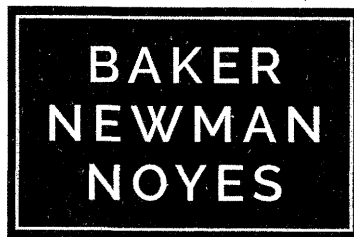


# MAINE STATE LEGISLATURE

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# Maine State Housing Authority

Basic Financial Statements and  
Management's Discussion and Analysis

Year Ended December 31, 2014

Baker Newman & Noyes, LLC

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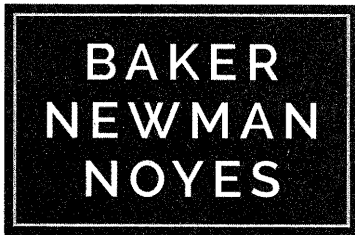
# MAINE STATE HOUSING AUTHORITY

## FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Maine State Housing Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maine State Housing Authority (MaineHousing), a component unit of the State of Maine, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise MaineHousing's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

MaineHousing's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of MaineHousing, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter – Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Portland, Maine  
March 30, 2015

*Baker Newman & Noyes*  
Limited Liability Company

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2014**

This discussion and analysis provides an overview of the Maine State Housing Authority's (MaineHousing) financial activities for the year ended December 31, 2014 and should be read in conjunction with the audited financial statements and accompanying notes.

## **FINANCIAL HIGHLIGHTS**

- As a result of program operations and financing activities, MaineHousing's net position increased by \$12 million or 4.1% to \$305 million.
- The net position of the proprietary funds, which present MaineHousing's business-type activities, increased \$18.2 million while the net position for governmental activities decreased by \$6.2 million.
- Debt retirements totaled \$282.4 million. The retirement and refunding of bonds contributed to a \$5.8 million reduction in interest expense, which offset a \$3.3 million decrease in interest income from mortgage and non-mortgage investments and improved the net interest margin by \$2.5 million.
- Mortgage receivables decreased by \$37.7 million as loan repayments and foreclosure activities outpaced new originations in 2014. The reduction in mortgage assets and lower rates on new originations resulted in a \$3.4 million decrease in interest income.
- Total federal program revenues increased by \$5.9 million or 4.3% to \$142.1 million due principally to higher income from the U.S. Department of Health and Human Services for the Low Income Home Energy Assistance Program (LIHEAP).

## **OVERVIEW OF MAINEHOUSING**

MaineHousing was created in 1969 by an Act of the Maine State 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 and energy related programs. These programs are funded through 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 Maine 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 – this management's discussion and analysis 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 operations. These statements, which are presented using the accrual basis of accounting, consist of the Statement of Net Position and the Statement of Activities.
- Fund financial statements of MaineHousing include its major proprietary funds, which operate similarly to private-sector businesses, and governmental funds, which consist of activities that are funded from federal grants and state appropriations.
- The basic financial statements also include notes to financial statements that provide additional information and explain some of the information in the agency-wide and fund financial statements.

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2014**

The remainder of this overview section of the 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 Position presents MaineHousing's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Statement of Activities presents current year revenues and expenses.

The two agency-wide statements report MaineHousing's net position and results of operations. Net position is one measure of MaineHousing's financial health and 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 Maine 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 is primarily 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 positions 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 fund balances for these funds consists of investments reserved for grants or making mortgage loans.

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2014**

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

MaineHousing's financial position and operations are summarized on the following pages for the years ended December 31, 2014 and 2013 based on the information included in the financial statements.

Statement of Net Position  
(in millions of dollars)

	<b>Business-type Activities</b>		<b>Governmental Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	
Cash and investments	\$287.9	\$276.5	\$45.2	\$56.3	\$333.1	\$332.8	0.1%
Mortgage and other notes receivable	1,153.0	1,192.3	25.1	23.5	1,178.1	1,215.8	(3.1%)
Other assets	23.5	23.1	11.8	10.2	35.3	33.3	6.0%
<b>Total Assets</b>	<b>1,464.4</b>	<b>1,491.9</b>	<b>82.1</b>	<b>90.0</b>	<b>1,546.5</b>	<b>1,581.9</b>	<b>(2.2%)</b>
<b>Total Deferred Outflows of Resources</b>	<b>20.6</b>	<b>21.5</b>	<b>0.0</b>	<b>0.0</b>	<b>20.6</b>	<b>21.5</b>	<b>(4.2%)</b>
Mortgage and other bonds payable	1,179.9	1,229.1	41.7	44.5	1,221.6	1,273.6	(4.1%)
Other Liabilities	26.3	23.7	10.7	11.0	37.0	34.7	6.6%
<b>Total Liabilities</b>	<b>1,206.2</b>	<b>1,252.8</b>	<b>52.4</b>	<b>55.5</b>	<b>1,258.6</b>	<b>1,308.3</b>	<b>(3.8%)</b>
<b>Total Deferred Inflows of Resources</b>	<b>0.1</b>	<b>0.1</b>	<b>3.4</b>	<b>2.0</b>	<b>3.5</b>	<b>2.1</b>	<b>66.7%</b>
Investment in capital assets	0.9	1.3	0.0	0.2	0.9	1.5	(40.0%)
Restricted	251.5	234.9	26.3	32.3	277.8	267.2	4.0%
Unrestricted	26.3	24.3	0.0	0.0	26.3	24.3	8.2%
<b>Total Net Position</b>	<b>\$278.7</b>	<b>\$260.5</b>	<b>\$26.3</b>	<b>\$32.5</b>	<b>\$305.0</b>	<b>\$293.0</b>	<b>4.1%</b>

Total assets at December 31, 2014 were \$1.55 billion, a decrease of \$35.4 million or 2.2% from December 31, 2013. The change in assets consisted primarily of a \$37.7 million decrease in mortgage receivables, as new loan purchases and originations were exceeded by loan repayments and foreclosures.

Other assets increased \$2 million, which is attributed to higher receivable balances due from mortgage insurance claims and federal programs. Total deferred outflows of resources, which consist of the accumulated decrease in the fair value of interest rate swaps and deferred amounts associated with debt refundings, decreased \$0.9 million primarily as a result of fair value increases with interest rate swaps.

Total liabilities at December 31, 2014 were \$1.26 billion, a decrease of \$49.7 million or 3.8% from December 31, 2013. The decrease in liabilities is due principally to the retirement of \$282.4 million of bonds, which contributed to a \$52 million net decrease in bonds payable. Other liabilities increased \$2.3 million due primarily to higher escrow payable balances for undisbursed loan proceeds. Total deferred inflows of resources, which are mainly deferred revenues from federal programs, increased \$1.4 million due to higher advanced administrative fee payments for the Housing Choice Voucher Program.

*Cash and Investments*

Total cash and investments increased by \$0.3 million at December 31, 2014 compared to December 31, 2013. MaineHousing's investment portfolio is comprised of securities of the U.S. Government, certain federal agencies, or repurchase agreements and money market funds 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 2014, the fair value of investments increased significantly and MaineHousing recognized \$12.3 million of unrealized gains compared with \$14.7 million of unrealized losses in 2013.



**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2014**

*Mortgage and Other Notes Receivable*

Total net mortgages and other notes receivable decreased \$37.7 million or 3.1% in 2014. MaineHousing's total mortgage purchases and originations of \$64.3 million in 2014 were lower by \$47.7 million compared to \$112 million in 2013. The receipt of scheduled mortgage loan repayments of \$30.2 million decreased slightly from the previous year's level of \$30.9 million. Mortgage loan prepayments decreased significantly during 2014 to a total of \$54.8 million, a reduction of \$43.2 million. Foreclosures totaled \$17.3 million in 2014 and \$20.9 million in 2013. MaineHousing's allowance for losses at December 31, 2014 amounted to \$11.4 million, which is nearly unchanged from 2013.

*Bonds Payable*

Bonds payable decreased \$52 million or 4.1% in 2014. During the year, MaineHousing completed the issuance of bonds totaling \$228.5 million. In 2013, \$380 million bonds were issued. In recent years, MaineHousing has aggressively retired debt with higher interest rates. Debt retirements totaled \$282.4 million in 2014 and \$448.1 million in 2013. 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 Position*

MaineHousing's financial position and profitability improved in 2014 and the combined net position increased by \$12 million, or 4.1%, to \$305 million as a result of operations. The net position of MaineHousing's business activities increased by \$18.2 million, while the net position of governmental activities decreased by \$6.2 million.

