

# MAINE STATE LEGISLATURE

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# **Maine State Housing Authority**

Basic Financial Statements and  
Management's Discussion and Analysis

Year Ended December 31, 2009

# MAINE STATE HOUSING AUTHORITY

## FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

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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, 2009, 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. 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, 2009, 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.

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 29, 2010

*Baker Newman & Noyes*  
Limited Liability Company

**MAINE STATE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

This discussion and analysis provides an overview of the Maine State Housing Authority's (MaineHousing) financial activities for the year ended December 31, 2009 and should be read in conjunction with the audited financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- As a result of program operations net assets decreased 1.5% to \$317.2 million.
- Profitability and net assets were negatively impacted by volatile financial and mortgage loan markets and depressed short-term interest rates in 2009.
- Historically low short-term interest rates resulted in a 58.9% reduction in investment earnings.
- Government Accounting Standards require investment securities be reported at their fair value. Fluctuations in interest rates resulted in a \$3.6 million decrease in the fair value of investments.
- Total federal program awards increased by \$14.2 million or 18.7% due in part to new federal funding from the American Recovery and Reinvestment Act (ARRA) that was enacted in 2009.

**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 business-type activities 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 and energy-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 business-type 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 five governmental funds. MaineHousing is the administrator of these funds; the revenues of which are appropriated to MaineHousing for making housing and energy-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 are summarized below for the years ended December 31, 2009 and 2008 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		
	2009	2008	2009	2008	2009	2008	
Cash and investments	\$518.2	\$505.3	\$27.1	\$31.2	\$545.3	\$536.5	1.6%
Mortgage and other notes receivable	1,282.6	1,241.7	57.6	53.3	1,340.2	1,295.0	3.5%
Other assets	18.7	18.6	15.8	10.1	34.5	28.7	20.2%
<b>Total Assets</b>	<b>1,819.5</b>	<b>1,765.6</b>	<b>100.5</b>	<b>94.6</b>	<b>1,920.0</b>	<b>1,860.2</b>	<b>3.2%</b>
Deferred income	15.5	21.1	8.0	7.9	23.5	29.0	(19.0%)
Mortgage bonds payable	1,509.7	1,445.5	0.0	0.0	1,509.7	1,445.5	4.4%
Other liabilities	15.1	16.5	54.5	47.1	69.6	63.6	9.4%
<b>Total Liabilities</b>	<b>1,540.3</b>	<b>1,483.1</b>	<b>62.5</b>	<b>55.0</b>	<b>1,602.8</b>	<b>1,538.1</b>	<b>4.2%</b>
Restricted net assets	262.7	265.5	38.0	39.6	300.7	305.1	(1.4%)
Unrestricted net assets	16.5	17.0	0.0	0.0	16.5	17.0	(2.9%)
<b>Total Net Assets</b>	<b>\$279.2</b>	<b>\$282.5</b>	<b>\$38.0</b>	<b>\$39.6</b>	<b>\$317.2</b>	<b>\$322.1</b>	<b>(1.5%)</b>

MaineHousing's total assets at December 31, 2009 were \$1.92 billion, an increase of \$59.8 million or 3.2% from December 31, 2008. The change in assets consisted primarily of an \$8.8 million increase in cash and investments and a \$45.2 million increase in mortgage receivables. Other assets increased \$5.8 million primarily as a result of higher receivable balances due from federal programs. MaineHousing's total liabilities at December 31, 2009 were \$1.6 billion, an increase of \$64.7 million or 4.2% from December 31, 2008. The increase in liabilities is due principally to the issuance of \$250.7 million of bonds, which contributed to a \$64.2 million net increase in bonds payable. Deferred income, which primarily represents loan origination fees received less the costs of origination, decreased by \$5.5 million due to lower fees collected and higher program costs paid in connection with the single-family loan program. Other liabilities increased \$6 million due primarily to a higher amount of accrued liabilities associated with federal programs at December 31, 2009.

### *Cash and Investments*

Total cash and investments increased by \$8.8 million or 1.6% at December 31, 2009 compared to December 31, 2008. The primary source of the increase is from unexpended bond proceeds. MaineHousing's investment portfolio is comprised of securities of the U.S. Government, certain Federal agencies, the State of Maine, 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 2009, MaineHousing recognized \$3.6 million of unrealized losses compared with \$0.7 million of unrealized gains in 2008.

### *Mortgage and Other Notes Receivable*

Total mortgages and other notes receivable, net, increased \$45.2 million in 2009. MaineHousing's total mortgage loan purchases and originations of \$129.9 million in 2009 were lower by \$37.2 million compared with 2008. The decrease was due primarily to lower single-family mortgage purchases. The receipt of scheduled mortgage loan repayments of \$28.1 million increased from the previous year's level of \$26.7 million. Mortgage loan prepayments increased during 2009 to a total of \$54.3 million, an increase of \$1.1 million.

MaineHousing's combined allowance for losses on loans increased \$0.2 million or 1.4% to \$10.8 million at December 31, 2009. The aggregate allowance for losses on loan is approximately 1% of loans outstanding.

### *Bonds Payable*

During the year, MaineHousing completed the issuance of bonds aggregating to \$250.7 million. Last year, MaineHousing completed the issuance of \$546.1 million in bonds. Debt retirements totaled \$187.1 million in 2009 and \$651.1 million in 2008. 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 net assets decreased 1.5% during 2009 and were unfavorably impacted by a substantial decrease in the fair value of investments and the historically low-interest rate environment that existed throughout 2009.

The net assets of MaineHousing's business activities decreased by \$3.3 million, while the net assets of MaineHousing's governmental activities decreased by \$1.5 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 for the years ended December 31, 2009 and 2008:

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

	2009	2008	Increase/(Decrease)	
			Amount	Percentage
Interest from mortgages and notes	\$68.6	\$67.1	\$1.5	2.2%
Income from investments	7.3	27.2	(19.9)	(73.2%)
Grants and subsidies	177.6	163.1	14.5	8.9%
Other	10.5	9.1	1.4	15.4%
Total revenues	264.0	266.5	(2.5)	(0.9%)
Operating expenses	19.8	20.3	(0.5)	(2.5%)
Provision for losses on loans and foreclosed real estate	1.1	1.5	(0.4)	(26.7%)
Interest expense	66.6	73.6	(7.0)	(9.5%)
Grants and subsidies	181.3	164.2	17.1	10.4%
Total expenses	268.8	259.6	9.2	3.5%
(Decrease) Increase in net assets	<u>(\$4.8)</u>	<u>\$6.9</u>	<u>(\$11.7)</u>	(169.6%)

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 decreased by \$3.3 million to \$279.2 million at December 31, 2009. 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, 2009 and December 31, 2008:

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets (in millions of dollars)				
	2009	2008	Increase/(Decrease)	
			Amount	Percentage
<b>Operating revenues:</b>				
Interest from mortgages and notes	\$68.6	\$67.1	\$1.5	2.2%
Income from investments	10.8	25.9	(15.1)	(58.3%)
Net (decrease) increase in the fair value of investments	(3.6)	0.7	(4.3)	(614.3%)
Fee income	0.5	0.8	(0.3)	(37.5%)
Other revenue	0.9	1.4	(0.5)	(35.7%)
Total revenues	77.2	95.9	(18.7)	(19.5%)
<b>Operating expenses:</b>				
Salaries and related benefits	6.9	6.6	0.3	4.5%
Other operating expenses	4.4	3.7	0.7	18.9%
Mortgage servicing fees	2.0	2.0	0.0	0.0%
Provision for losses on loans	1.0	1.5	(0.5)	(33.3%)
Losses on foreclosed real estate	0.1	0.0	0.1	100.0%
Interest expense	66.6	73.6	(7.0)	(9.5%)
Loss on bond redemption	0.5	0.4	0.1	25.0%
Excess arbitrage	(1.0)	0.9	(1.9)	(211.1%)
Total expenses	80.5	88.7	(8.2)	(9.2%)
Operating (loss) income	(3.3)	7.2	(10.5)	(145.8%)
Transfers in	0.0	0.6	(0.6)	100.0%
Change in net assets	(3.3)	7.8	(11.1)	(142.3%)
Net assets at beginning of year	282.5	274.7	7.8	2.8%
Net assets at end of year	\$279.2	\$282.5	(\$3.3)	(1.2%)

Operating revenues of MaineHousing's business-type activities are generated principally from interest earned on mortgages and investments. In 2009, MaineHousing's revenues for its business-type activities decreased \$18.7 million and totaled \$77.2 million. Of this total, \$75.8 million or 98.2% 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 \$80.5 million, of which \$66.6 million or 82.7% was interest expense.

Change in net assets for the year ended December 31, 2009 was \$(3.3) million compared to \$7.8 million for the year ended December 31, 2008, a decrease of \$11.1 million. Factors contributing to these results included:

- Investment income substantially decreased by \$15.1 million or 58.3% due to significant decreases in short-term earnings rates.
- Market fluctuations generated an unrealized loss of \$3.6 million in 2009. This represents a decrease of \$4.3 million compared with the unrealized gain of \$0.7 million that was recognized in 2008. The unrealized loss was due to a mix of interest-sensitive investments held at 2009 compared to 2008.
- Interest earned on mortgages and notes increased by \$1.5 million or 2.2% due to higher loan amounts outstanding and higher average yields.

