.8%)</b>
Restricted net assets	257.8	236.8	40.5	32.8	298.3	269.6	10.6%
Unrestricted net assets	16.9	16.5	0.0	2.6	16.9	19.1	(11.5%)
<b>Total Net Assets</b>	<b>\$274.7</b>	<b>\$253.3</b>	<b>\$40.5</b>	<b>\$35.4</b>	<b>\$315.2</b>	<b>\$288.7</b>	<b>9.2%</b>

MaineHousing's total assets at December 31, 2007 were \$1.95 billion, a decrease of \$55.8 million, or 2.8% from December 31, 2006. The change in assets consisted primarily of a \$109.2 million decrease in cash and investments and a \$56.2 million increase in mortgage receivables. Other assets decreased \$2.8 million primarily as a result of lower accrued interest receivable from investments. MaineHousing's total liabilities at December 31, 2007 were \$1.64 billion, a decrease of \$82.3 million from December 31, 2006. The decrease in liabilities is due principally to the redemption of \$471.7 million of bonds, which contributed to an \$89.1 million net decrease in bonds payable. Other liabilities increased \$6.6 million due primarily to a higher amount of accrued liabilities associated with revolving loan programs and a higher arbitrage liability at December 31, 2007.

### *Cash and Investments*

Total cash and investments decreased by \$109.2 million, or 13.2% at December 31, 2007 compared to December 31, 2006. Certain investments were used to retire outstanding debt in 2007 and there was a significant reduction in the amount of undisbursed bond proceeds that were invested at December 31, 2007. MaineHousing's investment portfolio is comprised of securities of the U.S. Government, certain Federal agencies, the State of Maine, guaranteed investment contracts, or repurchase agreements that are secured by such securities.

MaineHousing's investments are carried at fair value and unrealized gains and losses due to fluctuations in market values are recognized in revenues. In 2007, MaineHousing recognized \$4 million of unrealized gains compared with \$1.7 million of unrealized losses in 2006.

### *Mortgage and Other Notes Receivable*

Total mortgages and other notes receivable, net, increased \$56.2 million in 2007. The receipt of scheduled mortgage loan repayments of \$24.7 million increased from the previous year's level of \$24.1 million. Mortgage loan prepayments decreased during 2007 to a total of \$62.5 million, a decrease of \$14.5

million. MaineHousing's total mortgage loan purchases and originations of \$145.1 million in 2007 were lower by \$19.7 million compared with 2006.

MaineHousing's combined allowance for losses on loans decreased \$.4 million or 3.6% to \$9.4 million at December 31, 2007. As a result of lower outstanding mortgages receivables and lower delinquency rates with certain loan portfolios, a reduction in the allowance for losses on loans was made in 2007. The aggregate allowance for losses on loan is approximately 1% of loans outstanding.

#### *Bonds and Notes Payable*

During the year, MaineHousing completed the issuance of bonds aggregating to \$381.6 million. Last year, MaineHousing completed the issuance of \$535 million in bonds. In recent years, MaineHousing has aggressively retired high interest rate debt. Debt retirements totaled \$471.7 million in 2007 and \$462.8 million in 2006. MaineHousing issues bonds or notes as capital is needed for program purposes and as opportunities for economic refunding occur. For additional details, see the Debt Activity section of the Management's Discussion and Analysis.

#### *Net Assets*

MaineHousing's financial position continued to improve as net assets increased 9.2% during 2007. MaineHousing's financial position and profitability improved as interest income from investments increased substantially due to increases in short-term earnings rates.

The net assets of MaineHousing's business activities increased by \$21.4 million, while the net assets of MaineHousing's governmental activities increased by \$5.1 million. MaineHousing's business activities are in the proprietary funds and are dissimilar from the activities in the governmental funds. The results of operations for both MaineHousing's proprietary and governmental funds are presented below:

#### Agency-wide Changes in Net Assets (in millions of dollars)

	2007	2006	Increase/(Decrease)	
			Amount	Percentage
Interest from mortgages and notes	\$64.9	\$62.9	\$2.0	3.2%
Income from investments	44.9	35.9	9.0	25.1%
Grants and subsidies	135.1	145.8	(10.7)	(7.3%)
Other	8.5	7.5	1.0	13.3%
Total revenues	253.4	252.1	1.3	0.5%
Operating expenses	22.5	19.9	2.6	13.1%
Provision for losses on loans	(0.1)	(0.2)	0.1	(50.0%)
Interest expense	72.9	70.3	2.6	3.7%
Grants and subsidies	131.6	143.9	(12.3)	(8.5%)
Total expenses	226.9	233.9	(7.0)	(3.0%)
Increase in net assets	<u>\$26.5</u>	<u>\$18.2</u>	<u>\$8.3</u>	45.6%

The details of the changes are explained in the propriety and governmental Results of Operations sections.

## RESULTS OF OPERATIONS

### Proprietary Funds Results

Net assets of MaineHousing's proprietary funds increased from the December 31, 2006 amount by \$21.4 million to \$274.7 million. The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of MaineHousing's proprietary funds for the years ended December 31, 2007 and December 31, 2006:

Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Assets  
(in millions of dollars)

	2007	2006	Increase/(Decrease)	
			Amount	Percentage
<b>Operating revenues:</b>				
Interest from mortgages and notes	\$64.9	\$62.9	\$2.0	3.2%
Income from investments	39.3	36.5	2.8	7.7%
Net increase (decrease) in the fair value of investments	4.0	(1.7)	5.7	-
Fee income	0.6	0.5	0.1	20.0%
Other revenue	1.1	0.9	0.2	22.2%
Total revenues	109.9	99.1	10.8	10.9%
<b>Operating expenses:</b>				
Salaries and related benefits	6.4	5.9	0.5	8.5%
Other operating expenses	4.0	3.9	0.1	2.6%
Mortgage servicing fees	1.9	1.9	0.0	0.0%
Provision for losses on loans	(0.1)	(0.2)	0.1	(50.0%)
Interest expense	72.9	70.3	2.6	3.7%
Loss on bond redemption	0.3	0.9	(0.6)	(66.7%)
Excess arbitrage	4.0	1.7	2.3	135.3%
Total expenses	89.4	84.4	5.0	5.9%
Operating income	20.5	14.7	5.8	39.5%
Transfers in (out)	0.9	(0.1)	1.0	100.0%
Change in net assets	21.4	14.6	6.8	46.6%
Net assets at beginning of year	253.3	238.7	14.6	6.1%
Net assets at end of year	\$274.7	\$253.3	\$21.4	8.4%

Operating revenues of MaineHousing's business-type activities are generated principally from interest earned on mortgages and investments. In 2007, MaineHousing's revenues for its business-type activities increased \$10.8 million and totaled \$109.9 million. Of this total, \$108.2 million or 98.5% is from interest earned from mortgages and other notes and investments. Operating expenses of MaineHousing's business-type activities consist primarily of interest expense on debt incurred to fund its various lending programs. The total expenses for business-type activities totaled \$89.4 million, of which \$72.9 million or 81.5% was interest expense.

Change in net assets for the year ended December 31, 2007 was \$21.4 million compared to \$14.6 million for the year ended December 31, 2006, an increase of 46.6%. Factors contributing to these results included:

- Interest earned on mortgages and notes increased by \$2 million or 3.2% due to higher loan amounts outstanding and higher average yields.
- Investment income increased by \$2.8 million or 7.7% due to increases in short-term earnings rates, which offset lower outstanding investment balances.
- Interest expense increased by \$2.6 million or 3.7% as a result of higher average rates on debt issues and higher average debt balances outstanding during the year.

- Market fluctuations generated an unrealized gain of \$4 million in 2007. This represents a significant improvement of \$5.7 million compared with the unrealized loss of \$1.7 million that was recognized in 2006.
- Excess arbitrage to be rebated increased \$2.3 million as a result of MaineHousing estimating its arbitrage liability at December 31, 2007.

## Governmental Fund Results

Fund balances of MaineHousing's governmental funds increased \$5.1 million, or 14.4% to \$40.5 million at December 31, 2007. The following table summarizes the Statement of Revenues, Expenses and Changes in Fund Balances of MaineHousing's governmental funds for the years ended December 31, 2007 and December 31, 2006:

Governmental Funds  
Statement of Revenues, Expenses and Changes in Fund Balances  
(in millions of dollars)

	2007	2006	Increase/(Decrease)	
			Amount	Percentage
<b>Operating revenues:</b>				
Income from investments	1.6	1.1	0.5	45.5%
Fee income	6.8	6.1	0.7	11.5%
Grant income	48.3	63.8	(15.5)	(24.3%)
Income from the State	9.1	9.1	0.0	0.0%
Federal rent subsidy income	77.7	72.9	4.8	6.6%
Total revenues	143.5	153.0	(9.5)	(6.2%)
<b>Operating expenses:</b>				
Other operating expenses	5.9	5.6	0.3	5.4%
Grant expense	54.8	72.0	(17.2)	(23.9%)
Federal rent subsidy expense	76.8	71.9	4.9	6.8%
Total expenses	137.5	149.5	(12.0)	(8.0%)
Operating income	6.0	3.5	2.5	71.4%
Transfers (out) in	(0.9)	0.1	(1.0)	-
Changes in fund balances	5.1	3.6	1.5	41.7%
Fund balances at beginning of year	35.4	31.8	3.6	11.3%
Fund balances at end of year	<u>\$40.5</u>	<u>\$35.4</u>	<u>\$5.1</u>	14.4%

Operating revenues of MaineHousing's governmental activities are generated primarily from State and Federal grants and Federal rent subsidy income. In 2007, MaineHousing's revenues for its governmental activities decreased by \$9.5 million, or 6.2% to \$143.5 million. Operating expenses of MaineHousing's governmental activities consist primarily of grant and Federal rent subsidy expenses. Total operating expenses decreased \$12 million, or 8% to \$137.5 million for 2007.

MaineHousing earns fees for administering various federal programs. Typically fees earned provide MaineHousing with a revenue source adequate to recover direct and indirect costs of delivering related services. In 2007, fee income for administering federal programs amounted to \$6.8 million.

The 2007 financial results of MaineHousing's governmental funds were significantly affected by the following:

- Total grant income received in 2007 decreased by \$15.5 million, or 24.3%. Federal grants received for the U.S. Department of Health and Human Services' Low Income Housing Energy Assistance Program (LIHEAP) decreased in 2007 by \$4.7 million. Additionally, in 2006, MaineHousing received \$5 million from the State of Maine and a \$5.8 million fuel assistance donation from the CITGO Petroleum Corporation for the exclusive purpose of providing fuel assistance to low-income residents of Maine who were recipients of federal LIHEAP funds. Similar funding was not received in 2007.
- Total grant expense decreased in 2007 by \$17.2 million or 23.9% due primarily to lower available grant income.

- Total Federal rent subsidy income increased by \$4.8 million or 6.6% in 2007 due to an increase in grants received from the Department of Housing and Urban Development for the Section 8 Housing Assistance Payments Programs. Total Federal rent subsidy expense increased proportionally in 2007.

## **DEBT ACTIVITY**

MaineHousing is authorized to issue mortgage bonds and notes to purchase or originate mortgages or notes on single-family and multi-family residential properties. MaineHousing had \$1.55 billion in bonds outstanding at December 31, 2007 – a decrease of \$89.1 million, or 5.4% from last year.

MaineHousing's debt issuances for 2007 totaled \$381.6 million. Principal payments on bonds totaled \$471.7 million in 2007. MaineHousing redeemed \$317.4 million of its outstanding bonds in 2007 from reserve funds, mortgage prepayments, and surplus revenues. Scheduled principal payments on bonds and notes totaled \$154.3 million in 2007.

MaineHousing has established a Draw Down Bond Fund and issues Draw Down bonds for the purpose of preserving single family tax-exempt issuing capacity. All proceeds from Draw Down bonds are used to purchase investment securities that are reserved exclusively for all future debt service payments on these bonds. At December 31, 2007, MaineHousing has outstanding Draw Down bonds in the amount of \$161 million.

MaineHousing issues some variable rate demand obligations and enters into interest rate swaps agreements to provide synthetically fixed interest rates on certain bonds. All of the Draw Down bonds are variable rate bonds and \$239 million of the Mortgage Purchase Fund Group's bonds are variable rate bonds. In connection with the Mortgage Purchase Fund Group's variable rate bonds, different interest rate swap agreements have been executed in connection with \$201.4 million of these bonds to, in effect, convert them to synthetic fixed rate bonds.

For additional information about MaineHousing's mortgage bonds and notes payables, see Notes 4, 9, 11, and 12 to the financial statements.