MaineHousing's business activities are in the proprietary funds and are dissimilar to the activities in the governmental funds. The results of operations for both MaineHousing's proprietary and governmental funds are presented on the following table for the years ended December 31, 2014 and 2013:

Agency-wide Changes in Net Position  
(in millions of dollars)

	<b>2014</b>	<b>2013</b>	<b>Increase/(Decrease)</b>	
			<b>Amount</b>	<b>Percentage</b>
<b>Revenues:</b>				
Interest from mortgages and notes	\$60.0	\$63.4	(\$3.4)	(5.4%)
Income from investments	3.8	3.7	0.1	2.7%
Net increase (decrease) in fair value of investments	12.3	(14.7)	27.0	183.7%
Grants and subsidies	147.3	143.5	3.8	2.6%
Other	8.9	8.7	0.2	2.3%
Total revenues	232.3	204.6	27.7	13.5%
<b>Expenses:</b>				
Operating and other program expenses	24.5	24.8	(0.3)	(1.2%)
Provision for losses on loans and foreclosed real estate	1.5	2.1	(0.6)	(28.6%)
Interest expense	43.7	49.5	(5.8)	(11.7%)
Grants and subsidies	150.6	144.3	6.3	4.4%
Total expenses	220.3	220.7	(0.4)	(0.2%)
Increase (Decrease) in net position	<u>\$12.0</u>	<u>(\$16.1)</u>	<u>\$28.1</u>	174.5%

Changes in business-type and governmental activities are explained in the following Results of Operations sections.

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2014**

**RESULTS OF OPERATIONS**

*Proprietary Funds Results*

The net position of MaineHousing's proprietary funds increased by \$18.2 million to \$278.7 million at December 31, 2014. The following table summarizes the Statement of Revenues, Expenses and Changes in Net Position of MaineHousing's proprietary funds for the years ended December 31, 2014 and December 31, 2013:

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

	<b>2014</b>	<b>2013</b>	<b>Increase/(Decrease)</b>	
			<b>Amount</b>	<b>Percentage</b>
<b>Operating revenues:</b>				
Interest from mortgages and notes	\$59.9	\$63.4	(\$3.5)	(5.5%)
Income from investments	3.8	3.7	0.1	2.7%
Net increase (decrease) in the fair value of investments	12.3	(14.7)	27.0	183.7%
Fee income	1.1	0.8	0.3	37.5%
Other revenue	0.1	0.6	(0.5)	(83.3%)
Total revenues	77.2	53.8	23.4	43.5%
<b>Operating expenses:</b>				
Operating expenses	9.0	9.0	0.0	0.0%
Other program administrative expenses	6.9	6.3	0.6	9.5%
Mortgage servicing fees	1.9	1.8	0.1	5.6%
Provision for losses on loans	1.0	1.6	(0.6)	(37.5%)
Losses on foreclosed real estate	0.3	0.5	(0.2)	(40.0%)
Interest expense	42.3	48.0	(5.7)	(11.9%)
Loss on bond redemption	0.3	0.7	(0.4)	(57.1%)
Excess arbitrage	(0.4)	(0.4)	0.0	0.0%
Total expenses	61.3	67.5	(6.2)	(9.2%)
Operating income (loss)	15.9	(13.7)	29.6	216.1%
Transfers in	2.3	0.3	2.0	666.7%
Change in net position	18.2	(13.4)	31.6	235.8%
Net position at beginning of year	260.5	273.9	(13.4)	(4.9%)
Net position at end of year	<u>\$278.7</u>	<u>\$260.5</u>	<u>\$18.2</u>	7.0%

Operating revenues of MaineHousing's business-type activities are generated principally from earnings on mortgages and investments. Operating revenues from business-type activities total \$77.2 million, which is an increase of \$23.4 million, and include a \$12.3 million increase in the fair value of investments. Excluding the increase in the fair value of investments, revenues total \$64.9 million; of which \$63.7 million or 98.1% is from interest earned from mortgages, other notes and non-mortgage investments. Operating expenses of MaineHousing's business-type activities consist primarily of interest expense on debt incurred to fund its various lending programs. The expenses for business-type activities totaled \$61.3 million, of which \$42.3 million or 69% was interest expense.

The 2014 financial results of MaineHousing's proprietary funds were significantly affected by the following:

- Interest earned on mortgages and notes decreased by \$3.5 million or 5.5% due to lower loan amounts outstanding and lower average yields.

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2014**

- Interest rate changes during the year generated an unrealized gain of \$12.3 million in 2014. This represents an increase of \$27 million compared with the unrealized loss of \$14.7 million that was recognized in 2013.
- Interest expense decreased by \$5.7 million or 11.9% as a result of lower average rates on debt issues and lower average debt balances outstanding during the year.

*Governmental Fund Results*

The net position of MaineHousing's governmental funds decreased \$6.0 million to \$26.3 million at December 31, 2014. Capital assets are reported as expenditures in the governmental funds and as assets in the agency-wide Statement of Net Position. At December 31, 2013, there was a reconciling difference of \$0.2 million, which represents the net book value of the capital assets. All capital assets were fully depreciated in 2014 and there is no reconciling difference at December 31, 2014.

The following table summarizes the Statement of Revenues, Expenditures and Changes in Fund Balances of MaineHousing's governmental funds for the years ended December 31, 2014 and December 31, 2013:

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

	<b>2014</b>	<b>2013</b>	<b>Increase/(Decrease)</b>	
			<b>Amount</b>	<b>Percentage</b>
<b>Revenues:</b>				
Income from mortgages and notes	0.1	0.0	0.1	n/a
Fee income	7.6	7.3	0.3	4.1%
Other revenues	0.1	0.0	0.1	n/a
Grant income	44.6	39.1	5.5	14.1%
Income from the State	11.3	13.2	(1.9)	(14.4%)
Federal rent subsidy income	91.4	91.2	0.2	0.2%
Total revenues	155.1	150.8	4.3	2.9%
<b>Expenditures:</b>				
Program administrative expenditures	6.6	7.0	(0.4)	(5.7%)
Provision for losses on loans	0.2	0.0	0.2	n/a
Interest expense	1.4	1.5	(0.1)	(6.7%)
Grant expense	58.3	51.7	6.6	12.8%
Federal rent subsidy expense	92.3	92.6	(0.3)	(0.3%)
Total expenditures	158.8	152.8	6.0	3.9%
Revenues less than expenditures	(3.7)	(2.0)	(1.7)	85.0%
Transfers out	(2.3)	(0.3)	(2.0)	666.7%
Change in fund balances	(6.0)	(2.3)	(3.7)	160.9%
Fund balances at beginning of year	32.3	34.6	(2.3)	(6.6%)
Fund balances at end of year	<u>\$26.3</u>	<u>\$32.3</u>	<u>(\$6.0)</u>	(18.6%)

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2014**

MaineHousing's total revenues from governmental activities are generated primarily from federal grants and rent subsidy income. Revenues from governmental activities total \$155.1 million in 2014, which is an increase of \$4.3 million or 2.9%. MaineHousing's governmental activities expenditures consist primarily of federal grants and rent subsidies. Total expenditures increased \$6 million or 3.9% to \$158.8 million for 2014.

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. Fee income for administering federal programs amounted to \$7.6 million in 2014, which is an increase of \$0.3 million or 4.1% compared with 2013.

The 2014 financial results of MaineHousing's governmental funds were significantly affected by the following:

- Total grant income increased by \$5.5 million or 14.1% due primarily to a higher federal grant from the U.S. Department of Health and Human Services for the Low Income Home Energy Assistance Program (LIHEAP).
- Total grant expenditures increased 12.8% due to higher available federal grant receipts.
- Income from the State, which consists of real estate transfer tax deposits to the HOME Fund, decreased \$1.9 million or 14.4% as a result of lower deposits from the State.