- Interest expense decreased by \$7 million or 9.5% as a result of lower average rates on debt issues and lower average debt balances outstanding during the year.
- Excess arbitrage to be rebated decreased \$1.9 million as a result of a decrease in interest earned from investments

## Governmental Fund Results

Fund balances of MaineHousing's governmental funds decreased \$1.5 million or 3.8% to \$38.1 million at December 31, 2009. 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, 2009 and December 31, 2008:

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

	2009	2008	Increase/(Decrease)	
			Amount	Percentage
<b>Operating revenues:</b>				
Income from investments	\$0.1	\$0.6	(\$0.5)	(83.3%)
Fee income	9.1	6.9	2.2	31.9%
Grant income	90.1	75.9	14.2	18.7%
Income from the State	2.4	4.8	(2.4)	(50.0%)
Federal rent subsidy income	85.1	82.4	2.7	3.3%
Total revenues	186.8	170.6	16.2	9.5%
<b>Operating expenses:</b>				
Other operating expenses	7.0	6.7	0.3	4.5%
Grant expense	94.6	82.1	12.5	15.2%
Federal rent subsidy expense	86.7	82.1	4.6	5.6%
Total expenses	188.3	170.9	17.4	10.2%
Operating loss	(1.5)	(0.3)	(1.2)	400.0%
Transfers out	0.0	(0.6)	0.6	(100.0%)
Change in fund balances	(1.5)	(0.9)	(0.6)	66.7%
Fund balances at beginning of year	39.6	40.5	(0.9)	(2.2%)
Fund balances at end of year	\$38.1	\$39.6	(\$1.5)	(3.8%)

Operating revenues of MaineHousing's governmental activities are generated primarily from State and Federal grants and Federal rent subsidy income. In 2009, MaineHousing's revenues for its governmental activities increased by \$16.2 million or 9.5% to \$186.8 million. Operating expenses of MaineHousing's governmental activities consist primarily of grant and Federal rent subsidy expenses. Total operating expenses increased \$17.4 million or 10.2% to \$188.3 million for 2009.

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 2009, fee income for administering federal programs amounted to \$9.1 million.

The 2009 financial results of MaineHousing's governmental funds were significantly affected by the following:

- Total grant income increased by \$14.2 million or 18.7% as a result of the following: (1) Federal grants received for certain energy and weatherization programs increased on a combined basis by \$8.3 million or 13.1%. (2) The American Recovery & Reinvestment Act was enacted by the United States Congress. This Act contains federal spending provisions for housing and energy related programs. A total of \$7.0 million was received and disbursed during the year through these new programs.
- Total grant expense increased by \$12.5 million or 15.2% due to higher available grant income.

- Total Federal rent subsidy income increased by \$2.7 million or 3.3% due to an increase in receipts from the Department of Housing and Urban Development for the Section 8 Housing Assistance Payments Programs. Total Federal rent subsidy expense increased as a result of higher available program receipts.
- Income from the State, which consist of Real Estate Transfer Tax deposits to the HOME Fund, decreased by \$2.4 million or 50% due primarily to lower real estate sales.
- Total fee income received for the administration of federal programs increased by \$2.2 million or 31.9%.

## DEBT ACTIVITY

MaineHousing is authorized to issue mortgage bonds to purchase or originate mortgages or notes on single-family and multi-family residential properties. MaineHousing had \$1.51 billion in bonds outstanding at December 31, 2009 – an increase of \$64.2 million or 4.4% from last year.

MaineHousing's debt issuances for 2009 totaled \$250.7 million. Principal payments on bonds totaled \$187.1 million in 2009. MaineHousing redeemed \$185.6 million of its outstanding bonds in 2009 from reserve funds, mortgage prepayments, and surplus revenues. Of the total amount redeemed, \$36.3 million were bonds that were scheduled for maturity in 2009. Scheduled principal payments on bonds totaled \$1.5 million in 2009.

MaineHousing issues some variable rate demand obligations and enters into interest rate swap agreements to provide synthetically fixed interest rates on certain bonds. At December 31, 2009, the total amount of variable rate debt outstanding was \$290.1 million and represented 19% of the \$1.51 billion total debt portfolio. Different interest rate swap agreements have been executed in connection with \$236.1 million of these bonds to, in effect, convert them to synthetic fixed rate bonds.

In 2009, bonds in MaineHousing's General Mortgage Purchase Bond Resolution were rated Aa1 and AA+ by Moody's Investor Service and Standard & Poor's, respectively. 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, 2009**  
*(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)	\$382	\$2,879	\$3,261
Investments (notes 2, 6, and 8)	369,955	24,238	394,193
Accounts receivable - Federal	0	8,330	8,330
Accrued interest and other assets	10,949	5,434	16,383
Mortgage notes receivable, net (note 3)	28,077	95	28,172
Total Current Assets	<u>409,363</u>	<u>40,976</u>	<u>450,339</u>
Noncurrent Assets:			
Investments (notes 2, 6, and 8)	147,878	0	147,878
Mortgage notes receivable, net (note 3)	1,254,482	57,526	1,312,008
Other notes receivable, net (note 3)	0	752	752
Land, equipment and improvements, net	1,591	1,172	2,763
Other real estate owned	1,664	141	1,805
Unamortized debt issuance expense	4,509	0	4,509
Total Noncurrent Assets	<u>1,410,124</u>	<u>59,591</u>	<u>1,469,715</u>
Total Assets	<u><u>\$1,819,487</u></u>	<u><u>\$100,567</u></u>	<u><u>\$1,920,054</u></u>
<b>LIABILITIES AND NET ASSETS:</b>			
Current Liabilities:			
Accrued interest payable	\$7,993	\$0	\$7,993
Accounts payable - Federal	0	138	138
Accounts payable and accrued liabilities	6,486	47,782	54,268
Deferred income	958	7,968	8,926
Prepaid Annual Contributions	0	2,236	2,236
Interfund (note 10)	(4,401)	4,401	0
Mortgage bonds payable, current (notes 4, 9, 11 and 12)	34,945	0	34,945
Total Current Liabilities	<u>45,981</u>	<u>62,525</u>	<u>108,506</u>
Noncurrent Liabilities:			
Excess arbitrage to be rebated (note 9)	5,042	0	5,042
Deferred income	14,550	0	14,550
Mortgage bonds payable, net (notes 4, 9, 11 and 12)	1,474,766	0	1,474,766
Total Noncurrent Liabilities	<u>1,494,358</u>	<u>0</u>	<u>1,494,358</u>
Total Liabilities	<u>1,540,339</u>	<u>62,525</u>	<u>1,602,864</u>
Commitments and contingent liabilities (notes 4, 7 and 12)			
Net Assets:			
Restricted Net Assets	262,709	38,042	300,751
Unrestricted Net Assets	16,439	0	16,439
Total Net Assets	<u>279,148</u>	<u>38,042</u>	<u>317,190</u>
Total Liabilities and Net Assets	<u><u>\$1,819,487</u></u>	<u><u>\$100,567</u></u>	<u><u>\$1,920,054</u></u>

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
*(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	\$70,310	\$7,427	\$68,979	\$6,951	\$0	(\$1,807)	\$0	(\$1,807)
Housing Finance Bond Program	1,276	568	589	226	0	(1,029)	0	(1,029)
Bondholder Reserve Fund	0	44	29	11	0	(4)	0	(4)
General Administrative Fund	12,931	(12,087)	352	0	0	(492)	0	(492)
Total business-type activities	84,517	(4,048)	69,949	7,188	0	(3,332)	0	(3,332)
Governmental activities:								
HOME Fund	4,586	0	13	23	2,782	0	(1,768)	(1,768)
Section 8 Housing Programs	88,697	1,656	5,498	8	85,139	0	292	292
Low Income Housing Energy Assistance Program	60,396	498	949	4	59,899	0	(42)	(42)
American Recovery & Reinvestment Fund	7,004	77	123	0	6,958	0	0	0
Other Federal and State Programs	23,567	1,817	2,518	9	22,855	0	(2)	(2)
Total governmental activities	184,250	4,048	9,101	44	177,633	0	(1,520)	(1,520)
Total Authority	<u>\$268,767</u>	<u>\$0</u>	<u>\$79,050</u>	<u>\$7,232</u>	<u>\$177,633</u>	<u>(3,332)</u>	<u>(1,520)</u>	<u>(4,852)</u>
General Revenues:								
Unrestricted investment income						12	0	12
Transfers						(4)	4	0
Total general revenues and transfers						8	4	12
Change in net assets						(3,324)	(1,516)	(4,840)
Net assets at beginning of year						282,472	39,558	322,030
Net assets at end of year						<u>\$279,148</u>	<u>\$38,042</u>	<u>\$317,190</u>

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2009**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund Group</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)	\$ 196	\$ 114	\$ 3	\$ 69	\$ 382
Investments (notes 2, 6, and 8)	340,077	7,491	7,177	15,210	369,955
Accrued interest and other assets	10,646	189	96	18	10,949
Mortgage notes receivable, net (note 3)	26,863	1,084	0	130	28,077
Total Current Assets	<u>377,782</u>	<u>8,878</u>	<u>7,276</u>	<u>15,427</u>	<u>409,363</u>
Noncurrent Assets:					
Investments (notes 2, 6, and 8)	140,889	6,989	0	0	147,878
Mortgage notes receivable, net (note 3)	1,242,301	10,770	900	511	1,254,482
Land, equipment and improvements, net	22	0	0	1,569	1,591
Other real estate owned	1,602	62	0	0	1,664
Unamortized debt issuance expense	4,445	64	0	0	4,509
Total Noncurrent Assets	<u>1,389,259</u>	<u>17,885</u>	<u>900</u>	<u>2,080</u>	<u>1,410,124</u>
Total Assets	<u>\$1,767,041</u>	<u>\$26,763</u>	<u>\$8,176</u>	<u>\$17,507</u>	<u>\$1,819,487</u>
<b>LIABILITIES AND NET ASSETS:</b>					
Current Liabilities:					
Accrued interest payable	\$7,842	\$151	\$0	\$0	\$7,993
Accounts payable and accrued liabilities	0	0	6	6,480	6,486
Deferred income	890	68	0	0	958
Interfund (note 10)	885	25	101	(5,412)	(4,401)
Mortgage bonds payable, current (notes 4, 9, 11 and 12)	33,525	1,420	0	0	34,945
Total Current Liabilities	<u>43,142</u>	<u>1,664</u>	<u>107</u>	<u>1,068</u>	<u>45,981</u>
Noncurrent Liabilities:					
Excess arbitrage to be rebated (note 9)	5,042	0	0	0	5,042
Deferred income	13,877	673	0	0	14,550
Mortgage bonds payable, net (notes 4, 9, 11 and 12)	1,459,777	14,989	0	0	1,474,766
Total Noncurrent Liabilities	<u>1,478,696</u>	<u>15,662</u>	<u>0</u>	<u>0</u>	<u>1,494,358</u>
Total Liabilities	<u>1,521,838</u>	<u>17,326</u>	<u>107</u>	<u>1,068</u>	<u>1,540,339</u>
Commitments and contingent liabilities (notes 4, 7 and 12)					
Net Assets:					
Restricted Net Assets	245,203	9,437	8,069	0	262,709
Unrestricted Net Assets	0	0	0	16,439	16,439
Total Net Assets	<u>245,203</u>	<u>9,437</u>	<u>8,069</u>	<u>16,439</u>	<u>279,148</u>
Total Liabilities and Net Assets	<u>\$1,767,041</u>	<u>\$26,763</u>	<u>\$8,176</u>	<u>\$17,507</u>	<u>\$1,819,487</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, 2009**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund Group</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	\$67,875	\$589	\$29	\$73	\$68,566
Income from investments	10,383	348	11	12	10,754
Net decrease in the fair value of investments	(3,432)	(122)	0	0	(3,554)
Fee income	230	0	0	279	509
Other revenue	874	0	0	0	874
<b>Total Revenues</b>	<b>75,930</b>	<b>815</b>	<b>40</b>	<b>364</b>	<b>77,149</b>
<b>OPERATING EXPENSES:</b>					
Salaries and related benefits	0	0	0	10,108	10,108
Other operating expenses	2,391	48	0	2,818	5,257
Mortgage servicing fees	1,788	161	0	5	1,954
Provision for losses on loans (note 3)	1,000	0	0	0	1,000
Loss on foreclosed real estate	130	0	0	0	130
Interest expense	65,576	1,067	0	0	66,643
Loss on bond redemption (note 11)	466	0	0	0	466
Excess arbitrage (note 9)	(1,041)	0	0	0	(1,041)
Allocated operating costs	7,427	568	44	(12,087)	(4,048)
<b>Total Expenses</b>	<b>77,737</b>	<b>1,844</b>	<b>44</b>	<b>844</b>	<b>80,469</b>
<b>Operating Loss</b>	<b>(1,807)</b>	<b>(1,029)</b>	<b>(4)</b>	<b>(480)</b>	<b>(3,320)</b>
Transfers between funds, net (note 10)	3	0	0	(7)	(4)
<b>Change in net assets</b>	<b>(1,804)</b>	<b>(1,029)</b>	<b>(4)</b>	<b>(487)</b>	<b>(3,324)</b>
<b>Net assets at beginning of year</b>	<b>247,007</b>	<b>10,466</b>	<b>8,073</b>	<b>16,926</b>	<b>282,472</b>
<b>Net assets at end of year</b>	<b>\$245,203</b>	<b>\$9,437</b>	<b>\$8,069</b>	<b>\$16,439</b>	<b>\$279,148</b>