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Business-type Activities</b>	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Current Assets:			
Cash, principally time deposits (note 2)	\$893	\$2,343	\$3,236
Investments (notes 2, 6, and 8)	359,599	30,367	389,966
Accounts receivable - Federal	0	4,148	4,148
Accrued interest and other assets	12,672	5,375	18,047
Mortgage notes receivable, net (note 3)	24,708	93	24,801
Other notes receivable, net (note 3)	2	0	2
Total Current Assets	<u>397,874</u>	<u>42,326</u>	<u>440,200</u>
Noncurrent Assets:			
Investments (notes 2, 6, and 8)	324,598	0	324,598
Mortgage notes receivable, net (note 3)	1,135,794	47,015	1,182,809
Other notes receivable, net (note 3)	2	659	661
Land, equipment and improvements, net	1,520	803	2,323
Other real estate owned	283	36	319
Unamortized debt issuance expense	3,767	0	3,767
Total Noncurrent Assets	<u>1,465,964</u>	<u>48,513</u>	<u>1,514,477</u>
Total Assets	<u><u>\$1,863,838</u></u>	<u><u>\$90,839</u></u>	<u><u>\$1,954,677</u></u>
<b>LIABILITIES AND NET ASSETS:</b>			
Current Liabilities:			
Accrued interest payable	\$9,139	\$0	\$9,139
Accounts payable - Federal	0	116	116
Accounts payable and accrued liabilities	3,566	39,742	43,308
Deferred income	1,289	7,182	8,471
Interfund (note 10)	(3,291)	3,291	0
Mortgage bonds and notes payable, current (notes 4, 9, 11 and 12)	41,245	0	41,245
Total Current Liabilities	<u>51,948</u>	<u>50,331</u>	<u>102,279</u>
Noncurrent Liabilities:			
Excess arbitrage to be rebated (note 9)	5,638	0	5,638
Deferred income	22,228	0	22,228
Mortgage bonds and notes payable, net (notes 4, 9, 11 and 12)	1,509,284	0	1,509,284
Total Noncurrent Liabilities	<u>1,537,150</u>	<u>0</u>	<u>1,537,150</u>
Total Liabilities	<u>1,589,098</u>	<u>50,331</u>	<u>1,639,429</u>
Commitments and contingent liabilities (notes 4, 7 and 12)			
Net Assets:			
Restricted Net Assets	257,814	40,508	298,322
Unrestricted Net Assets	16,926	0	16,926
Total Net Assets	<u>274,740</u>	<u>40,508</u>	<u>315,248</u>
Total Liabilities and Net Assets	<u><u>\$1,863,838</u></u>	<u><u>\$90,839</u></u>	<u><u>\$1,954,677</u></u>

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
*(IN THOUSANDS OF DOLLARS)*

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
			Charges for Services	Program Investment Income	Operating Grants and Contributions	Business-type Activities	Governmental Activities	Total
Business-type activities:								
Mortgage Purchase Bond Program	\$77,744	\$7,049	\$65,660	\$38,293	\$0	\$19,160	\$0	\$19,160
General Housing Draw Down Bond Fund	2,104	0	0	2,221	0	117	0	117
Housing Finance Bond Program	1,141	539	409	1,757	0	486	0	486
Bondholder Reserve Fund	0	42	14	354	0	326	0	326
General Administrative Fund	11,908	(11,166)	457	0	0	(285)	0	(285)
Total business-type activities	92,897	(3,536)	66,540	42,625	0	19,804	0	19,804
Governmental activities:								
HOME Fund	6,947	0	11	1,023	9,522	0	3,609	3,609
Section 8 Housing Programs	78,432	1,527	4,138	295	77,778	0	2,252	2,252
Low Income Housing Energy Assistance Program	28,367	422	703	48	28,058	0	20	20
Other Federal and State Programs	20,222	1,587	1,994	205	19,696	0	86	86
Total governmental activities	133,968	3,536	6,846	1,571	135,054	0	5,967	5,967
Total Authority	\$226,865	\$0	\$73,386	\$44,196	\$135,054	19,804	5,967	25,771
General Revenues:								
Unrestricted investment income						713	0	713
Transfers						886	(886)	0
Total general revenues and transfers						1,599	(886)	713
Change in net assets						21,403	5,081	26,484
Net assets at beginning of year						253,337	35,427	288,764
Net assets at end of year						\$274,740	\$40,508	\$315,248

See accompanying notes to the financial statements



**MAINE STATE HOUSING AUTHORITY**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2007**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund Group</b>	<b>General Housing Draw Down Bond Fund</b>	<b>Housing Finance Revenue Fund Group</b>	<b>Bondholder Reserve Fund</b>	<b>General Administrative Fund</b>	<b>Total</b>
<b>ASSETS:</b>						
Current Assets:						
Cash, principally time deposits (note 2)	\$ 0	\$ 783	\$ 68	\$ 2	\$ 40	\$ 893
Investments (notes 2, 6, and 8)	334,805	0	3,282	7,254	14,258	359,599
Accrued interest and other assets	12,305	0	340	5	22	12,672
Mortgage notes receivable, net (note 3)	23,438	0	1,140	0	130	24,708
Other notes receivable, net (note 3)	0	0	2	0	0	2
Total Current Assets	<u>370,548</u>	<u>783</u>	<u>4,832</u>	<u>7,261</u>	<u>14,450</u>	<u>397,874</u>
Noncurrent Assets:						
Investments (notes 2, 6, and 8)	143,093	161,012	20,493	0	0	324,598
Mortgage notes receivable, net (note 3)	1,128,899	0	5,530	503	862	1,135,794
Other notes receivable, net (note 3)	0	0	2	0	0	2
Land, equipment and improvements, net	22	0	0	0	1,498	1,520
Other real estate owned	283	0	0	0	0	283
Unamortized debt issuance expense	3,690	0	77	0	0	3,767
Total Noncurrent Assets	<u>1,275,987</u>	<u>161,012</u>	<u>26,102</u>	<u>503</u>	<u>2,360</u>	<u>1,465,964</u>
Total Assets	<u>\$1,646,535</u>	<u>\$161,795</u>	<u>\$30,934</u>	<u>\$7,764</u>	<u>\$16,810</u>	<u>\$1,863,838</u>
<b>LIABILITIES AND NET ASSETS:</b>						
Current Liabilities:						
Accrued interest payable	\$8,409	\$559	\$171	\$0	\$0	\$9,139
Accounts payable and accrued liabilities	126	0	0	4	3,436	3,566
Deferred income	1,119	0	170	0	0	1,289
Interfund (note 10)	359	0	88	(186)	(3,552)	(3,291)
Mortgage bonds and notes payable, current (notes 4, 9, 11 and 12)	40,145	0	1,100	0	0	41,245
Total Current Liabilities	<u>50,158</u>	<u>559</u>	<u>1,529</u>	<u>(182)</u>	<u>(116)</u>	<u>51,948</u>
Noncurrent Liabilities:						
Excess arbitrage to be rebated (note 9)	5,546	92	0	0	0	5,638
Deferred income	21,402	0	826	0	0	22,228
Mortgage bonds and notes payable, net (notes 4, 9, 11 and 12)	1,330,549	161,012	17,723	0	0	1,509,284
Total Noncurrent Liabilities	<u>1,357,497</u>	<u>161,104</u>	<u>18,549</u>	<u>0</u>	<u>0</u>	<u>1,537,150</u>
Total Liabilities	<u>1,407,655</u>	<u>161,663</u>	<u>20,078</u>	<u>(182)</u>	<u>(116)</u>	<u>1,589,098</u>
Commitments and contingent liabilities (notes 4, 7 and 12)						
Net Assets:						
Restricted Net Assets	238,880	132	10,856	7,946	0	257,814
Unrestricted Net Assets	0	0	0	0	16,926	16,926
Total Net Assets	<u>238,880</u>	<u>132</u>	<u>10,856</u>	<u>7,946</u>	<u>16,926</u>	<u>274,740</u>
Total Liabilities and Net Assets	<u>\$1,646,535</u>	<u>\$161,795</u>	<u>\$30,934</u>	<u>\$7,764</u>	<u>\$16,810</u>	<u>\$1,863,838</u>

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund Group</b>	<b>General Housing Draw Down Bond Fund</b>	<b>Housing Finance Revenue Fund Group</b>	<b>Bondholder Reserve Fund</b>	<b>General Administrative Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>						
Interest from mortgages and notes	\$64,337	\$0	\$406	\$14	\$114	\$64,871
Income from investments	34,698	2,221	1,303	354	713	39,289
Net increase in the fair value of investments	3,595	0	454	0	0	4,049
Fee income	386	0	0	0	343	729
Other revenue	937	0	3	0	0	940
<b>Total Revenues</b>	<b>103,953</b>	<b>2,221</b>	<b>2,166</b>	<b>368</b>	<b>1,170</b>	<b>109,878</b>
<b>OPERATING EXPENSES:</b>						
Salaries and related benefits	0	0	0	0	9,226	9,226
Other operating expenses	1,990	0	35	0	2,676	4,701
Mortgage servicing fees	1,735	0	112	0	6	1,853
Provision for losses on loans (note 3)	0	0	(100)	0	0	(100)
Interest expense	69,591	2,173	1,094	0	0	72,858
Loss on bond redemption (note 11)	345	0	0	0	0	345
Excess arbitrage	4,083	(69)	0	0	0	4,014
Allocated operating costs	7,049	0	539	42	(11,166)	(3,536)
<b>Total Expenses</b>	<b>84,793</b>	<b>2,104</b>	<b>1,680</b>	<b>42</b>	<b>742</b>	<b>89,361</b>
<b>Operating income</b>	<b>19,160</b>	<b>117</b>	<b>486</b>	<b>326</b>	<b>428</b>	<b>20,517</b>
<b>Transfers between funds, net (note 10)</b>	<b>871</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>886</b>
<b>Change in net assets</b>	<b>20,031</b>	<b>117</b>	<b>486</b>	<b>326</b>	<b>443</b>	<b>21,403</b>
<b>Net assets at beginning of year</b>	<b>218,849</b>	<b>15</b>	<b>10,370</b>	<b>7,620</b>	<b>16,483</b>	<b>253,337</b>
<b>Net assets at end of year</b>	<b>\$238,880</b>	<b>\$132</b>	<b>\$10,856</b>	<b>\$7,946</b>	<b>\$16,926</b>	<b>\$274,740</b>

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund Group</b>	<b>General Housing Draw Down Bond Fund</b>	<b>Housing Finance Revenue Fund Group</b>	<b>Bondholder Reserve Fund</b>	<b>General Administrative Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Interest receipts from borrowers	\$64,332	\$0	\$143	\$14	\$117	\$64,606
Principal receipts on mortgages and notes - scheduled	23,438	0	1,137	0	129	24,704
Principal receipts on mortgages and notes - prepayments	61,225	0	552	640	129	62,546
Payments for operating expenses	(10,814)	(72)	(686)	(42)	(2,676)	(14,290)
Payments received for operating expenses	0	0	0	0	11,166	11,166
Payments to employees	0	0	0	0	(9,226)	(9,226)
Investment in mortgages and other notes	(143,727)	0	(671)	(702)	0	(145,100)
Other	2,524	0	(14)	105	366	2,981
Net cash provided by (used for) operating activities	<u>(3,022)</u>	<u>(72)</u>	<u>461</u>	<u>15</u>	<u>5</u>	<u>(2,613)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>						
Payment of bond issuance costs	(646)	0	0	0	0	(646)
Proceeds from sale of bonds	229,202	151,637	0	0	0	380,839
Principal payments on bonds	(405,035)	(65,570)	(1,045)	0	0	(471,650)
Interest payments on bonds and notes	(68,699)	(1,895)	(1,079)	0	0	(71,673)
Payments (to) from other funds	1,143	0	(54)	196	(952)	333
Net cash provided by (used for) non-capital financing activities	<u>(244,035)</u>	<u>84,172</u>	<u>(2,178)</u>	<u>196</u>	<u>(952)</u>	<u>(162,797)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Proceeds from disposition of foreclosed real estate	4,608	0	32	0	0	4,640
(Purchase) maturity of short-term investments, net	210,497	0	(756)	(566)	152	209,327
Purchase of long-term investments	(20,718)	(151,637)	(2,000)	0	0	(174,355)
Sales and calls of long-term investments	14,855	65,570	3,100	0	0	83,525
Interest received on investments	37,815	2,221	1,353	355	714	42,458
Net cash provided by (used for) investing activities	<u>247,057</u>	<u>(83,846)</u>	<u>1,729</u>	<u>(211)</u>	<u>866</u>	<u>165,595</u>
Net increase (decrease) in cash	0	254	12	0	(81)	185
Cash at beginning of year	0	529	56	2	121	708
Cash at end of year	<u>\$0</u>	<u>\$783</u>	<u>\$68</u>	<u>\$2</u>	<u>\$40</u>	<u>\$893</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>						
Operating income	\$19,160	\$117	\$486	\$326	\$428	\$20,517
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:						
Depreciation and amortization	1,705	0	24	0	300	2,029
Interest on bonds	67,886	2,173	1,070	0	0	71,129
Provision for losses on loans	0	0	(100)	0	0	(100)
Loss on bond redemption	345	0	0	0	0	345
Interest income on investments	(34,698)	(2,221)	(1,303)	(354)	(713)	(39,289)
Net decrease in fair value of investments	(3,595)	0	(454)	0	0	(4,049)
Changes in operating assets and liabilities:						
Other assets	1,397	0	(17)	104	(618)	866
Mortgage note interest receivable	(5)	0	2	0	3	0
Accounts payable and accrued liabilities	3,993	(141)	0	1	347	4,200
Deferred income and other liabilities	(146)	0	(265)	0	0	(411)
Investment in mortgage and other notes	(143,727)	0	(671)	(702)	0	(145,100)
Mortgage & other note principal repayments	84,663	0	1,689	640	258	87,250
Net cash provided by (used for) operating activities	<u>(\$3,022)</u>	<u>(\$72)</u>	<u>\$461</u>	<u>\$15</u>	<u>\$5</u>	<u>(\$2,613)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:</b>						
Real estate acquired through foreclosure	<u>\$4,929</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,929</u>