#### **DEBT ACTIVITY**

MaineHousing is authorized to issue housing revenue bonds to purchase or originate mortgages or notes on single-family and multi-family residential properties. MaineHousing had \$1.22 billion in bonds outstanding at December 31, 2014, which is a decrease of \$52 million or 4.1% from 2013.

MaineHousing's debt issuances for 2014 totaled \$228.5 million. Principal payments on bonds totaled \$282.4 million in 2014. MaineHousing redeemed prior to maturity \$259.9 million of its outstanding bonds in 2014 from reserve funds, mortgage prepayments, surplus revenues, and the proceeds from refunding bonds. Scheduled principal payments on bonds totaled \$22.5 million in 2014.

MaineHousing issues some variable rate demand obligations and enters into interest rate swap agreements to provide synthetically fixed interest rates on a portion of the variable rate bonds. At December 31, 2014, the total amount of variable rate debt outstanding was \$310.9 million and represented 25.5% of the \$1.22 billion total debt portfolio. Thirteen interest rate swap agreements have been executed with three counterparties in connection with \$203.4 million of these bonds to, in effect, convert them to synthetic fixed rate bonds.

Bonds in MaineHousing's General Mortgage Purchase Bond Resolution were rated Aa1 and AA+ by Moody's Investor Service and Standard & Poor's, respectively, in 2014. For additional information about MaineHousing's mortgage bonds and notes payables, see Notes 5, 6, 8, 13, and 15 to the financial statements.

#### **ADDITIONAL INFORMATION**

The purpose of this financial report is to provide information needed to understand MaineHousing's financial position and results of operations for the year ended December 31, 2014. Inquiries for additional information may be directed to the Director of Finance at Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330, at (207) 626-4600 or at [www.mainehousing.org](http://www.mainehousing.org).

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**  
*(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 3)	\$130	\$927	\$1,057
Investments (notes 3, 8, and 10)	173,947	44,267	218,214
Accounts receivable - Federal	0	5,733	5,733
Other assets	15,648	1,191	16,839
Mortgage notes receivable, net (note 4)	30,204	26	30,230
Other notes receivable, net (note 4)	10	0	10
Interfund (note 12)	0	4,853	4,853
Total Current Assets	219,939	56,997	276,936
Noncurrent Assets:			
Investments (notes 3, 8, and 10)	113,815	0	113,815
Other assets (note 11)	1,086	0	1,086
Mortgage notes receivable, net (note 4)	1,122,740	25,086	1,147,826
Other notes receivable, net (note 4)	74	9	83
Land, equipment and improvements, net	922	0	922
Other real estate owned	5,776	0	5,776
Total Noncurrent Assets	1,244,413	25,095	1,269,508
Total Assets	1,464,352	82,092	1,546,444
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Accumulated decrease in fair value of hedging derivatives (note 6)	14,435	0	14,435
Deferred amount on debt refundings	6,181	0	6,181
Total Deferred Outflows of Resources	20,616	0	20,616
<b>LIABILITIES:</b>			
Current Liabilities:			
Accrued interest payable	4,802	63	4,865
Accounts payable - Federal	0	314	314
Accounts payable and accrued liabilities	5,309	6,991	12,300
Unearned income	0	279	279
Interfund (note 12)	1,758	3,095	4,853
Mortgage and other bonds payable, current (notes 5, 8, 13, and 15)	32,125	2,890	35,015
Total Current Liabilities	43,994	13,632	57,626
Noncurrent Liabilities:			
Derivative instrument - interest rate swaps (note 6)	14,435	0	14,435
Mortgage and other bonds payable, net (notes 5, 8, 13, and 15)	1,147,788	38,805	1,186,593
Total Noncurrent Liabilities	1,162,223	38,805	1,201,028
Total Liabilities	1,206,217	52,437	1,258,654
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred grant income	0	3,417	3,417
Deferred loan origination points	59	0	59
Total Deferred Inflows of Resources	59	3,417	3,476
<b>NET POSITION:</b>			
Net investment in capital assets	922	0	922
Restricted for bond resolutions	251,462	0	251,462
Restricted for grants and programs	0	26,238	26,238
Unrestricted	26,308	0	26,308
Total Net Position	\$278,692	\$26,238	\$304,930

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
*(IN THOUSANDS OF DOLLARS)*

	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Investment Income	Grants and Contributions	Business-type Activities	Governmental Activities	Total
Business-type activities:							
Mortgage Purchase Fund	\$59,806	\$60,288	\$16,074	\$0	\$16,556	\$0	\$16,556
Bondholder Reserve Fund	45	0	5	0	(40)	0	(40)
General Administrative Fund	1,479	818	0	0	(661)	0	(661)
Total business-type activities	61,330	61,106	16,079	0	15,855	0	15,855
Governmental activities:							
HOME Fund	5,359	48	6	7,324	0	2,019	2,019
Section 8 Housing Programs	96,539	4,929	2	91,432	0	(176)	(176)
Low Income Housing Energy Assistance Program	33,133	860	0	32,352	0	79	79
Maine Energy, Housing, Economic Recovery Program	10,197	51	13	4,316	0	(5,817)	(5,817)
Other Federal and State Programs	13,783	1,823	2	11,890	0	(68)	(68)
Total governmental activities	159,011	7,711	23	147,314	0	(3,963)	(3,963)
Total MaineHousing	\$220,341	\$68,817	\$16,102	\$147,314	15,855	(3,963)	11,892
General Revenues:							
					10	0	10
					2,274	(2,274)	0
					2,284	(2,274)	10
					18,139	(6,237)	11,902
					260,553	32,475	293,028
					\$278,692	\$26,238	\$304,930

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2014**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund</b>	<b>Bondholder Reserve Fund</b>	<b>General Administrative Fund</b>	<b>Total</b>
<b>ASSETS:</b>				
Current Assets:				
Cash, principally time deposits (note 3)	\$ 0	\$ 9	\$ 121	\$ 130
Investments (notes 3, 8, and 10)	140,251	7,936	25,760	173,947
Other assets	15,614	0	34	15,648
Mortgage notes receivable, net (note 4)	29,793	0	411	30,204
Other notes receivable, net (note 4)	0	0	10	10
Total Current Assets	<u>185,658</u>	<u>7,945</u>	<u>26,336</u>	<u>219,939</u>
Noncurrent Assets:				
Investments (notes 3, 8, and 10)	113,815	0	0	113,815
Other assets (note 11)	1,086	0	0	1,086
Mortgage notes receivable, net (note 4)	1,117,994	0	4,746	1,122,740
Other notes receivable, net (note 4)	0	0	74	74
Land, equipment and improvements, net	22	0	900	922
Other real estate owned	5,665	0	111	5,776
Total Noncurrent Assets	<u>1,238,582</u>	<u>0</u>	<u>5,831</u>	<u>1,244,413</u>
Total Assets	<u>1,424,240</u>	<u>7,945</u>	<u>32,167</u>	<u>1,464,352</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Accumulated decrease in fair value of hedging derivatives (note 6)	14,435	0	0	14,435
Deferred amount on debt refundings	6,181	0	0	6,181
Total Deferred Outflows of Resources	<u>20,616</u>	<u>0</u>	<u>0</u>	<u>20,616</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accrued interest payable	4,802	0	0	4,802
Accounts payable and accrued liabilities	890	13	4,406	5,309
Interfund (note 12)	1,205	0	553	1,758
Mortgage and other bonds payable, current (notes 5, 8, 13, and 15)	32,125	0	0	32,125
Total Current Liabilities	<u>39,022</u>	<u>13</u>	<u>4,959</u>	<u>43,994</u>
Noncurrent Liabilities:				
Derivative instrument - interest rate swaps (note 6)	14,435	0	0	14,435
Mortgage and other bonds payable, net (notes 5, 8, 13, and 15)	1,147,788	0	0	1,147,788
Total Noncurrent Liabilities	<u>1,162,223</u>	<u>0</u>	<u>0</u>	<u>1,162,223</u>
Total Liabilities	<u>1,201,245</u>	<u>13</u>	<u>4,959</u>	<u>1,206,217</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred loan origination points	59	0	0	59
<b>NET POSITION:</b>				
Net investment in capital assets	22	0	900	922
Restricted for bond resolutions	243,530	7,932	0	251,462
Unrestricted	0	0	26,308	26,308
Total Net Position	<u>\$243,552</u>	<u>\$7,932</u>	<u>\$27,208</u>	<u>\$278,692</u>