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
*(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	\$67,767	\$0	\$510	\$29	\$74	\$68,380
Principal receipts on mortgages and notes - scheduled	26,862	0	1,084	0	129	28,075
Principal receipts on mortgages and notes - prepayments	53,220	0	654	384	48	54,306
Payments for operating expenses	(11,657)	(458)	(777)	(44)	(2,818)	(15,754)
Payments received for operating expenses	0	0	0	0	12,087	12,087
Payments to employees	0	0	0	0	(10,108)	(10,108)
Investment in mortgages and other notes	(128,677)	0	(479)	(773)	0	(129,929)
Other	(6,423)	0	(9)	(66)	3,850	(2,648)
Net cash provided by (used for) operating activities	1,092	(458)	983	(470)	3,262	4,409
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>						
Payment of bond issuance costs	(688)	0	0	0	0	(688)
Proceeds from sale of bonds and notes	249,684	0	0	0	0	249,684
Principal payments on bonds	(185,745)	0	(1,335)	0	0	(187,080)
Interest payments on bonds	(62,376)	0	(973)	0	0	(63,349)
Payments (to) from other funds	1,246	(10)	44	76	(3,428)	(2,072)
Net cash provided by (used for) non-capital financing activities	2,121	(10)	(2,264)	76	(3,428)	(3,505)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Proceeds from disposition of foreclosed real estate	5,809	0	38	0	0	5,847
(Purchase) maturity of short-term investments, net	(126,184)	0	(2,577)	383	151	(128,227)
Purchase of long-term investments	(178,156)	0	(5,019)	0	0	(183,175)
Sales and calls of long-term investments	284,299	0	8,365	0	0	292,664
Interest received on investments	11,215	0	368	11	13	11,607
Net cash provided by (used for) investing activities	(3,017)	0	1,175	394	164	(1,284)
Net increase (decrease) in cash	196	(468)	(106)	0	(2)	(380)
Cash at beginning of year	0	468	220	3	71	762
Cash at end of year	\$196	\$0	\$114	\$3	\$69	\$382

<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>						
Operating loss	(\$1,807)	\$0	(\$1,029)	(\$4)	(\$480)	(\$3,320)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:						
Depreciation and amortization	3,516	0	105	0	502	4,123
Interest on bonds	62,060	0	962	0	0	63,022
Provision for losses on loans	1,000	0	0	0	0	1,000
Losses on foreclosed real estate	130	0	0	0	0	130
Loss on bond redemption	466	0	0	0	0	466
Interest income on investments	(10,383)	0	(348)	(11)	(12)	(10,754)
Net decrease in fair value of investments	3,432	0	122	0	0	3,554
Changes in operating assets and liabilities:						
Other assets	(885)	0	(9)	(58)	(401)	(1,353)
Mortgage note interest receivable	(108)	0	10	0	0	(98)
Accounts payable and accrued liabilities	(2,205)	(458)	0	(8)	3,476	805
Deferred income and other liabilities	(5,529)	0	(89)	0	0	(5,618)
Investment in mortgage and other notes	(128,677)	0	(479)	(773)	0	(129,929)
Mortgage & other note principal repayments	80,082	0	1,738	384	177	82,381
Net cash provided by (used for) operating activities	\$1,092	(\$458)	\$983	(\$470)	\$3,262	\$4,409

<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:</b>						
Real estate acquired through foreclosure	\$5,733	\$0	\$117	\$0	\$0	\$5,850

*See accompanying notes to the financial statements*



**MAINE STATE HOUSING AUTHORITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2009**  
*(IN THOUSANDS OF DOLLARS)*

	HOME Fund	Section 8 Housing Programs	Low Income Home Energy Assistance Program	American Recovery & Reinvestment Fund	Other Federal and State Programs	Total
<b>ASSETS:</b>						
Current Assets:						
Cash, principally time deposits (note 2)	\$ 0	\$ 61	\$ 1,497	\$ 0	\$ 1,321	\$ 2,879
Investments (note 2)	8,678	6,356	0	0	9,204	24,238
Accounts receivable - Federal	0	139	252	1,283	6,656	8,330
Accrued interest and other assets	1,271	96	394	0	3,673	5,434
Mortgage notes receivable, net (note 3)	32	0	0	0	63	95
Total Current Assets	9,981	6,652	2,143	1,283	20,917	40,976
Noncurrent Assets:						
Mortgage notes receivable, net (note 3)	17,782	178	0	0	39,566	57,526
Other notes receivable, net (note 3)	0	0	0	0	752	752
Land, equipment and improvements, net	0	114	438	0	620	1,172
Other real estate owned	0	0	0	0	141	141
Total Noncurrent Assets	17,782	292	438	0	41,079	59,591
Total Assets	\$27,763	\$6,944	\$2,581	\$1,283	\$61,996	\$100,567
<b>LIABILITIES AND FUND BALANCES:</b>						
Current Liabilities:						
Accounts payable - Federal	\$0	\$93	\$0	\$0	\$45	\$138
Accounts payable and accrued liabilities	0	52	0	1,160	46,570	47,782
Deferred income	378	0	1,626	0	5,964	7,968
Prepaid Annual Contributions	0	2,236	0	0	0	2,236
Interfund (note 10)	299	(1,053)	426	123	4,606	4,401
Total Current Liabilities	677	1,328	2,052	1,283	57,185	62,525
Total Liabilities	677	1,328	2,052	1,283	57,185	62,525
Commitments and contingent liabilities						
Fund Balances:						
Reserved Fund Balances	27,086	5,616	529	0	4,811	38,042
Unreserved Fund Balances	0	0	0	0	0	0
Total Fund Balances	27,086	5,616	529	0	4,811	38,042
Total Liabilities and Fund Balances	\$27,763	\$6,944	\$2,581	\$1,283	\$61,996	\$100,567

*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, 2009**  
*(IN THOUSANDS OF DOLLARS)*

	HOME Fund	Section 8 Housing Programs	Low Income Home Energy Assistance Program	American Recovery & Reinvestment Fund	Other Federal and State Programs	Total
<b>OPERATING REVENUES:</b>						
Interest from mortgages and notes	\$13	\$0	\$0	\$0	\$0	\$13
Income from investments	23	8	4	0	9	44
Fee income	0	5,498	949	123	2,518	9,088
Grant income	414	0	59,899	6,958	22,855	90,126
Income from State	2,368	0	0	0	0	2,368
Federal rent subsidy income	0	85,139	0	0	0	85,139
Total Revenues	2,818	90,645	60,852	7,081	25,382	186,778
<b>OPERATING EXPENSES:</b>						
Other operating expenses	2	2,001	497	46	467	3,013
Provision for losses on loans (note 3)	0	0	0	0	(64)	(64)
Grant expense	4,584	0	59,899	6,958	23,164	94,605
Federal rent subsidy expense	0	86,696	0	0	0	86,696
Allocated operating costs	0	1,656	498	77	1,817	4,048
Total Expenses	4,586	90,353	60,894	7,081	25,384	188,298
Operating income(loss)	(1,768)	292	(42)	0	(2)	(1,520)
Transfers between funds, net (note 10)	(637)	(1)	0	0	642	4
Change in fund balances	(2,405)	291	(42)	0	640	(1,516)
Fund balances at beginning of year	29,491	5,325	571	0	4,171	39,558
Fund balances at end of year	\$27,086	\$5,616	\$529	\$0	\$4,811	\$38,042

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2009**  
*(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. This fund was discontinued on December 1, 2008. All assets at December 31, 2008 were used to settle outstanding obligations in 2009.