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2007**  
*(IN THOUSANDS OF DOLLARS)*

	<b>HOME Fund</b>	<b>Section 8 Housing Programs</b>	<b>Low Income Housing Energy Assistance Program</b>	<b>Other Federal and State Programs</b>	<b>Total</b>
<b>ASSETS:</b>					
Current Assets:					
Cash, principally time deposits (note 2)	\$ 169	\$ 140	\$ 1,191	\$ 843	\$ 2,343
Investments (note 2)	19,746	4,644	0	5,977	30,367
Accounts receivable - Federal	0	27	185	3,936	4,148
Accrued interest and other assets	1,084	44	1,283	2,964	5,375
Mortgage notes receivable, net (note 3)	32	0	0	61	93
Total Current Assets	<u>21,031</u>	<u>4,855</u>	<u>2,659</u>	<u>13,781</u>	<u>42,326</u>
Noncurrent Assets:					
Mortgage notes receivable, net (note 3)	10,943	178	0	35,894	47,015
Other notes receivable, net (note 3)	0	0	0	659	659
Land, equipment and improvements, net	0	136	406	261	803
Other real estate owned	0	0	0	36	36
Total Noncurrent Assets	<u>10,943</u>	<u>314</u>	<u>406</u>	<u>36,850</u>	<u>48,513</u>
Total Assets	<u><u>\$31,974</u></u>	<u><u>\$5,169</u></u>	<u><u>\$3,065</u></u>	<u><u>\$50,631</u></u>	<u><u>\$90,839</u></u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Current Liabilities:					
Accounts payable - Federal	\$0	\$116	\$0	\$0	\$116
Accounts payable and accrued liabilities	0	111	0	39,631	39,742
Deferred income	423	0	2,396	4,363	7,182
Interfund (note 10)	66	106	188	2,931	3,291
Total Current Liabilities	<u>489</u>	<u>333</u>	<u>2,584</u>	<u>46,925</u>	<u>50,331</u>
Total Liabilities	<u>489</u>	<u>333</u>	<u>2,584</u>	<u>46,925</u>	<u>50,331</u>
Commitments and contingent liabilities (note 7)					
Fund Balances:					
Reserved Fund Balances	31,485	4,836	481	3,706	40,508
Unreserved Fund Balances	0	0	0	0	0
Total Fund Balances	<u>31,485</u>	<u>4,836</u>	<u>481</u>	<u>3,706</u>	<u>40,508</u>
Total Liabilities and Fund Balances	<u><u>\$31,974</u></u>	<u><u>\$5,169</u></u>	<u><u>\$3,065</u></u>	<u><u>\$50,631</u></u>	<u><u>\$90,839</u></u>

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
*(IN THOUSANDS OF DOLLARS)*

	<b>HOME Fund</b>	<b>Section 8 Housing Programs</b>	<b>Low Income Housing Energy Assistance Program</b>	<b>Other Federal and State Programs</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>					
Interest from mortgages and notes	\$11	\$0	\$0	\$0	\$11
Income from investments	1,023	295	48	205	1,571
Fee income	0	4,138	703	1,994	6,835
Grant income	438	91	28,058	19,696	48,283
Income from State	9,084	0	0	0	9,084
Federal rent subsidy income	0	77,687	0	0	77,687
Other revenue	0	0	0	0	0
Total Revenues	10,556	82,211	28,809	21,895	143,471
<b>OPERATING EXPENSES:</b>					
Other operating expenses	0	1,676	309	419	2,404
Grant expense	6,947	1	28,058	19,803	54,809
Federal rent subsidy expense	0	76,755	0	0	76,755
Allocated operating costs	0	1,527	422	1,587	3,536
Total Expenses	6,947	79,959	28,789	21,809	137,504
Operating income	3,609	2,252	20	86	5,967
Transfers between funds, net (note 10)	(728)	0	0	(158)	(886)
Change in fund balances	2,881	2,252	20	(72)	5,081
Fund balances at beginning of year	28,604	2,584	461	3,778	35,427
Fund balances at end of year	\$31,485	\$4,836	\$481	\$3,706	\$40,508

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2007**  
*(IN THOUSANDS OF DOLLARS)*

**(1.) ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**AUTHORIZING LEGISLATION**

Maine State Housing Authority (MaineHousing) was created by the Maine Housing Authorities Act, Title 30-A, Chapter 201, of the Maine Revised Statutes, as amended, as a public body corporate and politic and an instrumentality of the State of Maine.

MaineHousing is authorized to issue bonds for the purchase or origination of notes and mortgages on single-family and multi-family residential units for the purpose of providing housing for persons and families of low income in the State of Maine.

In addition, MaineHousing presently acts as agent for the State of Maine in administering Federal weatherization, energy conservation, fuel assistance and homeless grant programs and collects and disburses Federal rent subsidies for low-income housing.

For financial reporting purposes, MaineHousing is considered a component unit of the State of Maine. As such, the financial condition and results of operations of MaineHousing are included in the State's financial statements.

**BASIS OF ACCOUNTING**

Business-type activities of MaineHousing are classified as proprietary funds. Proprietary funds are reported using the accrual basis of accounting and revenues are recorded when earned and expenses when incurred. Governmental activities of MaineHousing are classified as governmental funds. Governmental funds are reported using the modified accrual basis and revenues are recorded when they become available and measurable and expenses when incurred.

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and all proprietary funds and fund groups are reported as separate columns in the fund financial statements.

The Statement of Net Assets and the Statement of Activities display information about MaineHousing as a whole. These statements are prepared using the accrual basis of accounting. There were no material differences in the governmental funds between the accrual basis of accounting used in the Statement of Net Assets and Statement of Activities and the modified accrual method used in the governmental fund statements.

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, MaineHousing has elected not to comply with the Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

**FUND STRUCTURE**

The following business-type activities of MaineHousing are classified as proprietary funds:

**MORTGAGE PURCHASE FUND GROUP**

This fund group consists of the funds and accounts established by the General Mortgage Purchase Bond Resolution. Pursuant to the Mortgage Purchase Program, MaineHousing is authorized to purchase or originate first lien mortgages on single-family and multi-family residential properties.

**GENERAL HOUSING DRAW DOWN BOND FUND**

This fund, established by the General Housing Draw Down Bond Resolution, authorizes MaineHousing to issue Draw Down Bonds for the purpose of preserving tax-exempt single-family bond capacity.

**HOUSING FINANCE REVENUE FUND GROUP**

This fund group consists of the funds and accounts established by the General Housing Finance Revenue Bond Resolution. Pursuant to the Housing Finance Revenue Program, MaineHousing is authorized to purchase mortgages or notes in connection with single-family and multi-family residential properties.

**BONDHOLDER RESERVE FUND**

This fund, which has been established by the General Authority Bondholder Reserve Fund Resolution, is pledged to replenish any deficiency in the debt service reserve fund of the General Mortgage Purchase Bond and General Housing Finance Revenue Bond resolutions.

**GENERAL ADMINISTRATIVE FUND**

This fund consists of account balances that are not directly pledged to or restricted by a particular bond resolution or program. The receipt of revenues not specifically pledged for the repayment of bonds or notes and the payment of expenses for the administration and operation of MaineHousing are recorded in this fund.

The following governmental activities of MaineHousing are classified as governmental funds:

**HOME FUND**

The State Legislature authorized the creation of the Housing Opportunities for Maine ("HOME") Program to promote and create affordable housing. The program has been funded by a portion of the Real Estate Transfer Tax levied by the State of Maine and by appropriations. These funds may be used in conjunction with MaineHousing's other housing resources. To the extent that it is economically and socially reasonable, MaineHousing may return to the HOME Fund, amounts which have been previously advanced to other funds, once the bonds secured by the subsidized mortgage loans have been paid off. MaineHousing also administers in this fund the Shelter Operating Subsidy Program, which is funded by or in conjunction with the State of Maine.

**SECTION 8 HOUSING PROGRAMS**

This fund group consists of activity related to MaineHousing's administration of various Department of Housing and Urban Development (HUD) Section 8 programs. These are Federal programs which provide rental subsidies to landlords to preserve low-income rental units and also provide funding to tenants to assist with rent payments. The program funding levels are established by the Federal government annually. MaineHousing receives annual fees from HUD for the administration of these programs. These programs consist of the following:

- Section 8 Moderate Rehabilitation
- Section 8 New Construction
- Section 8 Housing Choice Voucher and 23/8
- Section 8 Portability
- Section 8 Performance Based Contract Administration

**LOW INCOME HOUSING ENERGY ASSISTANCE PROGRAM**

MaineHousing is the designated administrator of the Low Income Housing Energy Assistance Program for the State of Maine. This program is Federally funded through the Department of Health and Human Services. Under this program, funds are provided to low

income homeowners and renters to assist with the payment of heating costs. The funding level is established annually by the Federal government and MaineHousing receives annual fees for the administration of this program.

#### **OTHER FEDERAL AND STATE PROGRAMS**

MaineHousing administers various other Federal and State housing related programs and grants. This fund group records the activity and reflects the consolidation of these programs and grants. Program administration is governed by the appropriate Federal regulations or State laws. The annual program and grant funding levels are set by the appropriate Federal or State government. MaineHousing receives annual fees for the program administration for most of the Federal programs and grants. Federal and State programs consist of the following:

##### **U.S. Department of Housing and Urban Development**

- Emergency Shelter Grant Program
- HOME Investment Partnership Program
- Lead Based Paint Hazard Control Program
- Homeless Management Information Strategies
- McKinney Act – Financing Adjustment Factor (FAF)
- Housing Counseling Program

##### **U.S. Department of Energy**

- Weatherization

##### **U.S. Department of Health and Human Services**

- Weatherization / Central Heating Improvement Program
- Residential Energy Assistance Challenge Program

##### **State of Maine**

- Natural Disaster Housing Assistance Fund
- Mental Health Facilities Program
- Land Acquisition Program
- Low Income Assistance Plan
- Maine Affordable Housing General Obligation Bonds
- Appliance Replacement Program
- Consumer Residential Opportunities Program
- Maine Reentry Emergency Transitional Housing Program

##### **Private**

- Robert Wood Johnson Foundation

#### **RESTRICTION OF NET ASSETS AND RESERVATION OF FUND BALANCES**

The restricted net assets and reserved fund balances are restricted by bond resolutions, State statutes, or various Federal regulations and program agreements. Financial activities and resulting account balances which are not so restricted are generally recorded in the General Administrative Fund. The bond program assets are restricted for the acquisition of loans, payment of debt service, and payment of operating costs within each respective fund. In general, fund balances of the governmental funds are reserved for the funding of housing and housing related programs.

#### **DEPRECIATION**

Capital assets of MaineHousing consist of land, equipment and leasehold improvements. Capital assets are defined by MaineHousing as assets with an initial individual cost of one thousand dollars or more and are depreciated on the straight line method over the respective estimated useful lives of the assets.

#### **DISCOUNT, PREMIUM AND BOND ISSUANCE COSTS**

Bond discount, bond premium and debt issuance expense are amortized over the lives of the bonds using a method that approximates the effective interest method. Also, gains and losses on debt refundings are deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

#### **INVESTMENTS**

Investments are carried at fair value based on quoted market prices or values provided by the issuers of the Guaranteed Investment Contract. Unrealized gains and losses due to fluctuations in market values and

gains and losses realized upon sale are reported as net increases (decreases) in the fair value of investments.

Interest received that is required by Federal programs to be spent on program activities is recorded as an increase in accounts payable – Federal.

#### **MORTGAGE NOTES RECEIVABLE**

Mortgages are carried at their original par less principal collections and are reflected on the balance sheet net of the allowance for losses on loans. The recording of interest income on problem loans ceases when collectibility within a reasonable period of time becomes doubtful.

#### **ALLOWANCES FOR LOSSES ON LOANS**

MaineHousing has established allowances for losses on mortgages and other notes receivable. The allowances are established through provisions for losses on loans charged to operations. Losses are charged against the allowances when MaineHousing believes that collection of the loan principal is unlikely.

The allowances are amounts that MaineHousing believes will be adequate to absorb losses based on evaluations of collectibility and prior loss experience. The evaluation takes into consideration such factors as the nature and volume of the portfolio, extent of available mortgage insurance, collateral, delinquencies and current economic conditions that may affect the borrowers' ability to pay.

Funds received, including interest, for revolving loan programs are recorded as a liability in "accounts payable and accrued liabilities" on the balance sheet. Losses on loans in these programs are recognized by charging the amounts held under the revolving loan program liability accounts when the loans are forgiven or charged off.