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund</b>	<b>Bondholder Reserve Fund</b>	<b>General Administrative Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>				
Interest from mortgages and notes	\$59,562	\$0	\$286	\$59,848
Income from investments	3,733	5	10	3,748
Net increase in the fair value of investments	12,341	0	0	12,341
Fee income	723	0	394	1,117
Other revenue	3	0	138	141
Total Revenues	<u>76,362</u>	<u>5</u>	<u>828</u>	<u>77,195</u>
<b>OPERATING EXPENSES:</b>				
Operating expenses	7,674	45	1,320	9,039
Other program administrative expenses	6,840	0	86	6,926
Mortgage servicing fees	1,821	0	56	1,877
Provision for losses on loans (note 4)	1,000	0	17	1,017
Losses on foreclosed real estate	312	0	0	312
Interest expense	42,249	0	0	42,249
Loss on bond redemption (note 13)	320	0	0	320
Excess arbitrage (note 11)	(410)	0	0	(410)
Total Expenses	<u>59,806</u>	<u>45</u>	<u>1,479</u>	<u>61,330</u>
Operating Income (Loss)	16,556	(40)	(651)	15,865
Transfers between funds, net (note 12)	<u>(10)</u>	<u>0</u>	<u>2,284</u>	<u>2,274</u>
Change in Net Position	16,546	(40)	1,633	18,139
Net Position at beginning of year	<u>227,006</u>	<u>7,972</u>	<u>25,575</u>	<u>260,553</u>
Net Position at end of year	<u>\$243,552</u>	<u>\$7,932</u>	<u>\$27,208</u>	<u>\$278,692</u>

See accompanying notes to the financial statements



**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund</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	\$59,807	\$0	\$294	\$60,101
Principal receipts on mortgages and notes - scheduled	29,792	0	422	30,214
Principal receipts on mortgages and notes - prepayments	54,274	0	479	54,753
Payments for operating expenses	(9,591)	(7)	(672)	(10,270)
Payments for personnel expenses	(6,381)	(38)	(648)	(7,067)
Investment in mortgages and other notes	(64,274)	0	(28)	(64,302)
Other	1,286	18	3,429	4,733
Net cash provided by (used for) operating activities	<u>64,913</u>	<u>(27)</u>	<u>3,276</u>	<u>68,162</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Proceeds from sale of bonds and notes	229,237	0	0	229,237
Principal payments on bonds	(279,605)	0	0	(279,605)
Interest payments on bonds	(41,789)	0	0	(41,789)
Payments from (to) other funds	298	(19)	3,408	3,687
Net cash (used for) provided by non-capital financing activities	<u>(91,859)</u>	<u>(19)</u>	<u>3,408</u>	<u>(88,470)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from disposition of foreclosed real estate	15,512	0	82	15,594
Purchase of investments	0	0	(6,858)	(6,858)
Sales and maturity of investments	7,596	43	0	7,639
Interest received on investments	3,748	5	10	3,763
Net cash provided by (used for) investing activities	<u>26,856</u>	<u>48</u>	<u>(6,766)</u>	<u>20,138</u>
Net (decrease) increase in cash	(90)	2	(82)	(170)
Cash at beginning of year	<u>90</u>	<u>7</u>	<u>203</u>	<u>300</u>
Cash at end of year	<u>\$0</u>	<u>\$9</u>	<u>\$121</u>	<u>\$130</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$16,556	(\$40)	(\$651)	\$15,865
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,068	0	631	1,699
Interest on bonds	41,181	0	0	41,181
Provision for losses on loans	1,000	0	17	1,017
Losses on foreclosed real estate	312	0	0	312
Loss on bond redemption	320	0	0	320
Interest income on investments	(3,733)	(5)	(10)	(3,748)
Net increase in fair value of investments	(12,341)	0	0	(12,341)
Changes in operating assets and liabilities:				
Other assets	75	21	(236)	(140)
Mortgage note interest receivable	245	0	8	253
Accounts payable and accrued liabilities	445	(3)	2,644	3,086
Unearned income and other liabilities	(7)	0	0	(7)
Investment in mortgage and other notes	(64,274)	0	(28)	(64,302)
Mortgage & other note principal repayments	84,066	0	901	84,967
Net cash provided by (used for) operating activities	<u>\$64,913</u>	<u>(\$27)</u>	<u>\$3,276</u>	<u>\$68,162</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:</b>				
Transfer from mortgage notes receivable to mortgage insurance claims receivable and other real estate owned	\$17,162	\$0	\$187	\$17,349
Transfer of capital assets	\$0	\$0	\$145	\$145

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2014**  
*(IN THOUSANDS OF DOLLARS)*

	<b>HOME Fund</b>	<b>Section 8 Housing Programs</b>	<b>Low Income Home Energy Assistance Program</b>	<b>Maine Energy, Housing &amp; Economic Recovery Fund</b>	<b>Other Federal and State Programs</b>	<b>Total</b>
<b>ASSETS:</b>						
Current Assets:						
Cash, principally time deposits (note 3)	\$0	\$86	\$0	\$0	\$841	\$927
Investments (notes 3, 8, and 10)	8,916	8,696	149	20,856	5,650	44,267
Accounts receivable - Federal	0	290	1,181	0	4,262	5,733
Other assets	964	115	0	31	81	1,191
Mortgage notes receivable, net (note 4)	26	0	0	0	0	26
Interfund (note 12)	1,164	3,689	0	0	0	4,853
Total Current Assets	11,070	12,876	1,330	20,887	10,834	56,997
Noncurrent Assets:						
Mortgage notes receivable, net (note 4)	21,621	0	0	3,465	0	25,086
Other notes receivable, net (note 4)	0	0	0	0	9	9
Total Noncurrent Assets	21,621	0	0	3,465	9	25,095
Total Assets	<u>\$32,691</u>	<u>\$12,876</u>	<u>\$1,330</u>	<u>\$24,352</u>	<u>\$10,843</u>	<u>\$82,092</u>
<b>LIABILITIES:</b>						
Current Liabilities:						
Accrued interest payable	\$0	\$0	\$0	\$63	\$0	\$63
Accounts payable - Federal	0	285	0	0	29	314
Accounts payable and accrued liabilities	0	78	566	0	6,347	6,991
Unearned income	0	0	144	0	135	279
Interfund (note 12)	0	0	517	2	2,576	3,095
Bonds payable, net (note 5 and 8)	0	0	0	2,890	0	2,890
Total Current Liabilities	0	363	1,227	2,955	9,087	13,632
Noncurrent Liabilities:						
Bonds payable, net (note 5 and 8)	0	0	0	38,805	0	38,805
Total Non Current Liabilities	0	0	0	38,805	0	38,805
Total Liabilities	0	363	1,227	41,760	9,087	52,437
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Deferred grant income	0	3,417	0	0	0	3,417
<b>FUND BALANCES:</b>						
Restricted by program requirements	32,691	9,096	103	0	1,756	43,646
Unassigned	0	0	0	(17,408)	0	(17,408)
Total Fund Balances	32,691	9,096	103	(17,408)	1,756	26,238
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$32,691</u>	<u>\$12,876</u>	<u>\$1,330</u>	<u>\$24,352</u>	<u>\$10,843</u>	<u>\$82,092</u>