**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. 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

**AMERICAN RECOVERY AND REINVESTMENT ACT**

In 2009, the American Recovery and Reinvestment Act (ARRA) was enacted by the United States Congress. This Act contains federal spending provisions for housing and energy related programs. MaineHousing is the designated administrator for certain ARRA programs for the State of Maine. This fund records the activity and reflects the consolidation of these programs. Program administration is governed by applicable Federal regulations. For certain programs, MaineHousing receives administration fees. These programs consist of the following:

- Homeless Prevention and Rapid Re-Housing Program
- Department of Energy Weatherization Program
- Tax Credit Assistance Program
- Section 1602 Tax Credit Exchange Program

#### **LOW INCOME HOME ENERGY ASSISTANCE PROGRAM**

MaineHousing is the designated administrator of the Low Income Home 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 and energy 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

##### **Neighborhood Reinvestment Corporation**

- National Foreclosure Mitigation Counseling 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
- The Ford 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 energy 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. Unrealized gains and losses due to fluctuations in market values and gains and losses realized upon sale are reported as net increases or 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 pays origination costs and may receive a fee at the time it purchases single-family mortgage loans. Other program costs may also be paid in connection with acquiring certain single-family loans. The fees received less the costs paid are deferred and recognized against interest income using the effective interest method over the life of the mortgages. When a loan is paid off prior to maturity, all unamortized deferred fees and costs are recognized immediately as a component of interest income.

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.

#### **INTEREST RATE SWAP AGREEMENTS**

Interest rate swap agreements are accounted for under the net accrual method where the net payable or receivable amount is reflected as an adjustment to interest expense on the related bonds.

## (2.) CASH AND INVESTMENTS

At December 31, 2009, the carrying amount of MaineHousing's deposits was \$3,261 and the bank balance was \$4,508. The difference between the carrying amount and the bank balance represents outstanding checks. Of the bank balance, \$290 was covered by federal depository insurance and \$4,218 was collateralized by repurchase agreements for which the securities are held by the bank's trustee in MaineHousing's name.

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, 2009 are presented in the following table. 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>					
<b>MORTGAGE PURCHASE FUND GROUP</b>					
Repurchase Agreements	\$236,635	\$236,635	\$0	\$0	\$0
U.S. Government-sponsored enterprise obligations	244,331	103,442	0	47,699	93,190
Total - Mortgage Purchase Fund Group	480,966	340,077	0	47,699	93,190
<b>HOUSING FINANCE REVENUE FUND GROUP</b>					
U.S. Government-sponsored enterprise obligations	14,480	7,491	0	6,989	0
<b>BONDHOLDERS RESERVE FUND</b>					
U.S. Government-sponsored enterprise obligations	7,177	7,177	0	0	0
<b>GENERAL ADMINISTRATIVE FUND</b>					
Repurchase Agreements	6,991	6,991	0	0	0
U.S. Government-sponsored enterprise obligations	8,219	8,219	0	0	0
Total- General Administrative Fund	15,210	15,210	0	0	0
Total - Proprietary Funds	\$517,833	\$369,955	\$0	\$54,688	\$93,190
<b>GOVERNMENTAL FUNDS</b>					
<b>HOME FUND</b>					
Repurchase Agreements	\$3,859	\$3,859	\$0	\$0	\$0
U.S. Government-sponsored enterprise obligations	4,819	4,819	0	0	0
Total- Home Fund	8,678	8,678	0	0	0
<b>SECTION 8 HOUSING PROGRAM</b>					
Repurchase Agreements	6,356	6,356	0	0	0
<b>OTHER FEDERAL AND STATE PROGRAMS</b>					
Repurchase Agreements	2,179	2,179	0	0	0
U.S. Government-sponsored enterprise obligations	7,025	7,025	0	0	0
Total Other Federal and State Programs	9,204	9,204	0	0	0
Total - Governmental Funds	\$24,238	\$24,238	\$0	\$0	\$0

MaineHousing's portfolio of U.S. Government-sponsored enterprise obligations consist of both short-term and long-term investments. As of December 31, 2009, short-term U.S. Government-sponsored enterprise obligations were rated A-1 by Standard and Poor's (S&P) and P-1 by Moody's Investors Services (Moody's). Long-term obligations were rated AAA by S&P and Aaa by Moody's.

Repurchase agreements are not credit rated and 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 to mitigate the custodial credit risk. MaineHousing follows a similar policy for the investments of all funds. MaineHousing generally invests in repurchase agreements for short-term investments. On December 31, 2009, approximately \$256 million was invested in short-term repurchase agreements having maturity dates of less than one year, at rates ranging from 0.01% to 0.08%.

Investments other than repurchase agreements are registered in MaineHousing's name; therefore, there is no custodial risk for these investments. Investments issued by FHLMC, FNMA, FFCB, and FHLB make up 20%, 7%, 7%, and 16% of total investments, respectively, in the Mortgage Purchase Fund Group and 13%, 0%, 14% and 72% of total investments, respectively, in the Housing Finance Revenue Fund Group. Investments issued by FHLB make up 100% of the U.S. Government-sponsored enterprises obligations in all other funds at December 31, 2009.

**(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, 2009, is as follows:

	Number of Notes	Principal Balance	Percent of Portfolio
<b>PROPRIETARY FUNDS</b>			
<b>MORTGAGE PURCHASE FUND GROUP - SINGLE-FAMILY:</b>			
VA guaranteed	774	\$63,097	6.8%
FHA insured	2,698	240,008	26.0%
RD guaranteed	3,427	307,432	33.2%
Privately insured	2,198	185,682	20.1%
Non-insured	2,867	128,941	13.9%
Total Mortgage Purchase Fund Group - single-family	11,964	925,160	100.0%
<b>MORTGAGE PURCHASE FUND GROUP - MULTI-FAMILY:</b>			
Federally assisted:			
Section 8	178	109,036	30.9%
Section 236	2	97	0.0%
Conventional	198	207,284	58.6%
Supportive Housing	257	36,967	10.5%
Total Mortgage Purchase Fund Group - multi-family	635	353,384	100.0%
Less: Allowance for losses on loans		(9,380)	
Total Mortgage Purchase Fund Group	12,599	1,269,164	
<b>HOUSING FINANCE REVENUE FUND GROUP - HOME IMPROVEMENT LOANS:</b>			
Non-insured	1,160	5,768	46.1%
<b>HOUSING FINANCE REVENUE FUND GROUP- SINGLE-FAMILY:</b>			
Privately insured	7	311	2.5%
Non-insured	169	6,440	51.4%
Total Housing Finance Revenue Fund Group - single-family	176	6,751	
		12,519	100.0%
Less: Allowance for losses on loans		(665)	
Total Housing Finance Revenue Fund	1,336	11,854	
<b>BONDHOLDER RESERVE FUND- MULTI-FAMILY:</b>			
Non-insured	4	900	100.0%
<b>GENERAL ADMINISTRATIVE FUND - SINGLE-FAMILY:</b>			
VA guaranteed	3	18	2.8%
Non-insured	10	120	18.7%
Privately insured	39	503	78.5%
Total General Administrative Fund	52	641	100.0%
Total Proprietary Funds mortgage notes receivable	13,991	\$1,282,559	
<b>GOVERNMENTAL FUNDS</b>			
<b>HOME FUND SINGLE - FAMILY:</b>			
Non-insured	186	1,676	9.1%
<b>HOME FUND MULTI - FAMILY:</b>			
Non-insured	78	16,826	90.9%
Less: Allowance for losses on loans		(688)	
Total HOME Fund	264	17,814	100.00%
<b>SECTION 8 HOUSING PROGRAMS - MULTI-FAMILY:</b>			
Non-insured - revolving loans	5	178	100.0%
<b>OTHER FEDERAL AND STATE PROGRAMS - HOME IMPROVEMENT LOANS:</b>			
Non-insured - revolving loans	33	175	0.4%
<b>OTHER FEDERAL AND STATE PROGRAMS - MULTI-FAMILY:</b>			
Non-insured - revolving loans	145	39,454	99.6%
Total Other Federal and State Programs	178	39,629	100.0%
Total Governmental Funds mortgage notes receivable	447	\$57,621	

A summary of other notes receivable at December 31, 2009, is as follows:

	Number of Notes	Principal Balance	Percent of Portfolio
<b>PROPRIETARY FUNDS</b>			
HOUSING FINANCE REVENUE FUND GROUP:			
Non-insured	2	\$15	100.0%
Less: Allowance for losses on loans		(15)	
Total Housing Finance Revenue Fund Group	2	0	
Total Proprietary Funds other notes receivable	2	\$0	
<b>GOVERNMENTAL FUNDS</b>			
OTHER FEDERAL AND STATE PROGRAMS:			
Non-insured	3	\$38	4.9%
Non-insured - revolving notes	15	741	95.1%
	18	779	100.0%
Less: Allowance for losses on loans		(27)	
Total Other Federal and State Programs	18	752	
Total Governmental Funds other notes receivable	18	\$752	

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, 2008	\$9,132	\$709	\$693	\$91
Provision	1,000	0	0	(64)
Loans charged off	(752)	(41)	(5)	0
Recoveries	0	12	0	0
Balance – December 31, 2009	<u>\$9,380</u>	<u>\$680</u>	<u>\$688</u>	<u>\$27</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), and Home Improvement (HI) Mortgage Bonds Payable outstanding at December 31, 2009 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		
MORTGAGE PURCHASE FUND GROUP							
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	0	5.50%				
	12,405	8,420					
1998 SERIES A BONDS (S/F):							
1998 Series A-1 (Non-AMT)							
Serial Bonds	7,970	1,170	4.85%	2010		1,170	
Term Bonds	6,835	0	5.15%				
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	10,230	5.33%	2027-2032	1,255	-	2,080
Term Bonds	100	0	5.40%				
	45,000	11,400					
1998 SERIES C BONDS (S/F):							
1998 Series C-1 (Non-AMT)							
Term Bonds	9,000	0	5.15%				
1998 Series C-2 (AMT)							
Serial Bonds	6,000	0	4.90%				
Term Bonds	8,600	0	4.75%				
Term Bonds	605	0	5.38%				
Term Bonds	13,220	12,865	5.25%	2016-2030	600	-	1,175
Term Bonds	12,575	0	5.38%				
	50,000	12,865					
1998 SERIES F BONDS (S/F):							
1998 Series F-1 (Non-AMT)							
Term Bonds	8,000	0	5.13%				
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	7,120	5.35%	2020-2029	270	-	2,150
	40,500	17,315					
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	2,340	5.13%	2019-2023	365	-	535
1999 Series A-2 (AMT)							
Serial Bonds	2,595	985	4.50%-4.70%	2010-2012	295	-	390
Term Bonds	5,105	5,105	5.25%	2026-2032	615	-	845
	14,955	11,955					
1999 SERIES B BONDS (S/F):							
1999 Series B-1 (Non-AMT)							
Term Bonds	7,000	0	5.00%				