#### **LOAN ORIGATION FEES AND COSTS**

MaineHousing receives a fee at the time it purchases single-family mortgage loans. The fees received less the costs of origination are deferred and recognized as interest income using the effective interest method over the life of the mortgages. When a loan is paid off prior to maturity, the recognition of income is accelerated and all unamortized deferred income is recognized immediately.

MaineHousing may charge a fee at the time that a commitment is made to originate a mortgage on a multi-family mortgage loan. These fees are recognized as interest income over the life of the mortgage on an accelerated basis approximating the interest method. The deferred fees are included in deferred income on the balance sheets.

#### **OTHER REAL ESTATE OWNED**

Other real estate owned consists of single-family and multi-family residential properties acquired through foreclosure, or acceptance of a deed in lieu of foreclosure.

Other real estate owned is carried at the lower of cost or fair value less estimated costs to sell. Losses arising from the acquisition of other real estate owned are charged to the allowance for loan losses. Operating expenses, subsequent provisions to reduce the carrying value, and any gain or loss on disposition of the property are reflected in the Statement of Revenues, Expenses and Changes in Net Assets in the year incurred or realized.

#### **GRANTS**

Unrestricted grants are recorded as revenues when received. Restricted grants are recorded as revenues upon compliance with the restrictions. Amounts due from the Federal government are accrued when due. Unearned grant income is included in deferred income.

#### **STATEMENT OF CASH FLOWS**

MaineHousing considers cash to include cash on hand and held by banks in demand deposit and savings accounts.



## (2.) CASH AND INVESTMENTS

At December 31, 2007, the carrying amount of MaineHousing's deposits was \$3,236 and the bank balance was \$3,995. The difference between the carrying amount and the bank balance represents outstanding checks. Of the bank balance, \$400 was covered by federal depository insurance, \$2,793 was collateralized by repurchase agreements for which the securities are held by the bank's trustee in MaineHousing's name, and \$802 was uninsured and uncollateralized.

The Mortgage Purchase Program and Housing Finance Revenue Program bond resolutions permit MaineHousing to invest in direct obligations of, or obligations guaranteed by, the United States of America, certain Government-sponsored enterprises and the State of Maine (permitted investments). These resolutions also permit MaineHousing to invest in certificates of deposit and repurchase agreements.

MaineHousing has a formal Investment Policy that outlines its investment practices and policies. The primary purpose of the policy is to ensure safety of principal while managing liquidity to pay MaineHousing's financial obligations. MaineHousing's deposit policy is to have its deposits covered by insurance, collateralized or deposited in well capitalized institutions.

MaineHousing's investment balances and stated maturities as of December 31, 2007 are presented in the following table. The ratings of Standard & Poor's and Moody's Investors Service are listed respectively after the related investments. Actual maturities may differ due to investments being called by the issuer.

Investment	Carrying Amount	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
<b>PROPRIETARY FUNDS</b>					
MORTGAGE PURCHASE FUND					
Repurchase Agreements	\$178,242	\$178,242	\$0	\$0	\$0
U.S. Government-sponsored enterprise obligations (Rated AAA/Aaa)	296,320	155,654	0	77,863	62,803
U.S. Treasuries	1,841	0	0	1,841	0
State Obligations (Rated AA-/Aa3)	1,495	909	586	0	0
Total - Mortgage Purchase Fund	477,898	334,805	586	79,704	62,803
GENERAL HOUSING DRAW DOWN BOND FUND					
Guaranteed Investment Contracts (Rated AAA)	161,012	0	161,012	0	0
HOUSING FINANCE REVENUE FUND					
Repurchase Agreements	3,282	3,282	0	0	0
U.S. Government-sponsored enterprise obligations (Rated AAA/Aaa)	20,493	0	0	16,999	3,494
Total - Housing Finance Revenue Fund	23,775	3,282	0	16,999	3,494
BONDHOLDERS RESERVE FUND					
Repurchase Agreements	7,254	7,254	0	0	0
GENERAL ADMINISTRATIVE FUND					
Repurchase Agreements	14,258	14,258	0	0	0
Total - Proprietary Funds	\$684,197	\$359,599	\$161,598	\$96,703	\$66,297
<b>GOVERNMENTAL FUNDS</b>					
HOME FUND					
Repurchase Agreements	\$19,746	\$19,746	\$0	\$0	\$0
SECTION 8 HOUSING PROGRAM					
Repurchase Agreements	4,644	4,644	0	0	0
OTHER FEDERAL AND STATE PROGRAMS					
Repurchase Agreements	5,977	5,977	0	0	0
Total - Governmental Funds	\$30,367	\$30,367	\$0	\$0	\$0

All repurchase agreements are continuously and fully secured by permitted investments. It is MaineHousing's policy to require that collateral be held by MaineHousing's trustee in MaineHousing's name or held by the broker, dealer or bank's trustee in MaineHousing's name. MaineHousing follows a similar policy for the investments of all funds. MaineHousing generally invests in repurchase agreements for short-term investments. On December 31, 2007, approximately \$233 million was invested in short-term repurchase agreements having maturity dates of less than one year, at rates ranging from 4.18% to 5.30%.

Investments other than repurchase agreements are registered in MaineHousing's name. Investments issued by FHLMC, FNMA, FFCB, and FFHLB make up 6%, 23%, 14%, and 18% of total investments, respectively, in the Mortgage Purchase Program and 33%, 13%, 4% and 35% of total investments, respectively, in the Housing Finance Revenue Fund.

Investment securities held in the General Housing Draw Down Bond Fund are limited to Guaranteed Investment Contracts. These investment securities are placed in an irrevocable trust with an escrow agent and are reserved exclusively for all future debt service payments on the Draw Down Bonds. MaineHousing has no other obligations to make payments related to the Draw Down Bonds.

**(3.) MORTGAGE AND OTHER NOTES RECEIVABLE:**

For financial statement presentation the allowance for losses on loans has been netted against the non-current portion of mortgage notes receivable and other notes receivable; however, where there is no non-current portion for other notes receivable, the allowance is netted against the current amount.

A summary of mortgage notes receivable at December 31, 2007, is as follows:

	Number of Notes	Principal Balance	Percent of Portfolio
<b>PROPRIETARY FUNDS</b>			
MORTGAGE PURCHASE FUND - SINGLE-FAMILY:			
VA guaranteed	834	\$62,861	7.7%
FHA insured	2,521	200,733	24.6%
RD guaranteed	2,841	226,994	27.8%
Privately insured	2,837	214,448	26.2%
Non-insured	2,717	112,233	13.7%
Total Mortgage Purchase Fund - single-family	11,750	817,269	100.0%
MORTGAGE PURCHASE FUND - MULTI-FAMILY:			
Federally assisted:			
Section 8	178	110,179	32.1%
Section 236	2	171	0.0%
Conventional	190	194,765	56.8%
Supportive Housing	259	37,995	11.1%
Total Mortgage Purchase Fund - multi-family	629	343,110	100.0%
Less: Allowance for losses on loans		(8,042)	
Total Mortgage Purchase Fund	12,379	1,152,337	
HOUSING FINANCE REVENUE FUND - HOME IMPROVEMENT LOANS:			
Non-insured	1,328	7,247	100.0%
Less: Allowance for losses on loans		(577)	
Total Housing Finance Revenue Fund	1,328	6,670	
BONDHOLDER RESERVE FUND- MULTI-FAMILY:			
Non-insured	3	503	100.0%
GENERAL ADMINISTRATIVE FUND - SINGLE-FAMILY:			
VA guaranteed	4	36	3.6%
Privately insured	61	956	96.4%
Total General Administrative Fund	65	992	100.0%
Total Proprietary Funds mortgage notes receivable	13,775	\$1,160,502	
<b>GOVERNMENTAL FUNDS</b>			
HOME FUND MULTI-FAMILY:			
Non-insured	49	\$11,668	100.0%
Less: Allowance for losses on loans		(693)	
Total HOME Fund	49	10,975	
SECTION 8 HOUSING PROGRAMS - MULTI-FAMILY:			
Non-insured - revolving loans	5	178	100.0%
OTHER FEDERAL AND STATE PROGRAMS - HOME IMPROVEMENT LOANS:			
Non-insured - revolving loans	36	224	0.6%
OTHER FEDERAL AND STATE PROGRAMS - MULTI-FAMILY:			
Non-insured - revolving loans	143	35,731	99.4%
Total Other Federal and State Programs	179	35,955	100.0%
Total Governmental Funds mortgage notes receivable	233	\$47,108	

A summary of other notes receivable at December 31, 2007, is as follows:

	Number of Notes	Principal Balance	Percent of Portfolio
<b>PROPRIETARY FUNDS</b>			
HOUSING FINANCE REVENUE FUND:			
Non-insured	2	\$19	100.0%
Less: Allowance for losses on loans		(15)	
Total Housing Finance Revenue Fund	2	4	
Total Proprietary Funds other notes receivable	2	\$4	
<b>GOVERNMENTAL FUNDS</b>			
OTHER FEDERAL AND STATE PROGRAMS:			
Non-insured	3	\$63	8.4%
Non-insured - revolving notes	13	687	91.6%
	16	750	100.0%
Less: Allowance for losses on loans		(91)	
Total Other Federal and State Programs	16	659	
Total Governmental Funds other notes receivable	16	\$659	

A summary of the activity in the allowance for losses on loans is as follows:

	<b>PROPRIETARY FUNDS</b>		<b>GOVERNMENTAL FUNDS</b>	
	Mortgage Purchase Fund Group	Housing Finance Revenue Fund Group	HOME Fund	Other Federal And State Programs
Balance – December 31, 2006	\$8,314	\$682	\$693	\$78
Provision	0	(100)	0	0
Loans charged off	(272)	(22)	0	0
Recoveries	0	32	0	13
Balance – December 31, 2007	<u>\$8,042</u>	<u>\$592</u>	<u>\$693</u>	<u>\$91</u>

#### (4.) MORTGAGE BONDS PAYABLE

MaineHousing issues both bonds that are subject to Alternative Minimum Tax (AMT) and bonds that are not subject to this tax. For AMT bonds issued, interest paid is treated as a preference item in calculating the tax imposed on individuals and corporations under the Internal Revenue Service Code. MaineHousing's AMT and Non-AMT bonds are denoted for each series below.

The Single-Family (S/F), Multi-Family (M/F), Draw Down and Home Improvement (HI) Mortgage Bonds Payable outstanding at December 31, 2007 are as follows:

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
<b>MORTGAGE PURCHASE FUND</b>							
1996 SERIES C BONDS (S/F):							
1996 Series C (AMT)							
Serial Bonds	4,245	45	5.50%	2008	45		
Term Bonds	5,505	0	6.10%				
Term Bonds	15,150	0	6.15%				
Term Bonds	100	0	6.25%				
	<u>25,000</u>	<u>45</u>					
1997 SERIES C BONDS (S/F):							
1997 Series C-1 (Non-AMT)							
Serial Bonds	900	250	5.25%	2008	250		
Term Bonds	4,100	0	5.70%				
1997 Series C-2 (AMT)							
Serial Bonds	1,860	0	5.20%				
Term Bonds	4,000	0	5.30%				
Term Bonds	2,010	0	5.95%				
Term Bonds	12,420	0	6.05%				
Term Bonds	4,610	0	6.05%				
Term Bonds	100	0	6.05%				
	<u>30,000</u>	<u>250</u>					
1997 SERIES D BONDS (S/F):							
1997 Series D-1 (Non-AMT)							
Serial Bonds	13,780	5,295	5.00%-5.15%	2008-2010	30	-	2,700
Term Bonds	17,815	0	5.05%				
1997 Series D-2 (AMT)							
Term Bonds	17,635	0	5.80%				
Term Bonds	1,195	0	5.90%				
Term Bonds	9,475	0	5.90%				
Term Bonds	100	0	5.90%				
	<u>60,000</u>	<u>5,295</u>					
1997 SERIES F BONDS (M/F):							
1997 Series F-1 (Non-AMT)							
Term Bonds	8,580	8,420	5.50%	2018-2029	510	-	890
1997 Series F-2 (AMT)							
Term Bonds	3,825	3,825	5.50%	2008-2017	285	-	490
	<u>12,405</u>	<u>12,245</u>					
1998 SERIES A BONDS (S/F):							
1998 Series A-1 (Non-AMT)							
Serial Bonds	7,970	3,330	4.65%-4.85%	2008-2010	1,055	-	1,170
Term Bonds	6,835	930	5.15%	2011		930	
1998 Series A-2 (AMT)							
Term Bonds	6,540	0	5.30%				
Term Bonds	7,000	0	4.70%				
Term Bonds	5,470	0	5.35%				
Term Bonds	11,085	11,085	5.33%	2027-2032	1,350	-	2,110
Term Bonds	100	0	5.40%				
	<u>45,000</u>	<u>15,345</u>					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
1998 SERIES C BONDS (S/F):							
1998 Series C-1 (Non-AMT)							
Term Bonds	9,000	7,860	5.15%	2010-2015	560	-	1,615
1998 Series C-2 (AMT)							
Serial Bonds	6,000	1,915	4.85%-4.90%	2008-2009	935	-	980
Term Bonds	8,600	0	4.75%				
Term Bonds	605	0	5.38%				
Term Bonds	13,220	13,220	5.25%	2016-2030	600	-	1,235
Term Bonds	12,575	0	5.38%				
	50,000	22,995					
1998 SERIES F BONDS (S/F):							
1998 Series F-1 (Non-AMT)							
Term Bonds	8,000	4,805	5.13%	2008-2013	195	-	1,025
1998 Series F-2 (AMT)							
Serial Bonds	1,790	0	4.50%				
Term Bonds	5,425	0	4.65%				
Term Bonds	10,000	10,000	5.25%	2020-2027	800	-	1,530
Term Bonds	195	195	5.35%	2031		195	
Term Bonds	15,090	7,495	5.35%	2020-2029	270	-	2,150
	40,500	22,495					
1999 SERIES A BONDS (M/F):							
1999 Series A-1 (Non-AMT)							
Term Bonds	3,525	3,525	5.05%	2011-2018	150	-	590
Term Bonds	3,730	2,540	5.13%	2019-2023	460	-	565
1999 Series A-2 (AMT)							
Serial Bonds	2,595	1,720	4.30%-4.70%	2008-2012	295	-	390
Term Bonds	5,105	5,105	5.25%	2026-2032	615	-	845
	14,955	12,890					
1999 SERIES B BONDS (S/F):							
1999 Series B-1 (Non-AMT)							
Term Bonds	7,000	1,620	5.00%	2012		1,620	
1999 Series B-2 (AMT)							
Serial Bonds	14,430	6,705	4.60%-4.80%	2008-2010	2,135	-	2,335
Term Bonds	11,610	11,610	5.25%	2014-2018	1,045	-	4,590
Term Bonds	16,960	0	4.70%				
Term Bonds	30,000	11,255	5.30%	2021-2026	960	-	2,280
	80,000	31,190					
1999 SERIES C BONDS (S/F):							
1999 Series C (AMT)							
Serial Bonds	6,840	2,860	4.80%-5.00%	2008-2010	910	-	1,000
Term Bonds	4,015	0	4.85%				
Term Bonds	17,110	14,045	5.45%	2011-2022	145	-	1,620
Term Bonds	12,035	0	5.55%				
	40,000	16,905					
1999 SERIES D BONDS (S/F):							
1999 Series D-1 (Non-AMT)							
Serial Bonds	995	915	5.15%-5.25%	2009-2010	430	-	485
Term Bonds	11,500	280	5.25%	2009		280	
Term Bonds	8,565	0	5.75%				
Term Bonds	1,940	0	5.80%				
1999 Series D-2 (AMT)							
Serial Bonds	3,910	790	5.20%	2008		790	
Term Bonds	2,750	0	5.90%				
Term Bonds	20,340	0	5.95%				
	50,000	1,985					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
1999 SERIES E BONDS (M/F):							
1999 Series E-1 (Non-AMT)							
Term Bonds	6,315	0	5.85%				
1999 Series E-2 (AMT)							
Serial Bonds	11,195	5,940	5.25%-5.75%	2008-2013	865	-	1,130
Term Bonds	3,610	0	5.95%				
Term Bonds	3,295	0	6.10%				
	<u>24,415</u>	<u>5,940</u>					
2000 SERIES A BONDS (S/F):							
2000 Series A (AMT)							
Serial Bonds	6,000	0	5.50%				
Term Bonds	6,640	0	6.40%				
Term Bonds	855	0	6.40%				
Term Bonds	9,500	0	5.75%				
Term Bonds	12,005	12,005	6.40%	2021-2032	420	-	2,115
	<u>35,000</u>	<u>12,005</u>					
2000 SERIES B BONDS (S/F):							
2000 Series B-1 (Non-AMT)							
Serial Bonds	2,505	720	5.35%	2011		720	
Term Bonds	4,755	0	5.80%				
Term Bonds	740	0	6.00%				
2000 Series B-2 (AMT)							
Serial Bonds	5,365	2,070	5.40%-5.55%	2008-2010	625	-	740
Term Bonds	3,835	0	6.05%				
Term Bonds	5,800	700	5.60%	2021		700	
Term Bonds	7,000	0	6.15%				
Term Bonds	10,000	0	6.20%				
	<u>40,000</u>	<u>3,490</u>					
2000 SERIES D BONDS (S/F):							
2000 Series D (AMT)							
Term Bonds	5,975	5,260	5.50%	2010-2014	620	-	1,265
Term Bonds	11,900	0	5.92%				
Term Bonds	15,000	0	6.00%				
Term Bonds	17,125	0	6.00%				
	<u>50,000</u>	<u>5,260</u>					
2001 SERIES A BONDS (M/F):							
2001 Series A (Non-AMT)							
Serial Bonds	17,325	11,670	4.15%-5.05%	2008-2016	1,075	-	1,545
Term Bonds	19,815	17,015	5.35%	2017-2021	1,585	-	4,155
Term Bonds	3,335	0	5.45%				
	<u>40,475</u>	<u>28,685</u>					
2001 SERIES B BONDS (S/F):							
2001 Series B (AMT)							
Serial Bonds	4,130	2,025	4.40%-4.75%	2008-2011	475	-	540
Term Bonds	9,350	9,350	5.40%	2012-2021	725	-	1,170
Term Bonds	3,660	800	4.60%	2022		800	
Term Bonds	4,045	3,445	5.50%	2025-2031	125	-	690
Term Bonds	8,815	3,545	5.50%	2025-2029	240	-	1,035
	<u>30,000</u>	<u>19,165</u>					
2001 SERIES C BONDS (S/F):							
2001 Series C (AMT)							
Serial Bonds	4,715	3,145	4.55%-5.00%	2008-2012	570	-	690
Term Bonds	5,580	5,580	5.45%	2013-2021	385	-	860
Term Bonds	6,425	6,425	5.45%	2013-2022	335	-	1,680
Term Bonds	13,280	5,915	5.55%	2023-2028	180	-	1,275
	<u>30,000</u>	<u>21,065</u>					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2001 SERIES E BONDS (S/F):							
2001 Series E-1 (Non-AMT)							
Serial Bonds	23,500	13,475	3.90%-4.38%	2008-2012	2,490	-	2,905
Term Bonds	6,500	6,500	4.95%	2013-2017	100	-	2,205
2001 Series E-2 (AMT)							
Term Bonds	18,365	5,055	4.25%	2016-2017	760	-	4,295
2001 Series E-3 (AMT)							
Term Bonds	16,635	10,555	5.25%	2008-2017	125	-	1,405
Term Bonds	25,000	0	5.38%				
	90,000	35,585					
2001 SERIES F BONDS (M/F):							
2001 Series F-1 (Non-AMT)							
Term Bonds	2,255	2,255	5.25%	2012-2021	175	-	285
Term Bonds	4,280	4,280	5.38%	2022-2032	295	-	500
2001 Series F-2 (AMT)							
Serial Bonds	3,830	0	3.75%				
Term Bonds	3,235	3,235	5.50%	2012-2032	85	-	250
	13,600	9,770					
2001 SERIES G BONDS (M/F):							
2001 Series G (AMT)							
Term Bonds	3,130	3,130	5.40%	2012-2021	240	-	390
Term Bonds	5,305	5,305	5.50%	2022-2031	415	-	670
	8,435	8,435					
2002 SERIES A BONDS (S/F):							
2002 Series A-1 (Non-AMT)							
Term Bonds	2,355	2,355	4.95%	2013-2016	40	-	805
2002 Series A-2 (AMT)							
Serial Bonds	6,190	3,990	4.20%-4.85%	2008-2013	605	-	710
Term Bonds	2,460	2,460	5.30%	2017-2021	435	-	540
Term Bonds	5,815	5,815	5.30%	2017-2022	750	-	1,580
Term Bonds	4,900	1,740	4.55%	2023-2024	590	-	1,150
Term Bonds	8,280	5,845	5.40%	2027-2031	625	-	1,410
	30,000	22,205					
2002 SERIES B BONDS (M/F):							
2002 Series B (Non-AMT)							
Serial Bonds	7,245	5,575	3.90%-4.85%	2008-2015	585	-	815
Term Bonds	7,250	7,095	5.30%	2016-2023	755	-	1,030
	14,495	12,670					
2002 SERIES C BONDS (M/F):							
2002 Series C (Non-AMT)							
Serial Bonds	10,165	8,120	3.90%-4.85%	2008-2015	870	-	1,180
Term Bonds	12,020	8,495	5.30%	2016-2021	1,245	-	1,580
	22,185	16,615					
2002 SERIES D BONDS (S/F):							
2002 Series D (AMT)							
Serial Bonds	6,255	3,720	3.90%-4.45%	2008-2012	685	-	805
Term Bonds	15,725	15,725	5.25%	2013-2022	845	-	2,335
Term Bonds	18,020	12,870	5.40%	2023-2030	1,280	-	1,930
	40,000	32,315					
2002 SERIES F BONDS (S/F):							
2002 Series F-1 (Non-AMT)							
Serial Bonds	10,430	9,515	3.20%-4.00%	2008-2012	1205	-	2,715
Term Bonds	5,790	5,790	4.63%	2013-2017	1,125	-	1,185
2002 Series F-2 (AMT)							
Serial Bonds	13,480	6,770	3.55%-4.25%	2008-2012	1,105	-	1,660
Term Bonds	17,000	6,165	3.75%	2016-2017	2,235	-	3,930
Term Bonds	10,000	10,000	5.05%	2013-2021	720	-	1,610



	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
Term Bonds	12,580	7,120	5.15%	2013-2019	775	-	1,430
Term Bonds	5,000	5,000	5.10%	2013-2023	15	-	3,020
Term Bonds	10,720	0	5.25%				
	<u>85,000</u>	<u>50,360</u>					
2002 SERIES G BONDS (S/F):							
2002 Series G-1 (Non-AMT)							
Serial Bonds	2,000	2,000	3.80%-4.25%	2012-2015	215	-	620
2002 Series G-2 (AMT)							
Serial Bonds	4,150	2,350	3.35%-4.00%	2008-2012	330	-	535
Term Bonds	8,100	4,375	5.15%	2016-2020	100	-	1,150
Term Bonds	1,815	555	4.00%	2023		555	
Term Bonds	790	335	5.25%	2025-2028	30	-	105
Term Bonds	5,145	2,435	5.25%	2025-2029	190	-	605
	<u>22,000</u>	<u>12,050</u>					
2003 SERIES A BONDS (M/F):							
2003 Series A-1 (Non-AMT)							
Serial Bonds	1,155	730	2.65%-3.90%	2008-2013	115	-	135
Term Bonds	1,735	1,735	4.85%	2014-2023	135	-	215
Term Bonds	2,785	2,785	4.95%	2024-2033	215	-	345
2003 Series A-2 (AMT)							
Serial Bonds	7,795	1,540	3.00%-4.20%	2008-2013	235	-	280
Term Bonds	1,755	1,755	4.90%	2014-2022	160	-	235
Term Bonds	1,975	1,975	4.90%	2014-2023	135	-	450
Term Bonds	3,000	3,000	5.00%	2024-2032	270	-	400
Term Bonds	3,100	3,100	5.00%	2024-2033	210	-	760
	<u>23,300</u>	<u>16,620</u>					
2003 SERIES B BONDS (S/F):							
2003 Series B-1 (Non-AMT)							
Serial Bonds	1,885	1,885	3.90%-4.05%	2013-2014	925	-	960
Term Bonds	4,965	4,965	4.85%	2021-2025	910	-	1,085
2003 Series B-2 (AMT)							
Serial Bonds	3,310	2,215	3.15%-4.15%	2008-2012	260	-	755
Term Bonds	7,000	3,435	3.65%	2015-2018	145	-	1,145
Term Bonds	245	245	5.00%	2026		245	
Term Bonds	7,965	6,365	5.05%	2026-2030	975	-	1,420
	<u>25,370</u>	<u>19,110</u>					
2003 SERIES C BONDS (S/F):							
2003 Series C-1 (Non-AMT)							
Serial Bonds	8,350	6,550	3.10%-4.70%	2008-2016	630	-	850
2003 Series C-2 (AMT)							
Term Bonds	4,420	2,505	4.00%	2020-2026	305	-	410
Term Bonds	5,415	5,195	5.45%	2017-2032	165	-	845
	<u>18,185</u>	<u>14,250</u>					
2003 SERIES D BONDS (S/F):							
2003 Series D-1 (Non-AMT)							
Serial Bonds	21,490	17,270	2.70%-4.50%	2008-2017	1,465	-	2,055
2003 Series D-2 (AMT)							
Term Bonds	4,000	4,000	4.90%	2018-2022	735	-	865
Term Bonds	5,240	5,240	4.90%	2018-2023	650	-	1,695
Term Bonds	9,100	5,405	5.00%	2024-2026	960	-	2,280
Term Bonds	10,170	5,555	5.00%	2028-2030	595	-	2,515
	<u>50,000</u>	<u>37,470</u>					
2003 SERIES E BONDS (S/F – M/F):							
2003 Series E-1 (Non-AMT)							
Term Bonds	9,585	9,585	Variable-3.41% *	2024-2030	1,185	-	1,400
Term Bonds	30,000	30,000	Variable-3.41% *	2026-2032	4,000	-	5,000