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>HOME Fund</b>	<b>Section 8 Housing Programs</b>	<b>Low Income Home Energy Assistance Program</b>	<b>Maine Energy, Housing &amp; Economic Recovery Fund</b>	<b>Other Federal and State Programs</b>	<b>Total</b>
<b>REVENUES:</b>						
Interest from mortgages and notes	\$48	\$0	\$0	\$51	\$0	\$99
Income from investments	6	2	0	13	2	23
Fee income	0	4,895	860	0	1,812	7,567
Other revenue	0	34	0	0	11	45
Grant income	365	0	32,352	0	11,890	44,607
Income from State	6,959	0	0	4,316	0	11,275
Federal rent subsidy income	0	91,432	0	0	0	91,432
Total Revenues	<u>7,378</u>	<u>96,363</u>	<u>33,212</u>	<u>4,380</u>	<u>13,715</u>	<u>155,048</u>
<b>EXPENDITURES:</b>						
Operating expenditures	0	3,719	728	0	1,441	5,888
Other program administrative expenditures	0	493	6	2	254	755
Provision for losses on loans (note 4)	232	0	0	0	0	232
Grants	5,127	0	32,352	8,789	11,957	58,225
Federal rent subsidy	0	92,310	0	0	0	92,310
Interest	0	0	0	1,406	0	1,406
Total Expenditures	<u>5,359</u>	<u>96,522</u>	<u>33,086</u>	<u>10,197</u>	<u>13,652</u>	<u>158,816</u>
Revenues in Excess of (Less Than) Expenditures	2,019	(159)	126	(5,817)	63	(3,768)
Transfers between funds, net (note 12)	0	(11)	(126)	0	(2,137)	(2,274)
Change in Fund Balances	2,019	(170)	0	(5,817)	(2,074)	(6,042)
Fund Balances at beginning of year	<u>30,672</u>	<u>9,266</u>	<u>103</u>	<u>(11,591)</u>	<u>3,830</u>	<u>32,280</u>
Fund Balances at end of year	<u>\$32,691</u>	<u>\$9,096</u>	<u>\$103</u>	<u>(\$17,408)</u>	<u>\$1,756</u>	<u>\$26,238</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Change in Fund Balances - total governmental funds (\$6,042)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the year acquired. In the Statement of Activities, the costs of those assets are capitalized and allocated over their useful lives as depreciation expense. This is the total depreciation expenses for the year ended December 31, 2014. (195)

Change in Net Position - total governmental funds (\$6,237)

See accompanying notes to the financial statements

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2014**  
(IN THOUSANDS OF DOLLARS)

**(1.) ORGANIZATION AND NATURE OF OPERATIONS**

The Maine State Housing Authority (MaineHousing) is a public corporation and an instrumentality of the State of Maine established under the provisions of the *Maine Housing Authorities Act*, Title 30-A, Chapter 201, of the Maine Revised Statutes, as amended. 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. MaineHousing also administers various housing and energy related state and federal 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.

**(2.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

MaineHousing financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and related statements, and are comprised of three components: 1) Agency-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. MaineHousing follows GASB pronouncements as codified under GASB 62.

The financial statements comply with the provisions of GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all the organizations activities and functions for which MaineHousing is financially accountable. Determination of financial accountability includes among other factors, appointment of a voting majority of the component's governing body and (1) ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, MaineHousing. Based on the preceding criteria, the accompanying financial statements do not include the financial activities of any entity other than MaineHousing.

The Agency-wide financial statements are comprised of a Statement of Net Position and Statement of Activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements reflect all of the assets, liabilities, revenues, expenses, gains and losses of business-type and governmental activities.

The business-type activities, which include single and multi-family loan programs, 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. The governmental activities reflect the administration of the various programs for the State of Maine and the federal government. Governmental funds are reported using the modified accrual basis and revenues are recorded when they become available and measurable and expenses when incurred. Revenues from grants and programs are generally considered "available" if eligibility and time restrictions have been satisfied and if received within three months of the balance sheet date.

Separate fund financial statements are provided for proprietary and governmental funds. The fund financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities, which provides that accounting systems be organized by funds to account for specific activities consistent with legal and operating requirements. Major individual governmental funds and all proprietary funds and fund groups are reported as separate columns in the fund financial statements.

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2014**  
(IN THOUSANDS OF DOLLARS)

**Fund Structure**

Financial activities operated similarly to private business enterprises and financed through fees and charges assessed primarily to users of the loan and other lender services are presented as proprietary funds. MaineHousing's proprietary funds are:

*MORTGAGE PURCHASE FUND*

This fund consists of 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. Proceeds from the sale of mortgage revenue bonds, the debt service requirements of the bond indebtedness, and mortgage loans made from bond proceeds are recorded in this fund.

*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 resolution.

*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 is recorded in this fund.

Activities financed by grant and program agreements with the federal government and appropriations from the State of Maine legislature are presented as governmental funds. None of the governmental funds are legally required to adopt a formal budget. MaineHousing's governmental funds are:

*HOME FUND*

The Maine 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 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 that 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:

- Moderate Rehabilitation
- New Construction
- Housing Choice Voucher
- Performance Based Contract Administration

*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.

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2014**  
(IN THOUSANDS OF DOLLARS)

***MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND***

The purpose of the Maine Energy, Housing and Economic Recovery Fund (MEHER) is to create capital funding sources to provide affordable housing and to improve energy efficiency of residential housing in the State of Maine. The fund consists of the funds and accounts established by the MEHER General Indenture. The revenue anticipation bonds issued under the MEHER General Indenture are liabilities of the fund and the debt service for these bonds is paid by a source of revenue from the State of Maine.

The deficit in this fund is due to timing differences between the expending of capital funds from bond proceeds on program activities and the receipt of revenues from the State of Maine, which is based on debt service schedules. The deficit will be eliminated over time as capital funds available for programs are depleted and revenues received from the State of Maine exceed expenditures.

***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 Solutions Grant Program
- HOME Investment Partnership Program
- Lead-Based Paint Hazard Control Program
- Continuum of Care Planning Grant
- Homeless Management Information System
- McKinney Act - Financing Adjustment Factor
- Housing Counseling Program
- Family Self-Sufficiency Program
- Tax Credit Assistance Program – American Recovery & Reinvestment Act

**U.S. Department of Energy**

- Weatherization Program
- Weatherization Assistance Program Training Centers and Programs

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

- Weatherization / Central Heating Improvement Program

**State of Maine**

- Natural Disaster Housing Assistance Fund
- Mental Health Facilities Program
- Municipal Revolving Loan Fund
- Land Acquisition Program
- Maine Affordable Housing General Obligation Bonds
- Consumer Residential Opportunities Program
- Indian Housing Mortgage Insurance Program
- Foreclosure Prevention Counseling Grant-Bureau of Consumer Credit
- Neighborhood Stabilization Program

**Private**

- Robert Wood Johnson Foundation
- Low Income Assistance Plan
- National Foreclosure Mitigation Counseling Program

**Maine State Housing Authority**  
**Notes to Financial Statements – December 31, 2014**  
(IN THOUSANDS OF DOLLARS)

**Net Position**

In the agency-wide and proprietary fund financial statements, net position is displayed in three components as follows:

*Net investment in capital assets* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This consists of activities that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. For business-type activities, the net position is restricted by bond resolutions for the acquisition of loans, payment of debt service and payment of operating costs. For governmental activities, the net position is restricted by state statutes or federal regulations and program agreements for specific program purposes.

*Unrestricted* – This consists of activities that do not meet the definition of “restricted” or “net investment in capital assets”.

**Fund Balances**

In the governmental funds financial statements, fund balances are reported as either restricted for housing and energy related programs, or unassigned for any residual deficit fund balances. Generally, if unrestricted fund balances are available they are used after assigned or restricted amounts.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and held by banks in demand deposits and savings accounts.

**Investments**

Investments are comprised of short-term investments that mature in one year or less and long-term investments with maturities in excess of one year. Investments are reported 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 deferred and recorded as a payable to the federal government.

**Mortgage Notes Receivable**

Mortgage notes receivable are carried at their uncollected principal balance less allowances for loan losses. The recording of interest income on problem loans ceases when collectability within a reasonable period of time becomes doubtful. Program income received for revolving loan programs are recorded as unearned income. MaineHousing reclassifies its liability for amounts due under revolving loan programs relating to forgivable loans and loans with no payments due until sale of the collateral or maturity of the loan (usually 30 years from origination) to reduce the associated loan balances. MaineHousing believes this presentation better reflects the underlying economics of the loan.

**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 expenses. 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 collectability 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.

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**Capital Assets**

Capital assets consisting of land, equipment and leasehold improvements are stated at cost less accumulated depreciation and are reported in the agency-wide and proprietary funds financial statements. Capital assets are reported in the governmental funds statements as transfers to the General Administrative Fund. MaineHousing capitalizes assets with an initial cost of one thousand dollars or more. Depreciation on capital assets is computed using the straight line method over the estimated useful lives of the assets.