	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 B-2 (AMT)							
Serial Bonds	14,430	2,335	4.80%	2010		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	10,375	5.30%	2021-2026	80	-	2,280
	<u>80,000</u>	<u>24,320</u>					
1999 SERIES C BONDS (S/F):							
1999 Series C (AMT)							
Serial Bonds	6,840	1,000	5.00%	2010		1,000	
Term Bonds	4,015	0	4.85%				
Term Bonds	17,110	13,470	5.45%	2011-2021	935	-	1,565
Term Bonds	12,035	0	5.55%				
	<u>40,000</u>	<u>14,470</u>					
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	960	5.45%	2010		960	
Term Bonds	3,610	0	5.95%				
Term Bonds	3,295	0	6.10%				
	<u>24,415</u>	<u>960</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>					
2001 SERIES A BONDS (M/F):							
2001 Series A (Non-AMT)							
Serial Bonds	17,325	6,445	4.38%-4.85%	2010-2014	1,185	-	1,405
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>23,460</u>					
2001 SERIES B BONDS (S/F):							
2001 Series B (AMT)							
Serial Bonds	4,130	1,055	4.63%-4.75%	2010-2011	515	-	540
Term Bonds	9,350	9,350	5.40%	2012-2021	725	-	1,170
Term Bonds	3,660	195	4.60%	2022		195	
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>17,590</u>					
2001 SERIES C BONDS (S/F):							
2001 Series C (AMT)							
Serial Bonds	4,715	1,975	4.80%-5.00%	2010-2012	625	-	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	5,675	5.55%	2023-2027	1,025	-	1,215
	<u>30,000</u>	<u>19,655</u>					
2001 SERIES E BONDS (S/F):							
2001 Series E-1 (Non-AMT)							
Serial Bonds	23,500	7,730	4.13%-4.38%	2010-2012	2,490	-	2,665
Term Bonds	6,500	6,085	4.95%	2013-2015	1,990	-	2,100
2001 Series E-2 (AMT)							
Term Bonds	18,365	1,760	4.25%	2016		1,760	

	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-3 (AMT)							
Term Bonds	16,635	0	5.25%				
Term Bonds	25,000	0	5.38%				
	<u>90,000</u>	<u>15,575</u>					
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
	<u>13,600</u>	<u>9,770</u>					
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
	<u>8,435</u>	<u>8,435</u>					
2002 SERIES A BONDS (S/F):							
2002 Series A-1 (Non-AMT)							
Term Bonds	2,355	0	4.95%				
2002 Series A-2 (AMT)							
Serial Bonds	6,190	2,755	4.55%-4.85%	2010-2013	655	-	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	745	4.55%	2023		745	
Term Bonds	8,280	5,690	5.40%	2027-2031	470	-	1,410
	<u>30,000</u>	<u>17,465</u>					
2002 SERIES B BONDS (M/F):							
2002 Series B (Non-AMT)							
Serial Bonds	7,245	4,360	4.30%-4.85%	2010-2015	650	-	815
Term Bonds	7,250	7,095	5.30%	2016-2023	755	-	1,030
	<u>14,495</u>	<u>11,455</u>					
2002 SERIES C BONDS (M/F):							
2002 Series C (Non-AMT)							
Serial Bonds	10,165	6,345	4.30%-4.85%	2010-2015	945	-	1,180
Term Bonds	12,020	8,495	5.30%	2016-2021	1,245	-	1,580
	<u>22,185</u>	<u>14,840</u>					
2002 SERIES D BONDS (S/F):							
2002 Series D (AMT)							
Serial Bonds	6,255	2,320	4.20%-4.45%	2010-2012	740	-	805
Term Bonds	15,725	15,725	5.25%	2013-2022	845	-	2,335
Term Bonds	18,020	12,275	5.40%	2023-2030	685	-	1,930
	<u>40,000</u>	<u>30,320</u>					
2002 SERIES F BONDS (S/F):							
2002 Series F-1 (Non-AMT)							
Serial Bonds	10,430	7,080	3.75%-4.00%	2010-2012	2,090	-	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	3,585	4.05%-4.25%	2010-2012	1,105	-	1,305
Term Bonds	17,000	3,525	3.75%	2016		3,525	
Term Bonds	10,000	10,000	5.05%	2013-2021	720	-	1,610
Term Bonds	12,580	6,795	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>41,775</u>					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
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	1,375	3.80%-4.00%	2010-2012	330	-	535
Term Bonds	8,100	4,375	5.15%	2016-2020	100	-	1,150
Term Bonds	1,815	145	4.00%	2023		145	
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>10,665</u>					
2003 SERIES A BONDS (M/F):							
2003 Series A-1 (Non-AMT)							
Serial Bonds	1,155	500	3.35%-3.90%	2010-2013	115	-	135
Term Bonds	1,735	1,735	4.85%	2014-2023	135	-	215
Term Bonds	2,785	2,670	4.95%	2024-2033	215	-	325
2003 Series A-2 (AMT)							
Serial Bonds	7,795	1,060	3.70%-4.20%	2010-2013	250	-	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>15,795</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	1,310	3.75%-4.15%	2010-2012	275	-	755
Term Bonds	7,000	1,865	3.65%	2015-2016	825	-	1,040
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>16,635</u>					
2003 SERIES C BONDS (S/F):							
2003 Series C-1 (Non-AMT)							
Serial Bonds	8,350	3,030	3.80%-4.70%	2010-2016	670	-	850
2003 Series C-2 (AMT)							
Term Bonds	4,420	1,200	4.00%	2020-2023	235	-	340
Term Bonds	5,415	5,080	5.45%	2017-2032	165	-	845
	<u>18,185</u>	<u>9,310</u>					
2003 SERIES D BONDS (S/F):							
2003 Series D-1 (Non-AMT)							
Serial Bonds	21,490	14,300	3.35%-4.50%	2010-2017	1,555	-	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	4,005	5.00%	2024-2025	1,840	-	2,165
Term Bonds	10,170	5,555	5.00%	2028-2030	595	-	2,515
	<u>50,000</u>	<u>33,100</u>					
2003 SERIES F BONDS (S/F – M/F):							
2003 Series F (Non-AMT)							
Serial Bonds	27,250	12,995	3.25%-4.00%	2010-2014	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>58,170</u>					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2004 SERIES A BONDS (S/F):							
2004 Series A-1 (Non-AMT)							
Serial Bonds	13,385	10,330	2.95%-4.00%	2010-2015	1,590	-	1,875
2004 Series A-2 (AMT)							
Serial Bonds	3,890	0	2.35%				
Term Bonds	13,420	4,930	5.00%	2016-2019	605	-	1,515
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	2,180	4.80%	2025-2028	70	-	1,080
Term Bonds	2,675	0	4.80%				
	47,275	28,105					
2004 SERIES B BONDS (S/F):							
2004 Series B-1 (Non-AMT)							
Serial Bonds	10,000	5,905	3.30%-4.00%	2010-2014	1,095	-	1,270
2004 Series B-2 (AMT)							
Term Bonds	15,000	12,305	5.20%	2029-2035	25	-	2,565
2004 Series B-3 (AMT)							
Term Bonds	11,000	11,000	Variable-.22% *	2015-2027	425	-	1,505
Term Bonds	9,000	9,000	Variable-.22% *	2028-2035	730	-	1,620
Term Bonds	5,000	5,000	Variable-.22% *	2036-2038	1,480	-	1,860
	50,000	43,210					
2004 SERIES C BONDS (S/F):							
2004 Series C-1 (Non-AMT)							
Serial Bonds	8,000	3,755	3.10%-3.75%	2010-2013	890	-	995
2004 Series C-2 (AMT)							
Term Bonds	5,000	5,000	4.80%	2022-2024	1,625	-	1,710
Term Bonds	15,000	14,070	5.00%	2029-2034	1,910	-	2,705
2004 Series C-3 (AMT)							
Term Bonds	15,000	15,000	Variable -.37%*	2035-2038		3,750	
	43,000	37,825					
2004 SERIES D BONDS (S/F):							
2004 Series D-1(Non-AMT)							
Serial Bonds	7,145	3,350	3.20%-3.80%	2010-2013	790	-	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	9,605	4.90%	2029-2034	1,420	-	1,800
2004 Series D-3 (AMT)							
Term Bonds	15,000	15,000	Variable -.22%*	2035-2039		3,000	
	40,000	35,810					
2005 SERIES A BONDS (M/F):							
2005 Series A-1 (Non-AMT)							
Serial Bonds	5,785	3,965	3.45%-4.40%	2010-2017	455	-	530
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
	20,925	18,780					
2005 SERIES B BONDS (M/F):							
2005 Series B (Federally Taxable)							
Term Bonds	15,000	15,000	Variable-.45% *	2016-2020	2,840	-	3,115
2005 SERIES C BONDS (M/F):							
2005 Series C (AMT)							
Term Bonds	11,125	11,125	Variable-.37%*	2036-2039	2,780	-	2,785

	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 D BONDS (S/F):							
2005 Series D-1 (Non-AMT)							
Serial Bonds	3,000	2,095	3.20%-3.90%	2010-2015	320	-	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-.22%*	2028-2038	1,485	-	2,190
	<u>38,000</u>	<u>36,990</u>					
2005 SERIES E BONDS (S/F):							
2005 Series E-1 (Non-AMT)							
Serial Bonds	6,330	4,665	3.50%-4.25%	2010-2016	595	-	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	6,685	5.10%	2032-2035	1,610	-	1,775
	<u>30,000</u>	<u>28,080</u>					
2005 SERIES G BONDS (M/F):							
2005 Series G (AMT)							
Term Bonds	22,300	21,990	Variable-.22%*	2010-2037	135	-	4,385
2006 SERIES A BONDS (S/F):							
2006 Series A-1 (Non-AMT)							
Serial Bonds	6,680	5,130	3.45%-4.05%	2010-2017	555	-	735
2006 Series A-2 (AMT)							
Term Bonds	16,000	16,000	4.65%	2018-2025	1,680	-	2,360
Term Bonds	7,320	7,015	4.85%	2026-2036	515	-	800
	<u>30,000</u>	<u>28,145</u>					
2006 SERIES B BONDS (S/F):							
2006 Series B (AMT)							
Term Bonds	5,000	5,000	Variable-.37%*	2026-2036	350	-	580
2006 SERIES D BONDS (S/F):							
2006 Series D-1 (Non-AMT)							
Serial Bonds	6,970	4,900	3.65%-4.05%	2010-2015	740	-	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	6,855	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-.22%*	2027-2035	455	-	670
	<u>50,000</u>	<u>47,710</u>					
2006 SERIES E BONDS (S/F):							
2006 Series E-1 (Non-AMT)							
Serial Bonds	6,895	5,325	3.65%-4.00%	2010-2015	820	-	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
	<u>40,000</u>	<u>38,430</u>					
2006 SERIES G BONDS (S/F):							
2006 SERIES G (AMT)							
Serial Bonds	6,170	4,970	3.85%-4.20%	2010-2016	640	-	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>38,800</u>					