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2003 Series E-2 (AMT)							
Term Bonds	25,415	25,415	Variable-3.48% *	2024-2030	1,415	-	4,000
Term Bonds	30,000	25,550	Variable-3.48% *	2033-2037	2,135	-	6,415
	<u>95,000</u>	<u>90,550</u>					
2003 SERIES F BONDS (S/F – M/F):							
2003 Series F (Non-AMT)							
Serial Bonds	27,250	19,250	2.70%-4.00%	2008-2014	1,745	-	4,000
Term Bonds	23,205	23,205	4.80%	2019-2023	4,640	-	4,645
Term Bonds	21,970	21,970	4.80%	2019-2024	50	-	4,385
	<u>72,425</u>	<u>64,425</u>					
2004 SERIES A BONDS (S/F):							
2004 Series A-1 (Non-AMT)							
Serial Bonds	13,385	13,385	2.35%-4.00%	2008-2015	1,505	-	1,875
2004 Series A-2 (AMT)							
Serial Bonds	3,890	0	2.35%				
Term Bonds	13,420	8,070	5.00%	2016-2020	925	-	2,820
Term Bonds	5,605	5,605	4.75%	2019-2023	400	-	2,330
Term Bonds	5,060	5,060	4.75%	2019-2024	360	-	1,860
Term Bonds	3,240	2,310	4.80%	2025-2028	200	-	1,080
Term Bonds	2,675	0	4.80%				
	<u>47,275</u>	<u>34,430</u>					
2004 SERIES B BONDS (S/F):							
2004 Series B-1 (Non-AMT)							
Serial Bonds	10,000	8,010	2.55%-4.00%	2008-2014	1,035	-	1,270
2004 Series B-2 (AMT)							
Term Bonds	15,000	12,845	5.20%	2029-2035	565	-	2,565
2004 Series B-3 (AMT)							
Term Bonds	11,000	11,000	Variable-3.55% *	2015-2027	425	-	1,505
Term Bonds	9,000	9,000	Variable-3.55% *	2028-2035	730	-	1,620
Term Bonds	5,000	5,000	Variable-3.55% *	2036-2038	1,480	-	1,860
	<u>50,000</u>	<u>45,855</u>					
2004 SERIES C BONDS (S/F):							
2004 Series C-1 (Non-AMT)							
Serial Bonds	8,000	5,585	2.50%-3.75%	2008-2013	840	-	995
2004 Series C-2 (AMT)							
Term Bonds	5,000	5,000	4.80%	2022-2024	1,625	-	1,710
Term Bonds	15,000	14,365	5.00%	2029-2034	2,120	-	2,705
2004 Series C-3 (AMT)							
Term Bonds	15,000	15,000	Variable -3.48%*	2035-2038		3,750	
	<u>43,000</u>	<u>39,950</u>					
2004 SERIES D BONDS (S/F):							
2004 Series D-1(Non-AMT)							
Serial Bonds	7,145	4,985	2.75%-3.80%	2008-2013	750	-	890
Term Bonds	1,855	1,855	4.00%	2014-2015	900	-	955
2004 Series D-2 (AMT)							
Term Bonds	6,000	6,000	4.70%	2022-2024	1,955	-	2,050
Term Bonds	10,000	9,880	4.90%	2029-2034	1,420	-	1,800
2004 Series D-3 (AMT)							
Term Bonds	15,000	15,000	Variable -3.55%*	2035-2039		3,000	
	<u>40,000</u>	<u>37,720</u>					
2005 SERIES A BONDS (M/F):							
2005 Series A-1 (Non-AMT)							
Serial Bonds	5,785	5,335	3.05%-4.40%	2008-2017	450	-	920
Term Bonds	5,425	5,100	4.90%	2028-2032	920	-	1,160
2005 Series A-2 (AMT)							
Term Bonds	9,715	9,715	4.95%	2018-2027	800	-	1,120
	<u>20,925</u>	<u>20,150</u>					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2005 SERIES B BONDS (M/F):							
2005 Series B (Federally Taxable)							
Term Bonds	15,000	15,000	Variable-5.05% *	2016-2020	2,840	-	3,115
2005 SERIES C BONDS (M/F):							
2005 Series C (AMT)							
Term Bonds	11,125	11,125	Variable-3.48%*	2036-2039	2,780	-	2,785
2005 SERIES D BONDS (S/F):							
2005 Series D-1 (Non-AMT)							
Serial Bonds	3,000	2,710	2.85%-3.90%	2008-2015	310	-	380
2005 Series D-2 (AMT)							
Term Bonds	15,000	14,895	4.80%	2026-2036	1,075	-	1,520
2005 Series D-3 (AMT)							
Term Bonds	20,000	20,000	Variable-3.55%*	2028-2038	1,485	-	2,190
	38,000	37,605					
2005 SERIES E BONDS (S/F):							
2005 Series E-1 (Non-AMT)							
Serial Bonds	6,330	5,795	3.25%-4.25%	2008-2016	555	-	745
2005 Series E-2 (AMT)							
Term Bonds	9,765	9,765	4.90%	2017-2026	780	-	1,200
Term Bonds	6,965	6,965	4.95%	2027-2031	1,260	-	1,530
Term Bonds	6,940	6,860	5.10%	2032-2035	1,610	-	1,785
	30,000	29,385					
2005 SERIES G BONDS (M/F):							
2005 Series G (AMT)							
Term Bonds	22,300	22,240	Variable-3.55%*	2008-2037	115	-	4,385
2006 SERIES A BONDS (S/F):							
2006 Series A-1 (Non-AMT)							
Serial Bonds	6,680	6,180	3.35%-4.05%	2008-2017	515	-	735
2006 Series A-2 (AMT)							
Term Bonds	16,000	16,000	4.65%	2018-2025	1,680	-	2,360
Term Bonds	7,320	7,235	4.85%	2026-2036	515	-	800
	30,000	29,415					
2006 SERIES B BONDS (S/F):							
2006 Series B (AMT)							
Term Bonds	5,000	5,000	Variable-3.48%*	2026-2036	350	-	580
2006 SERIES D BONDS (S/F):							
2006 Series D-1 (Non-AMT)							
Serial Bonds	6,970	6,305	3.50%-4.05%	2008-2015	690	-	900
2006 Series D-2 (AMT)							
Term Bonds	7,170	7,170	4.75%	2018-2021	1,665	-	1,925
Term Bonds	10,915	10,915	4.85%	2022-2026	1,985	-	2,395
Term Bonds	7,075	6,970	4.95%	2027-2031	1,280	-	1,485
Term Bonds	12,870	12,870	4.90%	2032-2036	2,130	-	3,690
2006 Series D-3 (AMT)							
Term Bonds	5,000	5,000	Variable-3.55%*	2027-2035	455	-	670
	50,000	49,230					
2006 SERIES E BONDS (S/F):							
2006 Series E-1 (Non-AMT)							
Serial Bonds	6,895	6,895	3.55%-4.00%	2008-2015	775	-	960
2006 Series E-2 (AMT)							
Term Bonds	5,535	5,535	4.75%	2019-2021	1,795	-	1,895
Term Bonds	7,365	7,365	4.80%	2022-2026	1,360	-	1,590
Term Bonds	9,040	9,040	4.90%	2027-2031	1,665	-	1,960
Term Bonds	11,165	11,165	4.95%	2032-2036	2,045	-	2,430
	40,000	40,000					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2006 SERIES G BONDS (S/F):							
2006 SERIES G (AMT)							
Serial Bonds	6,170	6,170	3.70%-4.20%	2008-2016	590	-	790
Term Bonds	15,295	15,295	4.55%	2017-2026	830	-	2,350
Term Bonds	7,250	7,250	4.63%	2027-2031	1,320	-	1,590
Term Bonds	11,285	11,285	4.70%	2032-2037	1,665	-	2,115
	<u>40,000</u>	<u>40,000</u>					
2006 SERIES I BONDS (M/F):							
2006 Series I-1 (Non-AMT)							
Term Bonds	2,500	2,500	4.40%	2022-2026		500	
2006 Series I-2 (AMT)							
Term Bonds	9,000	9,000	4.75%	2032-2036		1,800	
2006 Series I-3 (AMT)							
Term Bonds	7,500	7,500	Variable-3.48%*	2027-2036		750	
	<u>19,000</u>	<u>19,000</u>					
2007 SERIES A BONDS (S/F):							
2007 Series A (AMT)							
Serial Bonds	4,840	4,840	4.20%-4.45%	2013-2017	885	-	1,050
Term Bonds	4,855	4,855	4.70%	2018-2022	875	-	1,070
Term Bonds	7,240	7,240	4.75%	2023-2027	1,305	-	1,605
Term Bonds	8,065	8,065	4.75%	2028-2032	1,450	-	1,780
	<u>25,000</u>	<u>25,000</u>					
2007 SERIES B BONDS (S/F):							
2007 Series B (AMT)							
Term Bonds	45,000	45,000	3.75%	2009-2035	45	-	3,100
2007 SERIES C BONDS (S/F):							
2007 Series C (AMT)							
Term Bonds	5,000	5,000	5.05%	2018-2022	860	-	1,135
Term Bonds	8,000	8,000	5.13%	2023-2027	1,100	-	1,900
Term Bonds	12,000	12,000	5.15%	2028-2032	2,200	-	2,600
	<u>25,000</u>	<u>25,000</u>					
2007 SERIES D BONDS (S/F):							
2007 Series D (AMT)							
Term Bonds	75,000	75,000	3.82%	2008-2034	225	-	5,090
2007 SERIES E BONDS (S/F):							
2007 Series E1 (AMT)							
Serial Bonds	2,885	2,885	4.15%-4.65%	2011-2015	515	-	640
Term Bonds	1,405	1,405	4.80%	2016-2017	685	-	720
Term Bonds	2,700	2,700	5.15%	2018-2020	700	-	1,200
Term Bonds	10,010	10,010	5.30%	2021-2023	1,810	-	4,300
2007 Series E2 (AMT)							
Term Bonds	8,000	8,000	Variable-3.48%	2032-2041		800	
	<u>25,000</u>	<u>25,000</u>					
2007 SERIES F BONDS (S/F):							
2007 Series F (AMT)							
Term Bonds	35,000	35,000	3.85%	2009-2034	400	-	2,460
		1,385,785					
Less: Unamortized Bond Discount		(15,091)					
Total Mortgage Purchase Fund bonds payable	<u>2,039,370</u>	<u>1,370,694</u>					

	<u>Original Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate(s)</u>	<u>Maturities/ Sinking Fund Installments on Bonds Outstanding</u>	<u>Range of Required Annual Principal Payments on Bonds</u>		
<b>GENERAL HOUSING DRAW DOWN BOND FUND</b>							
2005 Series A Bonds	32,490	32,490	Variable-3.42% *	2010	32,490		
2005 Series B Bonds	<u>128,522</u>	<u>128,522</u>	Variable-3.42% *	2010	128,522		
Total General Housing Draw Bond Fund bonds payable	<u>161,012</u>	<u>161,012</u>					
<b>HOUSING FINANCE REVENUE FUND</b>							
1995 SERIES I BONDS (HI):							
1995 Series I-1							
Serial Bonds	2,235	600	5.00%	2008	600		
Term Bonds	2,765	2,765	5.38%	2009-2012	635	-	750
1995 Series I-2							
Serial Bonds	2,000	0	4.80%				
1995 Series I-4							
Serial Bonds	1,350	155	5.10%	2008	155		
Term Bonds	2,120	2,120	5.70%	2009-2018	165	-	265
Term Bonds	<u>4,530</u>	<u>2,530</u>	5.75%	2019-2030	160	-	275
	<u>15,000</u>	<u>8,170</u>					
1998 SERIES I BONDS (HI):							
1998 Series I							
Serial Bonds	2,690	1,455	4.80%-5.00%	2008-2010	345	-	575
Term Bonds	2,435	2,435	5.30%	2011-2013	760	-	865
Term Bonds	6,680	6,680	5.45%	2014-2017	1,545	-	1,795
Term Bonds	<u>195</u>	<u>195</u>	5.45%	2018	195		
	<u>12,000</u>	<u>10,765</u>					
		18,935					
Less: Unamortized Bond Discount		(112)					
Total Housing Finance Revenue fund bonds payable	<u>27,000</u>	<u>18,823</u>					
Total bonds payable	<u>\$2,227,382</u>	<u>\$1,550,529</u>					

\* Represents rate at December 31, 2007

The following table summarizes the debt activity for MaineHousing's Proprietary Funds for the year ended December 31, 2007.

Fund	December 31, 2006	Issuance	Retirement	December 31, 2007
Mortgage Purchase Fund Group	\$1,560,820	230,000	(405,035)	\$1,385,785
General Housing Draw Down Bond Fund	74,945	151,637	(65,570)	161,012
Housing Finance Revenue Fund Group	19,980	0	(1,045)	18,935
Total Proprietary Funds	\$1,655,745	\$381,637	(\$471,650)	\$1,565,732

Interest is payable semi-annually for the Mortgage Purchase Fund and the Housing Finance Revenue Fund. Scheduled principal payments on bonds are due November 15 for the Mortgage Purchase Fund and November 1 for the Housing Finance Revenue Fund. Interest on bonds in the General Housing Draw Down Bond Fund is payable monthly and the principal balance is due at maturity.