**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 and are 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 Position in the year incurred or realized.

**Bond Discount, Premium, Issuance Costs and Deferred Amounts on Refunding**

Bond discounts and premiums are reflected as a component of bonds payable and are deferred and amortized over the lives of the bonds using a method that approximates the effective interest method. Gains and losses on debt refundings are 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 and reflected as a deferred outflow of resources. Costs associated with the issuance of bonds are expensed in the year the bonds are issued.

**Loan Origination Fees and Costs**

MaineHousing pays origination costs at the time it purchases single-family mortgage loans. These and other program costs, including closing cost assistance to borrowers, paid in connection with acquiring certain single-family loans are expensed in the year of origination.

MaineHousing may receive points in connection with the origination of single-family mortgage loans, which are essentially yield adjustments on the loans. Points received are reflected as a deferred inflow of resources and amortized as a component of 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 points are recognized immediately as interest income. MaineHousing may charge a fee at the time that a commitment is made to originate a mortgage on a multi-family loan. These fees are recognized as income in the year the commitment is made.

**Revenues, Expenses and Expenditures**

Program revenues in the agency-wide Statement of Activities are reported in three categories including (1) charges for services, (2) investment income and (3) grants and contributions. Charges for services include all revenues from mortgage loans and program administration fees. Investment income consists of earnings from non-mortgage investment assets. Grants and contributions include revenues from other governments and organizations that are restricted for use in a particular program. All revenues are recorded as income when earned and the associated expenses are recorded as incurred.

The proprietary funds' primary sources of operating revenues are income from mortgage loans and other permitted investments. Operating expenses in the proprietary funds consist of expenses incurred for loans, servicing, bond interest and program administration.

Revenues in the governmental funds are derived from grant and program agreements with the federal government and other organizations and appropriations from the Maine State Legislature. MaineHousing also receives fee income for program administration. Expenditures in the governmental funds consist primarily of program disbursements and administration charges.



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**Derivatives and Hedging Instruments**

MaineHousing enters into various interest rate swap agreements in order to manage risks associated with interest on its variable rate bond portfolio. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, MaineHousing recognizes the fair value of swap agreements as either an asset or liability on its Statement of Net Position with the offsetting gains or losses as either deferred inflows or outflows of resources, if deemed an effective hedge. If swap agreements are not effective hedges, interest expense is increased or decreased by the change in the fair value. MaineHousing uses a "macro-hedge" policy to measure the effectiveness of its interest rate swap agreements whereby the swaps in total are used to hedge interest expense on variable rate bonds. Hedge effectiveness is determined by using the regression analysis and synthetic instrument methods. MaineHousing's swap agreements constitute an effective hedge of a portion of the variable rate bond portfolio at December 31, 2014.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the statements and the reported amounts of revenues, expenses and expenditures during the reporting year. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for losses on loans. Actual results could differ from estimates.

**Future Accounting Standards**

GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* are effective for the year ending December 31, 2015. The adoption of these standards will require MaineHousing to reflect in its agency-wide and proprietary fund financial statements the actuarially estimated amount for a net pension liability. MaineHousing has not yet adopted these standards. Based on available estimates, the implementation of these standards will decrease the agency's net position by \$3,102 and the annual pension expense will approximate \$704.

The implementation of these standards will require Mainehousing to recognize a net pension liability for its defined benefit retirement plan. The net pension liability represents the difference between the total pension liability and the value of pension plan assets available to pay pension benefits. Under the new standard, the annual pension expense for the defined benefit plan will no longer be solely based on employer contributions and will instead require the immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms.

**(3.) CASH AND INVESTMENTS**

At December 31, 2014, the carrying amount of MaineHousing's bank deposits was \$1,057 and the bank balance was \$2,079. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the bank balance, \$270 was covered by federal depository insurance and \$1,809 was collateralized by money market funds for which the securities are held in the bank's name at the Federal Reserve Bank.

The Mortgage Purchase Program bond resolution permits 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). The resolution also permits MaineHousing to invest in certificates of deposit, repurchase agreements and other similar banking arrangements that are collateralized by permitted investments.

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.

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MaineHousing's investment balances and stated maturities as of December 31, 2014 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</b>					
Repurchase Agreements	\$63,987	\$63,987	\$0	\$0	\$0
Money Market Funds	17,268	17,268	0	0	0
U.S. Government-sponsored enterprise obligations (Rated AAA/Aaa)	172,811	58,996	0	5,004	108,811
Total - Mortgage Purchase Fund	254,066	140,251	0	5,004	108,811
<b>BONDHOLDERS RESERVE FUND</b>					
Repurchase Agreements	7,936	7,936	0	0	0
<b>GENERAL ADMINISTRATIVE FUND</b>					
Repurchase Agreements	12,296	12,296	0	0	0
Money Market Funds	13,464	13,464	0	0	0
Total - General Administrative Fund	25,760	25,760	0	0	0
Total - Proprietary Funds	\$287,762	\$173,947	\$0	\$5,004	\$108,811
<b>GOVERNMENTAL FUNDS</b>					
<b>HOME FUND</b>					
Repurchase Agreements	\$8,916	\$8,916	\$0	\$0	\$0
<b>SECTION 8 HOUSING PROGRAM</b>					
Money Market Funds	8,696	8,696	0	0	0
<b>LOW INCOME HOME ENERGY ASSISTANCE PROGRAM</b>					
Money Market Funds	149	149	0	0	0
<b>MAINE ENERGY, HOUSING &amp; ECONOMIC RECOVERY PROGRAM</b>					
Repurchase Agreements	20,856	20,856	0	0	0
<b>OTHER FEDERAL AND STATE PROGRAMS</b>					
Repurchase Agreements	5,650	5,650	0	0	0
Total - Governmental Funds	\$44,267	\$44,267	\$0	\$0	\$0

Repurchase agreements and money market funds 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, wherever practicable, or its bank's trustee. MaineHousing generally invests in repurchase agreements and money market funds for short-term investments.

On December 31, 2014, approximately \$159,218 was invested in short-term repurchase agreements and money market funds having maturity dates of less than one year, at rates ranging from 0.05% to 0.07%. Investments other than repurchase agreements and money market funds are registered in MaineHousing's name. Investments issued by Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), and Federal Home Loan Bank (FHLB) make up 11%, 10%, 10%, and 36% of total investments, respectively, in the Mortgage Purchase Fund.

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

For financial statement presentation the allowance for losses on loans has been netted against the noncurrent portion of mortgage notes receivable and other notes receivable. However, where there is no noncurrent portion for other notes receivable, the allowance is netted against the current amount. A summary of mortgage notes receivable at December 31, 2014 is as follows:

	Number Notes	Principal Balance	Percent of Portfolio
<b>PROPRIETARY FUNDS</b>			
MORTGAGE PURCHASE FUND - SINGLE-FAMILY:			
VA guaranteed	510	\$40,310	5.0%
FHA insured	2,161	180,421	22.4%
USDA/RD guaranteed	3,976	377,611	46.8%
Privately insured	738	55,624	6.9%
Non-insured	3,014	152,007	18.9%
Total Mortgage Purchase Fund - single-family	<u>10,399</u>	<u>805,973</u>	<u>100.0%</u>
MORTGAGE PURCHASE FUND - MULTI-FAMILY:			
Section 8	163	116,186	33.0%
Conventional	219	209,366	59.6%
Supportive Housing	191	26,000	7.4%
Total Mortgage Purchase Fund - multi-family	573	351,552	<u>100.0%</u>
Less: Allowance for losses on loans		(9,738)	
Total Mortgage Purchase Fund	<u>10,972</u>	<u>1,147,787</u>	
GENERAL ADMINISTRATIVE FUND - SINGLE-FAMILY:			
Non-insured	121	4,059	97.4%
Privately insured	6	108	2.6%
Total General Administrative Fund-Single Family	<u>127</u>	<u>4,167</u>	<u>100.0%</u>
GENERAL ADMINISTRATIVE FUND - MULTI-FAMILY:			
Conventional	2	517	<u>100.0%</u>
GENERAL ADMINISTRATIVE FUND- HOME IMPROVEMENT LOANS:			
Non-insured	259	1,398	<u>100.0%</u>
Less: Allowance for losses on loans		(925)	
Total General Administrative Fund	<u>388</u>	<u>5,157</u>	
Total Proprietary Funds	<u>11,360</u>	<u>\$1,152,944</u>	
<b>GOVERNMENTAL FUNDS</b>			
HOME FUND - SINGLE-FAMILY:			
Non-insured	406	\$3,364	<u>100.0%</u>
HOME FUND - MULTI-FAMILY:			
Non-insured	72	19,040	<u>100.0%</u>
Total HOME Fund	478	22,404	
Less: Allowance for losses on loans		(757)	
Total HOME Fund	<u>478</u>	<u>21,647</u>	
MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY PROGRAM - MULTI-FAMILY			
Non-insured	10	3,465	<u>100.0%</u>
Total Governmental Funds	<u>488</u>	<u>\$25,112</u>	