	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 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	385	Variable-.37%*	2027	385		
	<u>19,000</u>	<u>11,885</u>					
2007 SERIES A BONDS (S/F):							
2007 Series A (AMT)							
Serial Bonds	4,840	3,955	4.30%-4.45%	2014-2017	930	-	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>24,115</u>					
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 E BONDS (S/F):							
2007 Series E1 (AMT)							
Serial Bonds	2,885	515	4.15%	2011	515		
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-.37%*	2032-2041	800		
	<u>25,000</u>	<u>22,630</u>					
2008 SERIES A BONDS (S/F):							
2008 Series A1 (Non-AMT)							
Serial Bonds	6,050	6,050	3.35%-3.65%	2013-2016	950	-	1,760
2008 Series A2 (AMT)							
Term Bonds	10,180	10,180	4.85%	2017-2022	250	-	2,225
Term Bonds	10,985	10,985	5.05%	2023-2027	1,985	-	2,430
Term Bonds	7,785	7,695	5.20%	2028-2032	330	-	1,940
	<u>35,000</u>	<u>34,910</u>					
2008 SERIES B BONDS (S/F):							
2008 Series B (AMT)							
Term Bonds	15,000	15,000	Variable-.24%*	2032-2041	1,025	-	1,785
2008 SERIES C BONDS (S/F):							
2008 Series C1 (Non-AMT)							
Serial Bonds	12,260	12,260	3.30%-4.00%	2013-2016	1,380	-	5,040
2008 Series C2 (AMT)							
Term Bonds	1,740	1,740	5.00%	2017-2020	405	-	460
	<u>14,000</u>	<u>14,000</u>					
2008 SERIES D BONDS (S/F):							
2008 Series D (AMT)							
Term Bonds	20,000	20,000	Variable-.37%*	2028-2042	905	-	1,870
2008 SERIES E BONDS (S/F – M/F):							
2008 Series E1 (Non-AMT)							
Term Bonds	9,585	9,585	Variable-.39%*	2024-2030	1,185	-	1,400
Term Bonds	30,000	30,000	Variable-.39%*	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		
2008 Series E2 (AMT)							
Term Bonds	25,415	25,415	Variable-.42%*	2024-2030	1,415	-	4,000
Term Bonds	25,550	25,550	Variable-.42%*	2033-2037	2,135	-	6,415
	<u>90,550</u>	<u>90,550</u>					
2008 SERIES F BONDS (SF)							
2008 Series F1 (Non-AMT)							
Serial Bonds	9,585	9,275	2.60%-4.30%	2010-2018	470	-	1,735
2008 Series F2 (Non-AMT)							
Term Bonds	5,580	5,580	4.95%	2019-2023	1,075	-	1,155
Term Bonds	7,100	7,100	5.15%	2024-2028	1,370	-	1,460
Term Bonds	2,735	2,650	5.30%	2029-2033	445	-	565
	<u>25,000</u>	<u>24,605</u>					
2008 SERIES G BONDS (SF)							
2008 Series G1 (Non-AMT)							
Serial Bonds	20,425	20,425	3.50%-5.35%	2010-2017	1,300	-	3,935
2008 Series G2 (Non-AMT)							
Serial Bonds	4,150	4,150	5.50%	2018		4,150	
Term Bonds	5,200	5,200	6.00%	2019-2020	1,210	-	3,990
Term Bonds	7,925	7,535	6.25%	2021-2023	2,420	-	2,640
	<u>37,700</u>	<u>37,310</u>					
2008 SERIES H BONDS (SF)							
2008 Series H (Non-AMT)							
Term Bonds	23,000	23,000	Variable-.23% *	2029-2040	1,525	-	2,360
2008 SERIES J BONDS (MF)							
2008 Series J (Non-AMT)							
Serial Bonds	1,795	1,795	3.20%-3.45%	2010-2011	895	-	900
Term Bonds	2,500	2,500	6.10%	2020-2023	565	-	690
Term Bonds	7,165	7,165	6.50%	2024-2028	1,255	-	1,630
	<u>11,460</u>	<u>11,460</u>					
2009 SERIES A BONDS (SF)							
2009 Series A 1 (Non-AMT)							
Serial Bonds	9,595	9,595	1.85%-3.10%	2011-2014	1,875	-	3,085
2009 Series A 2 (Non-AMT)							
Serial Bonds	10,405	10,405	3.40%-4.13%	2015-2019	880	-	4,405
Term Bonds	5,000	5,000	4.90%	2020-2024	505	-	2,020
	<u>25,000</u>	<u>25,000</u>					
2009 SERIES B BONDS (SF)							
2009 Series B (Non-AMT)							
Serial Bonds	11,150	11,150	1.45%-3.85%	2011-2019	565	-	1,520
Term Bonds	5,365	5,365	4.65%	2020-2024	975	-	1,170
Term Bonds	13,485	13,485	5.00%	2025-2029	2,440	-	2,975
	<u>30,000</u>	<u>30,000</u>					
2009 SERIES C BONDS (SF)							
2009 Series C (Non-AMT)							
Serial Bonds	8,000	8,000	1.05%-3.70%	2011-2019	360	-	1,400
Term Bonds	2,885	2,885	4.50%	2020-2024	240	-	700
Term Bonds	11,795	11,795	5.00%	2025-2029	2,155	-	2,570
	<u>22,680</u>	<u>22,680</u>					
2009 SERIES D BONDS (SF)							
2009 Series D (Non-AMT)							
Serial Bonds	23,010	23,010	1.20%-4.10%	2011-2021	1,575	-	2,705
Term Bonds	1,560	1,560	4.38%	2022-2024	500	-	540
Term Bonds	3,430	3,430	4.70%	2025-2027	1,090	-	1,195
	<u>28,000</u>	<u>28,000</u>					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2009 SERIES E BONDS (SF)							
2009 Series E (Non-AMT)							
Term Bonds	42,000	42,000	3.96%	2028-2041	2,220	-	3,820
	42,000	42,000					
2009 SERIES F BONDS (SF)							
2009 Series F (Federally Taxable)							
Term Bonds	103,000	103,000	Variable-.01% *	2024-2041	5,720	-	5,730
	103,000	103,000					
		1,507,870					
Less: Unamortized Bond Discount		(14,568)					
Total Mortgage Purchase Fund Group							
bonds payable	2,056,760	1,493,302					

#### HOUSING FINANCE REVENUE FUND GROUP

##### 1995 SERIES I BONDS (HI):

##### 1995 Series I-1 (Non-AMT)

Serial Bonds	2,235	0	5.00%				
Term Bonds	2,765	2,130	5.38%	2010-2012	670	-	750
<b>1995 Series I-2 (AMT)</b>							
Serial Bonds	2,000	0	4.80%				
<b>1995 Series I-4 (AMT)</b>							
Serial Bonds	1,350	0	5.10%				
Term Bonds	2,120	1,955	5.70%	2010-2018	175	-	265
Term Bonds	4,530	2,530	5.75%	2019-2030	160	-	275
	<u>15,000</u>	<u>6,615</u>					

##### 1998 SERIES I BONDS (HI):

##### 1998 Series I (AMT)

Serial Bonds	2,690	575	5.00%	2010		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	195	195	5.45%	2018		195	
	<u>12,000</u>	<u>9,885</u>					
		16,500					
Less: Unamortized Bond Discount		<u>(91)</u>					
Total Housing Finance Revenue Fund Group bonds payable	<u>27,000</u>	<u>16,409</u>					
Total bonds payable	<u>\$2,083,760</u>	<u>\$1,509,711</u>					

\* Represents rate at December 31, 2009

The following table summarizes the debt activity for MaineHousing's Proprietary Funds for the year ended December 31, 2009.

Fund	December 31, 2008	Issuance	Retirement	December 31, 2009
Mortgage Purchase Fund Group	\$1,442,935	\$250,680	(\$185,745)	\$1,507,870
Housing Finance Revenue Fund Group	17,835	0	(1,335)	16,500
Total Proprietary Funds	<u>\$1,460,770</u>	<u>\$250,680</u>	<u>(\$187,080)</u>	<u>\$1,524,370</u>

Interest is payable semi-annually for the Mortgage Purchase Fund Group and the Housing Finance Revenue Fund Group. Scheduled principal payments on bonds are due November 15 for the Mortgage Purchase Fund Group and November 1 for the Housing Finance Revenue Fund Group.

The interest calculations shown in the table below are based on the variable rate in effect at December 31, 2009 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 2014 and in five-year increments thereafter to maturity:



Year(s)	Mortgage Purchase Fund Group					Housing Finance Revenue Fund Group		
	Fixed/Variable		Variable		Interest Rate Swaps, Net	Fixed		
	Unswapped		Swapped			Unswapped		
	Principal	Interest	Principal	Interest		Principal	Interest	
2010	\$ 33,390	\$ 52,882	\$ 135	\$ 765	\$ 8,019	\$ 1,420	\$ 904	
2011	39,240	59,360	140	765	8,013	1,655	829	
2012	39,775	54,405	160	765	8,009	1,755	740	
2013	42,330	52,897	155	764	8,004	1,070	646	
2014	44,690	51,231	165	764	7,995	1,760	588	
2015-2019	232,090	226,781	16,680	3,719	31,012	6,470	1,482	
2020-2024	280,465	163,509	15,315	3,403	19,218	915	581	
2025-2029	241,305	98,989	56,215	2,880	11,664	1,180	290	
2030-2034	196,265	42,992	54,760	1,824	4,805	275	16	
2035-2039	100,885	11,483	84,270	798	890	-	-	
2040-2044	21,320	1,145	8,120	44	-	-	-	
Total	\$1,271,755	\$815,674	\$236,115	\$16,491	\$107,629	\$16,500	\$6,076	

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 resolutions 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 Group and Housing Finance Revenue Fund Group are secured by a non-binding obligation (moral obligation) from the State to replenish by appropriation 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, 2009. Of that amount, \$1,524,370 was outstanding at December 31, 2009.