The interest calculations shown in the table below are based on the variable rate in effect at December 31, 2007 and may not be indicative of actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary. The following table provides a summary of MaineHousing's proprietary funds debt service requirements and net interest rate swap payments through 2012 and in five-year increments thereafter to maturity:

Year(s)	Mortgage Purchase Fund Group					General Housing Draw Down Bond Fund		Housing Finance Revenue Fund Group	
	Fixed/Variable Unswapped		Variable Swapped		Interest Rate Swaps, Net	Variable Unswapped		Fixed Unswapped	
	Principal	Interest	Principal	Interest		Principal	Interest	Principal	Interest
2008	\$40,030	\$72,638	115	\$7,288	\$292	\$ -	\$7,321	1,100	\$1,028
2009	42,285	73,513	135	7,277	360	-	6,762	1,335	974
2010	40,360	71,814	135	7,274	359	161,012	6,188	1,420	904
2011	39,405	70,132	140	7,270	359	-	-	1,655	829
2012	43,715	68,468	160	7,269	356	-	-	1,755	740
2013-2017	200,235	314,084	8,660	36,025	1,744	-	-	8,680	2,400
2018-2022	256,630	257,233	15,745	32,477	1,261	-	-	1,140	696
2023-2027	217,120	187,944	35,850	29,099	916	-	-	1,065	415
2028-2032	203,580	115,407	55,630	20,398	429	-	-	785	92
2033-2037	99,200	47,617	64,095	11,505	135	-	-	-	-
2038-2042	1,860	2,880	20,700	1,096	-	-	-	-	-
Total	\$1,184,420	\$1,281,730	\$201,365	\$166,978	\$6,211	\$161,012	\$20,271	\$18,935	\$8,078

MaineHousing's bonds are a special obligation of MaineHousing and do not constitute a debt or liability of the State of Maine. The bonds are secured in accordance with the various resolutions. Security generally includes the mortgage loans made or purchased under the Resolution and all monies and investments in the funds and accounts pledged under the resolutions. Bonds may be redeemed in excess of the annual maturities in accordance with the terms of the various resolutions.

#### *Moral Obligation Debt*

The reserve funds of the Mortgage Purchase Fund and Housing Finance Revenue Fund are secured by a non-binding appropriation by the State (moral obligation) to replenish any deficiency in such reserve funds. MaineHousing was authorized to have bonds outstanding for these programs in an aggregate amount not to exceed \$2,150,000 as of December 31, 2007. Of that amount, \$1,404,720 was outstanding at December 31, 2007.

#### *Other Debt*

MaineHousing had \$24,000 of conduit debt outstanding at December 31, 2007. The conduit debt relates to revenue bonds issued by MaineHousing on behalf of a developer which will be paid solely from the revenues of the project, other assets of the developer, or an irrevocable direct pay letter of credit held by the Trustee. Therefore, these bonds are not a liability of MaineHousing and are not recognized in the accompanying financial statements.

MaineHousing also issues Draw Down Bonds for the purpose of preserving single-family tax exempt bond issuing capacity. At December 31, 2007, \$161,012 was outstanding. All Draw Down Bonds are privately placed. The principal and interest on these bonds are paid solely from Guaranteed Investment Contracts that are maintained in an irrevocable trust with an escrow agency.

#### *Interest Rate Swaps*

MaineHousing has entered into fourteen interest rate swap agreements with two counterparties as of December 31, 2007. The objective of the agreements is to attain a synthetic fixed interest rate on the underlying bonds at a cost expected to be less than rates associated with fixed-rate debt. The swap agreement terms state MaineHousing is to make semi-annual fixed interest rate payments on a notional principal amount of bonds and in exchange receive semi-annual payments based upon either the thirty-day or ninety-day London InterBank Offered Rate (LIBOR).

The table below contains the terms, fair values, and credit ratings of the outstanding agreements as of December 31, 2007. The credit ratings were issued by Moody's Investor Services and Standard & Poor's respectively.

Associated Debt Issuance	Current Notional Amount	Effective Date of Swap	Maturities/ Sinking Fund Installments	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2003 Series E-1, E-2	\$17,500	12/23/03	11/15/24- 11/15/30	3.246%	67% of 30 day LIBOR	\$344	11/15/2018	Aa2/AA+
2003 Series E-1, E-2	\$17,500	12/23/03	11/15/24- 11/15/30	3.246%	67% of 30 day LIBOR	\$332	11/15/2018	Aaa/AAA
2003 Series E-1	\$15,000	12/23/03	11/15/26- 11/15/32	3.831%	67% of 30 day LIBOR	\$216	11/15/2032 <sup>1</sup>	Aa2/AA+
2003 Series E-1	\$15,000	12/23/03	11/15/26- 11/15/32	3.831%	67% of 30 day LIBOR	\$217	11/15/2032 <sup>1</sup>	Aaa/AAA
2004 Series B-3	\$20,000	8/24/04	11/15/15- 11/15/35	3.756%	63% of 30 day LIBOR plus .20%	\$685	11/15/2023 <sup>2</sup>	Aaa/AAA
2004 Series C-3	\$15,000	10/26/04	11/15/14- 11/15/39	3.439%	63% of 30 day LIBOR plus .20%	\$247	11/15/2021 <sup>2</sup>	Aa2/AA+
2004 Series D-3	\$15,000	1/18/05	11/15/16- 11/15/39	3.587%	65% of 30 day LIBOR plus .20%	\$238	11/15/2021 <sup>2</sup>	Aaa/AAA

Associated Debt Issuance	Current Notional Amount	Effective Date of Swap	Maturities/ Sinking Fund Installments	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2005 Series B	\$15,000	4/26/05	11/15/16-11/15/20	4.852%	100 % of 90 day LIBOR	\$371	11/15/2015	Aa2/AA+
2005 Series C	\$11,125	8/23/05	11/01/28-11/01/32	3.832%	65% of 90 day LIBOR plus .10%	\$138	11/15/2032 <sup>3</sup>	Aa2/AA+
2005 Series D	\$20,000	8/2/05	11/15/16-11/15/35	3.630%	65% of 30 day LIBOR plus .20%	\$117	11/15/2036 <sup>4</sup>	Aaa/AAA
2005 Series G	\$22,240	2/1/06	11/15/07-11/15/36	3.591%	65% of 30 day LIBOR plus .20%	\$725	11/15/2037	Aaa/AAA
2006 Series B	\$5,000	3/14/06	11/15/26-11/15/36	3.670%	65% of 90 day LIBOR plus .20%	\$197	11/15/2019	Aa2/AA+
2006 Series D-3	\$5,000	7/11/06	11/15/27-11/15/35	3.922%	65% of 90 day LIBOR plus .20%	\$294	11/15/2016	Aaa/AAA
2007 Series E-2	\$8,000	9/12/07	11/15/32-11/15/41	4.049%	65% of LIBOR plus .20%	\$364	11/15/2027 <sup>5</sup>	Aa2/AA+
Totals	\$201,365					\$4,485		

1 MaineHousing has the option of termination, with no Termination Payment on November 15, 2013 and on each May 15 and November 15 thereafter.

2 MaineHousing has the option of termination, with no Termination Payment on November 15, 2014 and on each May 15 and November 15 thereafter.

3 MaineHousing has the option of termination, with no Termination Payment on May 15, 2015 and on each May 15 and November 15 thereafter.

4 MaineHousing has the option of termination, with no Termination Payment on November 15, 2015 and on each May 15 and November 15 thereafter.

5 MaineHousing has the option of termination, with no Termination Payment on November 15, 2017 and on each May 15 and November 15 thereafter.

**Fair Value** – The fair value amounts are obtained from mark-to-market statements from the respective counterparties and represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs, and risk, position size, transaction and financing costs, and use of capital profit. If a swap is terminated, fair value represents the current value to MaineHousing to settle swap liabilities in the marketplace. In accordance with GASB Technical Bulletin No. 2003-1, MaineHousing has not recorded the fair value of the swaps in the financial statements.

**Credit Risk** – As of December 31, 2007, MaineHousing is exposed to credit risk on its outstanding swaps that have positive fair values. The fair value of the swaps represents MaineHousing's credit exposure to the two counterparties with which the swaps were executed. MaineHousing is not exposed to credit risk on its outstanding swaps that have negative fair values.

The swap agreements contain varying collateral agreements with the counterparties in order to mitigate the potential for credit risk. These requirements are met as of December 31, 2007.

**Basis Risk** – The floating rate payments provided by the counterparties are based upon the LIBOR index. The LIBOR rate will be adjusted on a monthly basis, except for 2005 Series B which is adjusted on a quarterly basis. MaineHousing's floating rate bonds will have rates adjusted weekly. MaineHousing's bonds are expected to track with the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA), which differs from the LIBOR index. If the floating rate tax exempt bonds, which should correspond to the SIFMA index, trade at a value significantly different than their historical relationship to LIBOR, the net cost to MaineHousing could increase or decrease. As of December 31, 2007, 67% of the thirty-day LIBOR rate was 3.08%, 63% of the thirty-day LIBOR rate plus .20% was 3.10% and 65% of the thirty-day LIBOR rate plus .20% was 3.19%. As of December 31, 2007 the ninety day LIBOR rate was 4.70%. The SIFMA rate was 3.42% at December 31, 2007.

**Termination Risk** – In addition to the optional terminations embedded in some of MaineHousing's Swap Agreements, Swap Agreements may be terminated in whole or in part prior to the respective maturities of the bonds under certain circumstances (including certain events of default with respect to MaineHousing or the Swap Providers). Following certain terminations of the Swap Agreements, either MaineHousing or the Swap Providers, as applicable, may owe a Termination Payment equal to the fair value of the swap to the other, depending upon market conditions and the events that caused such Swap Agreements to terminate. Under certain circumstances, this Termination Payment could be substantial. Such Termination Payment by MaineHousing would be payable on a basis subordinate to the Bonds.

**Rollover Risk** – MaineHousing is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, or in the case of the termination option, if the counterparty exercises its option; MaineHousing will not realize the synthetic rate offered by the swaps.



## **(5.) EMPLOYEE BENEFIT PLANS**

MaineHousing provides its employees with an option of participating in either a defined contribution retirement plan or a defined benefit retirement plan.

The defined contribution plan consists of a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and a separate plan created under the provisions of the Internal Revenue Code Section 401(a). MaineHousing makes direct contributions on behalf of participants to the 401(a) plan. Additionally, if a participant makes contributions to the 457 plan, a portion of the contribution is matched by MaineHousing. The employer match contribution is made to the 401(a) plan. MaineHousing does not contribute to the 457 plan. Total expense under the defined contribution plan was \$457 for the year ended December 31, 2007.

MaineHousing is also a participating local district member of the Maine Public Employees Retirement System (MainePERS) and its employees may participate in a defined benefit plan offered by MainePERS. All employees that do not participate in MaineHousing's defined contribution plan are eligible. The defined benefit plan requires contributions by both participants and MaineHousing. MaineHousing's net expense for the year ended December 31, 2007 was \$143. As of December 31, 2007, MaineHousing's plan has a surplus balance of approximately \$623. This surplus will reduce or eliminate future employer costs. In 2007, MaineHousing has utilized \$203 of the surplus.

## **(6.) AVAILABLE BOND PROCEEDS**

### **MORTGAGE PURCHASE FUND GROUP**

The following amounts are invested in the various bond proceed sub-accounts of the Bond Proceeds Fund of the Mortgage Purchase Fund Group are available for the purchase of mortgages:

2005 Series C (M/F)	\$3,252
2006 Series E (S/F)	2,225
2006 Series G (S/F)	1,975
2006 Series I-2, I-3 (M/F)	7,969
2007 Series E (S/F)	3,903
	<u>\$ 19,324</u>

Original bond proceeds available for the purchase of single-family and multi-family mortgages amounted to \$6,172 and \$10,477 respectively, at December 31, 2007. Amounts in the Bond Proceeds Fund attributable to income from investments totaled \$2,675 at December 31, 2007, all of which is available to pay debt service when necessary.

## **(7.) COMMITMENTS**

### **MORTGAGE COMMITMENTS**

Mortgage commitments are agreements to lend provided there is no violation of any term or condition established in the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as MaineHousing deems necessary. At December 31, 2007, MaineHousing had outstanding commitments to originate multi-family mortgage loans of approximately \$25,678.

MaineHousing, under its single-family program, enters into purchase agreements with lenders to purchase mortgage loans. At December 31, 2007, single-family loans being processed by lenders for MaineHousing totaled approximately \$48,383.

### **LEASE COMMITMENT**

MaineHousing has committed to a lease agreement for approximately 39,000 square feet of office space. Annual rent under this lease agreement is approximately \$523 and increases at a rate of 3% per year. This lease agreement expires on September 30, 2019. For the year ended December 31, 2007, MaineHousing had rental expense of \$547.