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A summary of other notes receivable at December 31, 2014 is as follows:

	Number Notes	Principal Balance	Percent of Portfolio
<b>PROPRIETARY FUNDS</b>			
GENERAL ADMINISTRATIVE FUND			
Non-insured	5	\$84	100.0%
Total Proprietary Funds	5	\$84	
<b>GOVERNMENTAL FUNDS</b>			
OTHER FEDERAL AND STATE PROGRAMS:			
Non-insured	2	36	100.0%
Less: Allowance for losses on loans		(27)	
Total Governmental Funds	2	\$9	

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	General Administrative Fund	HOME Fund	Other Federal and State Programs
Balance – December 31, 2013	\$9,895	\$1,087	\$430	\$27
Provision	1,000	17	232	0
Loans charged off	(1,455)	(185)	(49)	0
Recoveries	298	6	144	0
Balance – December 31, 2014	\$9,738	\$925	\$757	\$27

**(5.) MORTGAGE BONDS PAYABLE**

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

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The interest rates presented in the table below for variable rate bonds represent the rate at December 31, 2014. The Single-Family (S/F) and Multi-Family (M/F) Mortgage Bonds Payable outstanding at December 31, 2014 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		
PROPRIETARY FUNDS							
MORTGAGE PURCHASE FUND							
2005 SERIES A BONDS (M/F):							
2005 Series A-1 (Non-AMT)							
Serial Bonds	5,785	1,480	4.15%-4.40%	2015-2017	420	-	530
Term Bonds	5,425	5,100	4.90%	2028-2032	920	-	1,160
2005 Series A-2 (AMT)							
Term Bonds	9,715	2,260	4.95%	2025-2027	25	-	1,120
	<u>20,925</u>	<u>8,840</u>					
2005 SERIES B BONDS (M/F):							
2005 Series B (Federally Taxable)							
Term Bonds	<u>15,000</u>	<u>15,000</u>	Variable-.41%	2016-2020	2,840	-	3,115
2005 SERIES C BONDS (M/F):							
2005 Series C (AMT)							
Term Bonds	<u>11,125</u>	<u>11,125</u>	Variable-.08%	2036-2039	2,780	-	2,785
2005 SERIES D BONDS (S/F):							
2005 Series D-1 (Non-AMT)							
Serial Bonds	3,000	0	3.90%				
2005 Series D-2 (AMT)							
Term Bonds	15,000	0	4.80%				
2005 Series D-3 (AMT)							
Term Bonds	<u>20,000</u>	<u>20,000</u>	Variable-.06%	2028-2038	1,485	-	2,190
	<u>38,000</u>	<u>20,000</u>					
2005 SERIES G BONDS (M/F):							
2005 Series G (AMT)							
Term Bonds	<u>22,300</u>	<u>21,235</u>	Variable-.06%	2015-2037	160	-	4,385
2006 Series A-2 (AMT)							
Term Bonds	16,000	0	4.65%				
Term Bonds	<u>7,320</u>	<u>6,800</u>	4.85%	2026-2036	300	-	800
	<u>23,320</u>	<u>6,800</u>					
2006 SERIES B BONDS (S/F):							
2006 Series B (AMT)							
Term Bonds	<u>5,000</u>	<u>5,000</u>	Variable-.08%	2026-2036	350	-	580
2006 SERIES D BONDS (S/F):							
2006 Series D-1 (Non-AMT)							
Serial Bonds	6,970	0	4.05%				
2006 Series D-2 (AMT)							
Term Bonds	7,170	0	4.75%				
Term Bonds	10,915	2,870	4.85%	2025-2026	475	-	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	<u>5,000</u>	<u>5,000</u>	Variable-.06%	2027-2035	455	-	670
	<u>50,000</u>	<u>27,595</u>					

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	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 E BONDS (S/F):							
2006 Series E-1 (Non-AMT)							
Serial Bonds	6,895	0	4.00%				
2006 Series E-2 (AMT)							
Term Bonds	5,535	0	4.75%				
Term Bonds	7,365	5,160	4.80%	2023-2026	570	-	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>25,365</u>					
2006 SERIES G BONDS (S/F):							
2006 SERIES G (AMT)							
Serial Bonds	6,170	0	4.15%-4.20%				
Term Bonds	15,295	13,600	4.55%	2019-2026	910	-	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>32,135</u>					
2006 SERIES I BONDS (M/F):							
2006 Series I-1 (Non-AMT)							
Term Bonds	2,500	2,450	4.40%	2022-2026	450	-	500
2006 Series I-2 (AMT)							
Term Bonds	9,000	8,800	4.75%	2032-2036	1,600	-	1,800
2006 Series I-3 (AMT)							
Term Bonds	7,500	0					
	<u>19,000</u>	<u>11,250</u>					
2007 SERIES A BONDS (S/F):							
2007 Series A (AMT)							
Serial Bonds	4,840	0	4.35%-4.45%				
Term Bonds	4,855	0	4.70%				
Term Bonds	7,240	0	4.75%				
Term Bonds	8,065	8,065	4.75%	2028-2032	1,450	-	1,780
	<u>25,000</u>	<u>8,065</u>					
2007 SERIES C BONDS (S/F):							
2007 Series C (AMT)							
Term Bonds	5,000	0	5.05%				
Term Bonds	8,000	0	5.13%				
Term Bonds	12,000	12,000	5.15%	2028-2032	2,200	-	2,600
	<u>25,000</u>	<u>12,000</u>					
2007 SERIES E BONDS (S/F):							
2007 Series E-1 (AMT)							
Serial Bonds	2,885	0	4.65%				
Term Bonds	1,405	0	4.80%				
Term Bonds	2,700	0	5.15%				
Term Bonds	10,010	0	5.30%				
2007 Series E2 (AMT)							
Term Bonds	8,000	8,000	Variable-.08%	2032-2041	800		
	<u>25,000</u>	<u>8,000</u>					
2008 SERIES C BONDS (S/F):							
2008 Series C-1 (Non-AMT)							
Serial Bonds	12,260	1,180	4.00%	2016	1,180		
2008 Series C-2 (AMT)							
Term Bonds	1,740	0	5.00%				
	<u>14,000</u>	<u>1,180</u>					
2008 SERIES D BONDS (S/F):							
2008 Series D (AMT)							
Term Bonds	20,000	20,000	Variable-.06%	2028-2042	905	-	1,870