#### *Other Debt*

MaineHousing had \$24,000 of conduit debt outstanding at December 31, 2009. 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.

#### *Interest Rate Swaps*

MaineHousing has entered into sixteen interest rate swap agreements with two counterparties as of December 31, 2009. 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) or the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA).

The table below contains the terms, fair values, and credit ratings of the outstanding agreements as of December 31, 2009. 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
2004 Series B-3	\$20,000	8/24/04	11/15/15-11/15/35	3.756%	63% of 30 day LIBOR plus .20%	(\$1,350)	11/15/2023 <sup>2</sup>	Aaa/AA
2004 Series C-3	\$15,000	10/26/04	11/15/14-11/15/39	3.439%	63% of 30 day LIBOR plus .20%	(\$775)	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%	(\$822)	11/15/2021 <sup>2</sup>	Aaa/AA
2005 Series B	\$15,000	4/26/05	11/15/16-11/15/20	4.852%	100 % of 90 day LIBOR	(\$1,423)	11/15/2015	Aa2/AA+
2005 Series C	\$11,125	8/23/05	11/01/28-11/01/39	3.832%	65% of 90 day LIBOR plus .10%	(\$404)	11/15/2032 <sup>3</sup>	Aa2/AA+
2005 Series D-3	\$20,000	8/2/05	11/15/16-11/15/38	3.630%	65% of 30 day LIBOR plus .20	(\$967)	11/15/2036 <sup>4</sup>	Aaa/AA
2005 Series G	\$22,125	2/1/06	11/15/07-11/15/37	3.591%	65% of 30 day LIBOR plus .20%	(\$1,993)	11/15/2037	Aaa/AA
2006 Series B	\$5,000	3/14/06	11/15/19-11/15/36	3.670%	65% of 90 day LIBOR plus .20%	(\$407)	11/15/2019	Aa2/AA+

2006 Series D-3	\$5,000	7/11/06	11/15/16- 11/15/35	3.922%	65% of 90 day LIBOR plus .20%	(\$477)	11/15/2016	Aaa/AA
2007 Series E-2	\$8,000	9/12/07	11/15/27- 11/15/41	4.049%	65% of LIBOR plus .20%	(\$595)	11/15/2027 <sup>5</sup>	Aa2/AA+
2008 Series B	\$15,000	1/29/08	11/15/23- 11/15/41	3.710%	100% of SIFMA plus .06%	(\$685)	5/15/2023 <sup>5</sup>	Aaa/AA
2008 Series D	\$20,000	4/08/08	11/15/22- 11/15/42	3.397%	70% of 90 day LIBOR plus .20%	(\$365)	11/15/2022 <sup>5</sup>	Aa2/AA+
2008 Series E-1, E-2	\$17,500	12/23/03	11/15/14- 11/15/30	3.246%	67% of 30 day LIBOR	(\$1,156)	11/15/2018	Aa2/AA+
2008 Series E-1, E-2	\$17,500	12/23/03	11/15/14- 11/15/30	3.246%	67% of 30 day LIBOR	(\$1,175)	11/15/2018	Aaa/AA
2008 Series E-1	\$15,000	12/23/03	11/15/26- 11/15/32	3.831%	67% of 30 day LIBOR	(\$625)	11/15/2032 <sup>1</sup>	Aa2/AA+
2008 Series E-1	\$15,000	12/23/03	11/15/26- 11/15/32	3.831%	67% of 30 day LIBOR	(\$669)	11/15/2032 <sup>1</sup>	Aaa/AA
Totals	\$236,250					(\$13,888)		

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 amount required to settle the swap in the marketplace. A positive value represents money due to MaineHousing by the counterparty upon termination, while a negative value represents money payable by MaineHousing. 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, 2009, MaineHousing is not exposed to credit risk because all outstanding swaps have negative fair values. A positive fair value of the swaps would represent MaineHousing's credit exposure to the two counterparties.

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, 2009.

**Basis Risk** – The floating rate payments provided by the counterparties are based upon either the SIFMA index or 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 SIFMA Index, 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, 2009, 67% of the thirty-day LIBOR rate was 0.15%, 63% of the thirty-day LIBOR rate plus .20% was 0.35% and 65% of the thirty-day LIBOR rate plus .20% was 0.35%. As of December 31, 2009 the ninety day LIBOR rate was .25% and 70% of the ninety-day LIBOR rate plus .20% was .38%. The SIFMA rate was 0.25% at December 31, 2009.

**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 BENEFITS 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. Total expense under the defined contribution plan was \$329 for the year ended December 31, 2009.

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, 2009 was \$170. As of December 31, 2009, MaineHousing's plan has a surplus balance with MainePERS of approximately \$751. This surplus will reduce or eliminate future employer costs. In 2009, MaineHousing has utilized \$72 of the surplus.

#### **(6.) AVAILABLE BONDS 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 and are available for the purchase of mortgages:

2005 Series C (M/F)	\$794
2006 Series I-2, I-3 (M/F)	1,215
2008 Series C/D (S/F)	2,312
2008 Series G/H (S/F)	4,245
2008 Series J (M/F)	132
2009 Series A (S/F)	5
2009 Series B (S/F)	1,037
2009 Series C (S/F)	41
2009 Series D/E (S/F)	43,827
	<u>\$53,608</u>

Original bond proceeds available for the purchase of single-family and multi-family mortgages amounted to \$50,856 and \$875 respectively, at December 31, 2009. Amounts in the Bond Proceeds Fund attributable to income from investments totaled \$1,877 at December 31, 2009, 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, 2009, MaineHousing had outstanding commitments to originate multi-family mortgage loans of approximately \$39,960.

MaineHousing, under its single-family program, enters into purchase agreements with lenders to purchase mortgage loans. At December 31, 2009, single-family loans being processed by lenders for MaineHousing totaled approximately \$41,359.

##### **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 \$581 and increases at a rate of 3% per year. This lease agreement expires on September 30, 2019. For the year ended December 31, 2009, MaineHousing had rental expense of \$581.

#### **(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, 2009 was \$116,001.

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 calendar year. The Housing Reserve Fund Maximum Requirement as of December 31, 2009 was \$149,093.

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, 2009, 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 \$170,648.

##### **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 bond year on bonds outstanding. The Capital Reserve Fund Minimum Requirement as of December 31, 2009 was \$2,484.

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 bond year. The Capital Reserve Fund Maximum Requirement as of December 31, 2009 was \$2,495.

At December 31, 2009, valuation of the investments in the Capital Reserve Fund computed at amortized value in accordance with the General Housing Finance Revenue Bond Resolution was \$3,730.

#### (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, 2009, the estimated value of future arbitrage rebates in the Mortgage Purchase Fund Group was \$5,042. There are no other arbitrage liabilities to be rebated in the other fund groups at December 31, 2009. There are no anticipated arbitrage payments due in 2010.

#### (10.) FUND TRANSFERS AND INTERFUND BALANCES

During the period ended December 31, 2009, MaineHousing made operating transfers between funds. The following is a summary of transfers in (out):

	Mortgage Purchase Fund Group	General Administrative Fund	Home Fund	Section 8 Housing Programs	Other Federal & State Programs
Program Subsidies	\$3	(\$7)	(\$637)	(\$1)	\$642

During the year ended December 31, 2009, 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 Home Energy Program	American Recovery and Reinvestment Program	Other Federal and State Programs
Operating expenses	\$1,316	\$115	\$12	(\$18,506)	\$0	\$3,103	\$3,052	\$123	\$10,785
Funds for loan closings	57	(90)	89	(\$1,808)	21	0	0	0	1,731
Program revenues and fees	(488)	0	0	\$14,902	278	(4,156)	(2,626)	0	(7,910)
	\$885	\$25	\$101	(\$5,412)	\$299	(\$1,053)	\$426	\$123	\$4,606

#### (11.) REDEMPTION OF BONDS

For the year ended December 31, 2009, MaineHousing redeemed prior to maturity \$185,610 of its Mortgage Purchase Fund Group bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund Group losses of \$466 were attributable to recognition of the 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
1997 Series D-1 Serial Bonds	5.10%	2009	\$2,570	100%
1997 Series F-2 Term Bonds	5.50%	2017	3,540	100%
1998 Series A-1 Serial Bonds	4.75%	2009	1,105	100%
1998 Series A-2 Term Bonds	5.33%	2032	490	100%
1998 Series C-1 Term Bonds	5.15%	2015	3,635	100%
1998 Series C-2 Serial Bonds	4.90%	2009	980	100%
1998 Series C-2 Term Bonds	5.25%	2030	355	100%
1998 Series F-1 Term Bonds	5.13%	2015	3,975	100%
1998 Series F-2 Term Bonds	5.35%	2032	250	100%
1999 Series A-1 Term Bonds	5.13%	2025	200	100%
1999 Series A-2 Serial Bonds	4.40%	2009	370	100%
1999 Series B-2 Serial Bonds	4.70%	2009	2,235	100%
1999 Series B-2 Term Bonds	5.30%	2032	555	100%
1999 Series C Serial Bonds	4.90%	2009	950	100%
1999 Series C Term Bonds	5.45%	2023	575	100%
1999 Series D-1 Serial Bonds	5.15%	2009	485	100%
1999 Series E-2 Serial Bonds	5.35%	2009	910	100%
1999 Series E-2 Serial Bonds	5.55%	2011	1,010	100%
1999 Series E-2 Serial Bonds	5.65%	2012	1,065	100%
1999 Series E-2 Serial Bonds	5.75%	2013	1,130	100%
2000 Series B-2 Serial Bonds	5.45%	2009	740	100%
2000 Series B-2 Term Bonds	5.60%	2024	75	100%
2001 Series A Serial Bonds	4.25%	2009	1,125	100%
2001 Series A Serial Bonds	4.95%	2015	1,480	100%
2001 Series A Serial Bonds	5.05%	2016	1,545	100%
2001 Series B Serial Bonds	4.50%	2009	495	100%