## **(8.) RESERVE FUNDS**

### **MORTGAGE PURCHASE FUND GROUP - HOUSING RESERVE FUND**

On or before December 1 of each year, MaineHousing is required to value the Housing Reserve Fund and verify to the Governor of the State of Maine that the sum of money in the fund equals or exceeds the Housing Reserve Fund Minimum Requirement. The Housing Reserve Fund Minimum Requirement equals the amount of principal and interest maturing and coming due in the next succeeding calendar year on bonds outstanding. The Housing Reserve Fund Minimum Requirement as of December 31, 2007 was \$123,210.

When issuing bonds MaineHousing must also meet the Housing Reserve Fund Maximum Requirement. The Housing Reserve Fund Maximum Requirement equals the maximum debt service required in any subsequent year. The Housing Reserve Fund Maximum Requirement as of December 31, 2007 was \$123,210.

In calculating the Housing Reserve Minimum and the Housing Reserve Maximum requirements, MaineHousing assumes a 12% rate for variable rate bonds, which is the maximum interest rate under the terms of the bonds. Swap payments and receipts are not included in the calculation.

At December 31, 2007, valuation of the investments in the Housing Reserve Fund, computed at the lower of par or cost in accordance with the General Mortgage Purchase Program Bond Resolution was \$155,922.

# HOUSING FINANCE REVENUE FUND GROUP - CAPITAL RESERVE FUND

On or before December 1 of each year, MaineHousing is required to value the Capital Reserve Fund and verify to the Governor of the State of Maine that the sum of money in the fund equals or exceeds the Capital Reserve Fund Minimum Requirement. The Capital Reserve Fund Minimum Requirement equals the amount of principal and interest maturing and coming due in the next succeeding calendar year on bonds outstanding. The Capital Reserve Fund Minimum Requirement as of December 31, 2007 was \$2,309.

When issuing bonds MaineHousing must also meet the Capital Reserve Fund Maximum Requirement. The Capital Reserve Fund Maximum Requirement equals the maximum debt service required in any subsequent year. The Capital Reserve Fund Maximum Requirement as of December 31, 2007 was \$2,495.

At December 31, 2007, valuation of the investments in the Capital Reserve Fund computed at amortized value in accordance with the General Housing Finance Revenue Bond Resolution was \$3,734.

## (9.) EXCESS ARBITRAGE TO BE REBATED

Bonds issued by MaineHousing are subject to a variety of Internal Revenue Service (IRS) regulations which limit the amount of income which may be earned with non-mortgage investments to an amount not greater than that amount which would have been earned had the funds been invested at the yield on the bonds as defined by the IRS. Excess earnings must be rebated every five years.

At December 31, 2007, the estimated values of future arbitrage rebates in the Mortgage Purchase Fund Group and the General Housing Draw Down Fund were \$5,546 and \$92, respectively. No arbitrage payments are expected to be made in 2008. There are no other arbitrage liabilities to be rebated in the other fund groups at December 31, 2007.

## (10.) FUND TRANSFERS AND INTERFUND BALANCES

During the period ended December 31, 2007, MaineHousing made operating transfers between Funds. The following is a summary of transfers in (out):

	Mortgage Purchase Fund Group	General Administrative Fund	HOME Fund	Other Federal and State Programs
Program Subsidies	\$871	\$15	(\$728)	(\$158)

During the period ended December 31, 2007, MaineHousing had outstanding balances between funds. The following is a summary of outstanding payables (receivables) between funds:

	Mortgage Purchase Fund Group	Housing Finance Revenue Fund Group	Bondholder Reserve Fund	General Administrative Fund	HOME Fund	Section 8 Housing Programs	Low Income Housing Energy Assistance Program	Other Federal And State Programs
Operating expenses	\$906	\$63	\$10	(\$12,389)	\$0	\$2,270	\$1,835	\$7,305
Funds for loan closings	(118)	0	(196)	(1,141)	53	0	0	1,402
Program revenues and fees	(429)	25	0	9,978	13	(2,164)	(1,647)	(5,776)
	\$359	\$88	(\$186)	(\$3,552)	\$66	\$106	\$188	\$2,931

## (11.) REDEMPTION OF BONDS

For the period ended December 31, 2007, MaineHousing redeemed \$251,860 of its Mortgage Purchase Fund bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of \$345 were attributable to recognition of the redemption premium, bond discount and debt issuance expenses associated with the redeemed bonds. The following is a summary of bonds redeemed:

	Interest Rate	Maturity	Amount	Redemption Price
1996 Series A-1 Serial Bonds	5.85%	2007	\$510	100%
1996 Series C Serial Bonds	5.50%	2008	480	100%
1997 Series C-1 Serial Bonds	5.25%	2008	210	100%
1997 Series C-1 Term Bonds	5.70%	2015	3,410	100%
1997 Series D-1 Term Bonds	5.05%	2016	215	100%
1997 Series D-1 Serial Bonds	5.15%	2010	490	100%
1997 Series D-2 Term Bonds	5.80%	2016	4,985	100%
1998 Series A-1 Term Bonds	5.15%	2015	1,355	100%
1998 Series C-1 Term Bonds	5.15%	2015	1,140	100%
1998 Series C-2 Term Bonds	5.375%	2029	245	100%
1998 Series F-2 Term Bonds	5.35%	2032	775	100%
1999 Series B-2 Term Bonds	5.30%	2032	1,465	100%
1999 Series C Term Bonds	5.45%	2023	1,155	100%

	Interest Rate	Maturity	Amount	Redemption Price
1999 Series D-1 Serial Bonds	5.25%	2010	80	100%
1999 Series D-1 Term Bonds	5.25%	2015	1,280	100%
1999 Series D-1 Term Bonds	5.75%	2017	1,305	100%
1999 Series D-1 Term Bonds	5.80%	2027	245	100%
1999 Series D-2 Term Bonds	5.90%	2019	2,575	100%
1999 Series E-1 Term Bonds	5.85%	2020	5,610	100%
1999 Series E-2 Term Bonds	5.95%	2016	3,610	100%
2000 Series A Serial Bonds	5.60%	2008	565	100%
2000 Series A Serial Bonds	5.70%	2009	595	100%
2000 Series A Serial Bonds	5.85%	2010	630	100%
2000 Series B-1 Serial Bonds	5.45%	2012	870	100%
2000 Series B-1 Serial Bonds	5.55%	2013	915	100%
2000 Series B-2 Serial Bonds	5.55%	2010	160	100%
2000 Series B-2 Serial Bonds	5.60%	2011	105	100%
2000 Series B-2 Term Bonds	5.60%	2024	670	100%
2000 Series C Term Bonds	5.65%	2014	2,200	100%
2000 Series D Term Bonds	5.92%	2021	5,390	100%
2001 Series B Term Bonds	4.60%	2025	490	100%
2001 Series B Term Bonds	5.50%	2032	305	100%
2001 Series C Term Bonds	5.55%	2032	2,510	100%
2001 Series E-2 Term Bonds	4.25%	2019	2,305	100%
2001 Series E-3 Term Bonds	5.25%	2017	1,115	100%
2002 Series A-2 Term Bonds	4.55%	2026	700	100%
2002 Series A-2 Term Bonds	5.40%	2032	320	100%
2002 Series D Term Bonds	5.40%	2032	925	100%
2002 Series F-2 Term Bonds	3.75%	2019	2,130	100%
2002 Series F-2 Term Bonds	5.15%	2022	665	100%
2002 Series G-2 Term Bonds	4.00%	2024	255	100%
2002 Series G-2 Term Bonds	5.25%	2032	175	100%
2003 Series B-2 Term Bonds	3.65%	2020	1,000	100%
2003 Series B-2 Term Bonds	5.05%	2032	275	100%
2003 Series C-2 Term Bonds	4.00%	2030	720	100%
2003 Series D-2 Term Bonds	5.00%	2027	1,200	100%
2004 Series A-2 Term Bonds	5.00%	2021	1,750	100%
2004 Series A-2 Term Bonds	4.80%	2028	110	100%
2004 Series A-2 Term Bonds	4.80%	2029	55	100%
2004 Series B-2 Term Bonds	5.20%	2035	890	100%
2004 Series C-2 Term Bonds	5.00%	2034	230	100%
2004 Series D-2 Term Bonds	4.90%	2034	120	100%
2005 Series D-2 Term Bonds	4.80%	2036	105	100%
2005 Series E-2 Term Bonds	5.10%	2035	80	100%
2006 Series A-2 Term Bonds	4.85%	2036	85	100%
2006 Series C Term Bonds	3.50%	2034	90,000	100%
2006 Series D-2 Term Bonds	4.95%	2031	105	100%
2006 Series F Term Bonds	3.65%	2031	100,000	100%
			<u>\$251,860</u>	

For the period ended December 31, 2007, MaineHousing redeemed \$65,570 of bonds in the General Housing Draw Down Bond Fund from the bond escrow funds. The following is a summary of bonds redeemed:

	Interest Rate	Maturity	Amount	Redemption Price
2005 Series B	3.61%*	2010	<u>\$65,570</u>	100%

\* Represents rate at redemption.

## (12.) SUBSEQUENT EVENTS

Subsequent to December 31, 2007, MaineHousing issued and redeemed bonds. The following is a summary of subsequent event transactions.

On January 29, 2008, MaineHousing issued, at par, \$50,000 of bonds in the Mortgage Purchase Fund bonds as follows:

	Interest Rate	Maturity	Amount	Redemption Price
2008 Series A-1 Serial Bonds	3.35%-3.65%	2016	\$6,050	100%
2008 Series A-2 Term Bonds	4.85%	2022	10,180	100%
2008 Series A-2 Term Bonds	5.05%	2027	10,985	100%
2008 Series A-2 Term Bonds	5.20%	2032	7,785	100%
2008 Series B Term Bonds	Variable	2041	15,000	100%
			<u>\$50,000</u>	

On March 1, 2008, MaineHousing redeemed, at par, \$10,369 of bonds in the General Housing Draw Down Bond Fund as follows:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
2005 Series A	Variable	2010	\$6,050	100%
2005 Series B	Variable	2010	4,319	100%
			<u>\$10,369</u>	

On March 12, 2008, MaineHousing committed to redeem, at par, \$22,020 of bonds in the Mortgage Purchase Fund bonds as follows:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
1996 Series C Serial Bonds	5.50%	2008	\$45	100%
1997 Series C-1 Serial Bonds	5.25%	2008	250	100%
1997 Series D-1 Serial Bonds	5.10%	2009	130	100%
1997 Series D-1 Serial Bonds	5.15%	2010	30	100%
1998 Series A-1 Term Bonds	5.15%	2015	930	100%
1998 Series A-2 Term Bonds	5.33%	2032	365	100%
1998 Series C-1 Term Bonds	5.15%	2015	4,225	100%
1998 Series F-2 Term Bonds	5.35%	2032	125	100%
1999 Series B-1 Term Bonds	5.00%	2014	1,620	100%
1999 Series B-2 Term Bonds	5.30%	2032	325	100%
1999 Series D-1 Serial Bonds	5.25%	2010	430	100%
1999 Series D-1 Term Bonds	5.25%	2015	280	100%
2000 Series B-1 Serial Bonds	5.35%	2011	720	100%
2000 Series B-2 Serial Bonds	5.55%	2010	625	100%
2000 Series B-2 Term Bonds	5.60%	2024	205	100%
2000 Series D Term Bonds	5.50%	2014	5,260	100%
2001 Series B Term Bonds	4.60%	2025	130	100%
2001 Series C Term Bonds	5.55%	2032	110	100%
2001 Series E-2 Term Bonds	4.25%	2019	720	100%
2001 Series E-3 Term Bonds	5.25%	2017	370	100%
2002 Series A-2 Term Bonds	4.55%	2026	335	100%
2002 Series A-2 Term Bonds	5.40%	2032	155	100%
2002 Series D Term Bonds	5.40%	2032	255	100%
2002 Series F-2 Term Bonds	3.75%	2019	1,055	100%
2002 Series F-2 Term Bonds	5.15%	2022	175	100%
2002 Series G-2 Term Bonds	4.00%	2024	125	100%
2003 Series B-2 Term Bonds	3.65%	2020	475	100%
2003 Series C-2 Term Bonds	4.00%	2030	345	100%
2003 Series C-2 Term Bonds	5.45%	2032	115	100%
2003 Series D-2 Term Bonds	5.00%	2027	405	100%
2004 Series A-2 Term Bonds	5.00%	2021	830	100%
2004 Series A-2 Term Bonds	4.80%	2028	130	100%
2004 Series B-2 Term Bonds	5.20%	2035	320	100%
2004 Series C-2 Term Bonds	5.00%	2034	170	100%
2004 Series D-2 Term Bonds	4.90%	2034	150	100%
2005 Series E-2 Term Bonds	5.10%	2035	85	100%
			<u>\$22,020</u>	







Maine State Housing Authority (MaineHousing) does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, age, physical or mental disability, or familial status in the admission or access to, or treatment or employment in, its programs and activities. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Mary Darling, MaineHousing, 353 Water Street, Augusta, ME 04330-4633, Telephone Number (207) 626-4600 or 1-800-452-4668 (voice), or 1-800-452-4603 (TTY).



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