2001 Series B Term Bonds	4.60%	2025	300	100%
2001 Series C Serial Bonds	4.70%	2009	600	100%
2001 Series C Term Bonds	5.55%	2032	130	100%
2001 Series E-1 Serial Bonds	4.00%	2009	2,905	100%
2001 Series E-1 Term Bonds	4.95%	2017	415	100%
2001 Series E-2 Term Bonds	4.25%	2019	1,185	100%
2001 Series E-3 Term Bonds	5.25%	2017	9,245	100%
2002 Series A-1 Term Bonds	4.95%	2016	2,355	100%
2002 Series A-2 Serial Bonds	4.40%	2009	630	100%
2002 Series A-2 Term Bonds	4.55%	2026	335	100%
2002 Series B Serial Bonds	4.10%	2009	630	100%
2002 Series C Serial Bonds	4.10%	2009	905	100%
2002 Series D Serial Bonds	4.00%	2009	715	100%
2002 Series D Term Bonds	5.40%	2032	340	100%
2002 Series F-1 Serial Bonds	3.45%	2009	1,205	100%
2002 Series F-2 Serial Bonds	3.80%	2009	1,660	100%
2002 Series F-2 Term Bonds	3.75%	2019	865	100%
2002 Series F-2 Term Bonds	5.15%	2022	150	100%
2002 Series G-2 Serial Bonds	3.55%	2009	495	100%
2002 Series G-2 Term Bonds	4.00%	2024	170	100%
2003 Series A-1 Serial Bonds	3.05%	2009	115	100%
2003 Series A-1 Term Bonds	4.95%	2033	115	100%
2003 Series A-2 Serial Bonds	3.40%	2009	245	100%
2003 Series B-2 Serial Bonds	3.45%	2009	260	100%
2003 Series B-2 Term Bonds	3.65%	2020	640	100%
2003 Series C-1 Serial Bonds	3.45%	2009	650	100%
2003 Series C-1 Serial Bonds	4.20%	2012	720	100%
2003 Series C-1 Serial Bonds	4.38%	2013	740	100%
2003 Series C-1 Serial Bonds	4.50%	2014	780	100%
2003 Series C-2 Term Bonds	4.00%	2030	630	100%
2003 Series D-1 Serial Bonds	3.10%	2009	1,505	100%
2003 Series D-2 Term Bonds	5.00%	2027	590	100%
2003 Series F Serial Bonds	3.00%	2009	3,000	100%
2004 Series A-1 Serial Bonds	2.65%	2009	1,550	100%
2004 Series A-2 Term Bonds	5.00%	2021	1,510	100%
2004 Series B-1 Serial Bonds	3.10%	2009	1,070	100%
2004 Series B-2 Term Bonds	5.20%	2035	220	100%
2004 Series C-1 Serial Bonds	2.80%	2009	990	100%
2004 Series C-2 Term Bonds	5.00%	2034	125	100%
2004 Series D-1 Serial Bonds	3.00%	2009	885	100%
2004 Series D-2 Term Bonds	4.90%	2034	125	100%
2005 Series A-1 Serial Bonds	3.30%	2009	450	100%
2005 Series D-1 Serial Bonds	3.05%	2009	305	100%
2005 Series E-1 Serial Bonds	3.38%	2009	575	100%
2005 Series E-2 Term Bonds	5.10%	2035	90	100%
2006 Series A-1 Serial Bonds	3.40%	2009	535	100%
2006 Series A-2 Term Bonds	4.85%	2036	220	100%
2006 Series D-1 Serial Bonds	3.55%	2009	715	100%
2006 Series D-2 Term Bonds	4.95%	2031	115	100%
2006 Series E-1 Serial Bonds	3.60%	2009	795	100%
2006 Series G Serial Bonds	3.80%	2009	610	100%
2006 Series I-3 Term Bonds	Var-1.40%	2036	3,525	100%
2007 Series A Serial Bonds	4.20%	2013	885	100%
2007 Series E-1 Serial Bonds	4.25%	2012	550	100%
2007 Series E-1 Serial Bonds	4.40%	2013	575	100%
2007 Series E-1 Serial Bonds	4.55%	2014	605	100%
2007 Series E-1 Serial Bonds	4.65%	2015	640	100%
2008 Series A-2 Term Bonds	5.20%	2032	90	100%
2008 Series F-1 Serial Bonds	2.00%	2009	310	100%
2008 Series F-2 Term Bonds	5.30%	2033	85	100%
2008 Series G-2 Term Bonds	6.25%	2023	390	100%
2008 Series I Term Bonds	2.00%	2034	100,000	100%
			<u>\$185,610</u>	

**(12.) SUBSEQUENT EVENTS**

Subsequent to December 31, 2009, MaineHousing redeemed bonds. The following is a summary of subsequent event transactions.

On February 1, 2010, MaineHousing redeemed at par, \$49,215 of bonds in the Mortgage Purchase Fund as follows:

	Interest Rate	Maturity	Amount	Redemption Price
1998 Series A-1 Serial Bonds	4.85%	2010	\$1,170	100%
1999 Series A-2 Serial Bonds	4.50%	2010	390	100%
1999 Series B-2 Serial Bonds	4.80%	2010	2,335	100%
1999 Series C Serial Bonds	5.00%	2010	1,000	100%
1999 Series E-2 Serial Bonds	5.45%	2010	960	100%
2000 Series A Term Bonds	6.40%	2032	12,005	100%
2001 Series A Serial Bonds	4.38%	2010	1,185	100%
2001 Series B Serial Bonds	4.63%	2010	515	100%
2001 Series C Serial Bonds	4.80%	2010	625	100%
2001 Series E-1 Serial Bonds	4.13%	2010	2,490	100%
2001 Series F-2 Term Bonds	5.50%	2032	3,235	100%
2002 Series A-2 Serial Bonds	4.55%	2010	655	100%
2002 Series B Serial Bonds	4.30%	2010	650	100%
2002 Series C Serial Bonds	4.30%	2010	945	100%
2002 Series D Serial Bonds	4.20%	2010	740	100%
2002 Series F-1 Serial Bonds	3.75%	2010	2,090	100%
2002 Series F-2 Serial Bonds	4.05%	2010	1,105	100%
2002 Series G-2 Serial Bonds	3.80%	2010	510	100%
2003 Series A-1 Serial Bonds	3.35%	2010	115	100%
2003 Series A-2 Serial Bonds	3.70%	2010	250	100%
2003 Series B-2 Serial Bonds	3.75%	2010	280	100%
2003 Series C-1 Serial Bonds	3.80%	2010	670	100%
2003 Series D-1 Serial Bonds	3.35%	2010	1,555	100%
2003 Series F Serial Bonds	3.25%	2010	2,000	100%
2004 Series A-1 Serial Bonds	2.95%	2010	1,590	100%
2004 Series B-1 Serial Bonds	3.30%	2010	1,095	100%
2004 Series C-1 Serial Bonds	3.10%	2010	890	100%
2004 Series D-1 Serial Bonds	3.20%	2010	790	100%
2005 Series A-1 Serial Bonds	3.45%	2010	455	100%
2005 Series D-1 Serial Bonds	3.20%	2010	320	100%
2005 Series E-1 Serial Bonds	3.50%	2010	595	100%
2006 Series A-1 Serial Bonds	3.45%	2010	555	100%
2006 Series D-1 Serial Bonds	3.65%	2010	740	100%
2006 Series E-1 Serial Bonds	3.65%	2010	820	100%
2006 Series G Serial Bonds	3.85%	2010	640	100%
2006 Series I-2 Serial Bonds	4.75%	2036	200	100%
2006 Series I-3 Term Bonds	Var-.37%	2036	385	100%
2008 Series F-1 Serial Bonds	2.60%	2010	470	100%
2008 Series G-1 Serial Bonds	3.50%	2010	1,300	100%
2008 Series J Serial Bonds	3.20%	2010	120	100%
2008 Series J Serial Bonds	3.20%	2010	775	100%
			<u>\$49,215</u>	

On February 10, 2010, MaineHousing redeemed at par, \$25,745 of bonds in the Mortgage Purchase Fund as follows:

	Interest Rate	Maturity	Amount	Redemption Price
1998 Series C-2 Term Bonds	5.25%	2030	\$510	100%
1998 Series F-2 Term Bonds	5.35%	2032	615	100%
1999 Series C Term Bonds	5.45%	2023	13,470	100%
2001 Series B Term Bonds	4.60%	2025	195	100%
2001 Series C Term Bonds	5.45%	2022	6,425	100%
2001 Series E-2 Term Bonds	4.25%	2019	540	100%
2002 Series A-2 Term Bonds	4.55%	2026	190	100%
2002 Series F-2 Term Bonds	3.75%	2019	720	100%
2002 Series G-2 Term Bonds	4.00%	2024	70	100%
2003 Series B-2 Term Bonds	3.65%	2020	645	100%
2003 Series C-2 Term Bonds	4.00%	2030	415	100%
2003 Series D-2 Term Bonds	5.00%	2027	920	100%
2004 Series A-2 Term Bonds	5.00%	2021	625	100%
2008 Series A-2 Term Bonds	5.05%	2027	140	100%
2008 Series C-2 Term Bonds	5.00%	2020	265	100%
			<u>\$25,745</u>	

**(13.) NEW ACCOUNTING PRONOUNCEMENTS**

In June 2008, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." This Statement will be effective for Maine Housing's financial statements beginning January 1, 2010. Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments, including interest rate swap agreements. The key provisions in the Statement are that derivative instruments will be reported at fair value and that derivative investments that qualify as hedges will be offset by recording a deferred cash outflow or inflow on the balance sheet. MaineHousing expects its existing interest rate swaps to qualify as cash flow hedges and that the net assets at January 1, 2010 will not be affected by adopting Statement No. 53.

In February 2009, GASB issued GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definition." This statement will be effective for MaineHousing's financial statements beginning January 1, 2011. Statement No. 54 addresses fund balance classifications and clarifies governmental fund type definitions. Management has not determined the effect of adopting statement No. 54 on the financial statements.