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	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 F BONDS (S/F):							
2008 Series F-1 (Non-AMT)							
Serial Bonds	9,585	1,280	4.20%-4.30%	2017-2018	330	-	950
2008 Series F-2 (Non-AMT)							
Term Bonds	5,580	0	4.95%				
Term Bonds	7,100	0	5.15%				
Term Bonds	2,735	0	5.30%				
	<u>25,000</u>	<u>1,280</u>					
2009 SERIES A BONDS (S/F):							
2009 Series A-1 (Non-AMT)							
Serial Bonds	9,595	0	3.10%				
2009 Series A-2 (Non-AMT)							
Serial Bonds	10,405	8,035	3.60%-4.13%	2016-2019	880	-	4,405
Term Bonds	5,000	0	4.90%				
	<u>25,000</u>	<u>8,035</u>					
2009 SERIES B BONDS (S/F):							
2009 Series B (Non-AMT)							
Serial Bonds	11,150	4,265	2.85%-3.45%	2015-2017	1,260	-	1,520
Term Bonds	5,365	5,365	4.65%	2020-2024	975	-	1,170
Term Bonds	13,485	0	5.00%				
	<u>30,000</u>	<u>9,630</u>					
2009 SERIES C BONDS (S/F):							
2009 Series C (Non-AMT)							
Serial Bonds	8,000	3,400	2.80%-3.30%	2015-2017	1,000	-	1,200
Term Bonds	2,885	2,020	4.50%	2022-2024	645	-	700
Term Bonds	11,795	0	5.00%				
	<u>22,680</u>	<u>5,420</u>					
2009 SERIES D BONDS (S/F):							
2009 Series D (Non-AMT)							
Serial Bonds	23,010	13,725	2.75%-4.10%	2015-2021	1,575	-	2,705
Term Bonds	1,560	1,025	4.38%	2023-2024	485	-	540
Term Bonds	3,430	3,055	4.70%	2025-2027	715	-	1,195
	<u>28,000</u>	<u>17,805</u>					
2010 SERIES A BONDS (S/F):							
2010 Series A (Non-AMT)							
Serial Bonds	20,405	16,485	2.30%-4.10%	2015-2024	975	-	1,905
Term Bonds	3,595	3,595	4.25%	2025-2027	1,140	-	1,255
	<u>24,000</u>	<u>20,080</u>					
2010 SERIES B BONDS (S/F):							
2010 Series B-1 (Non-AMT)							
Serial Bonds	8,750	5,825	2.00%-2.60%	2015-2017	1,185	-	3,070
2010 Series B-2 (Non-AMT)							
Term Bonds	9,495	8,080	4.10%	2022-2025	820	-	2,515
2010 Series B-3 (Non-AMT)							
Serial Bonds	33,435	23,790	3.10%-4.50%	2015-2020	1,750	-	5,740
	<u>51,680</u>	<u>37,695</u>					
2010 SERIES C BONDS (S/F):							
2010 Series C (Non-AMT)							
Serial Bonds	13,020	9,875	2.45%-4.25%	2015-2021	865	-	1,620
Term Bonds	980	980	4.75%	2022-2026	180	-	210
	<u>14,000</u>	<u>10,855</u>					
2010 SERIES D BONDS (M/F):							
2010 Series D-1 (Non-AMT)							
Serial Bonds	8,415	4,230	2.60%-4.05%	2015-2019	405	-	2,305

**Maine State Housing Authority**  
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	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2010 Series D-2 (Non-AMT)							
Serial Bonds	9,785	4,080	2.60%-4.20%	2015-2020	240	-	2,010
Term Bonds	8,460	0	5.05%				
Term Bonds	<u>2,280</u>	<u>2,280</u>	5.55%	2029-2040	45	-	265
	<u>28,940</u>	<u>10,590</u>					
2011 SERIES A BONDS (S/F):							
2011 Series A (Non-AMT)							
Serial Bonds	12,650	10,095	1.95%-4.25%	2015-2025	875	-	1,195
Term Bonds	<u>3,350</u>	<u>3,350</u>	4.63%	2026-2028	790	-	1,310
	<u>16,000</u>	<u>13,445</u>					
2011 SERIES B BONDS (M/F):							
2011 Series B-1 (Non-AMT)							
Serial Bonds	20,490	20,490	2.70%-3.75%	2017-2021	3,425	-	4,735
Term Bonds	4,085	3,235	4.00%	2022-2023	250	-	2,985
2011 Series B-2 (Non-AMT)							
Term Bonds	<u>4,750</u>	<u>4,750</u>	4.38%	2024-2025	2,000	-	2,750
	<u>29,325</u>	<u>28,475</u>					
2011 SERIES C BONDS (M/F):							
2011 Series C-1 (Non-AMT)							
Serial Bonds	27,320	27,075	2.00%-3.75%	2016-2023	780	-	5,715
2011 Series C-2 (Non-AMT)							
Serial Bonds	<u>6,000</u>	<u>6,000</u>	3.88%-4.88%	2024-2041	530	-	3,470
	<u>33,320</u>	<u>33,075</u>					
2011 SERIES D BONDS (S/F):							
2011 Series D (Non-AMT)							
Serial Bonds	10,615	10,615	1.40%-3.30%	2015-2022	625	-	2,210
Term Bonds	<u>7,385</u>	<u>7,385</u>	4.00%	2023-2026	1,650	-	2,010
	<u>18,000</u>	<u>18,000</u>					
2011 SERIES E BONDS (M/F):							
2011 Series E (Non-AMT)							
Serial Bonds	10,440	3,480	1.70%	2015		3,480	
Term Bonds	<u>2,810</u>	<u>2,810</u>	4.38%	2028-2031	700	-	705
	<u>13,250</u>	<u>6,290</u>					
2012 SERIES A BONDS (S/F):							
2012 Series A-1 (AMT)							
Serial Bonds	42,610	36,970	1.50%-3.45%	2015-2022	2,905	-	8,115
Term Bonds	21,885	14,600	4.00%	2024		14,600	
Term Bonds	22,575	15,445	4.50%	2026-2028	630	-	7,765
2012 Series A-2 (Non-AMT)							
Term Bonds	11,800	11,800	3.60%	2024-2026	2,350	-	5,250
2012 Series A-3 (AMT)							
Serial Bonds	5,000	5,000	2.00%-2.85%	2018-2022		1,000	
Term Bonds	<u>20,000</u>	<u>20,000</u>	3.85%	2026-2029	1,265	-	7,165
	<u>123,870</u>	<u>103,815</u>					
2012 SERIES B BONDS (M/F):							
2012 Series B-1 (AMT)							
Serial Bonds	4,210	4,210	2.50%-3.75%	2018-2024	380	-	720
Term Bonds	14,720	14,720	4.25%	2025-2027	4,720	-	5,000
2012 Series B-2 (Non-AMT)							
Serial Bonds	1,735	1,735	1.95%-2.95%	2018-2023	175	-	350
Term Bonds	1,220	1,220	3.50%	2023-2027	55	-	325
2012 Series B-3 (AMT)							
Term Bonds	<u>3,000</u>	<u>3,000</u>	3.88%	2028-2031		750	
	<u>24,885</u>	<u>24,885</u>					
2013 SERIES A BONDS (S/F):							
2013 Series A (Federally Taxable)							
Serial Bonds	<u>9,000</u>	<u>9,000</u>	.86%-2.37%	2015-2020	1,140	-	1,615
	<u>9,000</u>	<u>9,000</u>					



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	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2013 SERIES B BONDS (S/F):							
2013 Series B (Non-AMT)							
Serial Bonds	7,540	7,540	2.13%-2.75%	2020-2024	510	-	1,835
Term Bonds	3,890	3,890	3.00%	2025-2027	985	-	1,890
Term Bonds	38,690	38,690	3.45%	2028-2032	7,215	-	8,280
Term Bonds	28,880	28,880	3.60%	2033-2036	2,230	-	9,205
Term Bonds	<u>27,000</u>	<u>21,240</u>	4.00%	2036-2040	1,040	-	9,875
	<u>106,000</u>	<u>100,240</u>					
2013 SERIES C BONDS (S/F - M/F):							
2013 Series C (Federally Taxable)							
Serial Bonds	61,900	58,900	.90%-3.09%	2015-2023	3,250	-	9,000
Term Bonds	24,910	24,910	3.84%	2024-2027	5,765	-	7,615
Term Bonds	<u>8,560</u>	<u>8,560</u>	4.32%	2028-2030	2,840	-	2,860
	<u>95,370</u>	<u>92,370</u>					
2013 SERIES D BONDS (S/F):							
2013 Series D-1 (AMT)							
Serial Bonds	15,000	15,000	1.63%-3.65%	2016-2023	1,735	-	2,060
2013 Series D-2 (Non-AMT)							
Term Bonds	12,990	12,990	4.00%	2024-2028	925	-	5,565
Term Bonds	<u>12,010</u>	<u>12,010</u>	4.50%	2033-2037	2,205	-	2,610
	<u>40,000</u>	<u>40,000</u>					
2013 SERIES E BONDS (S/F):							
2013 Series E (Non-AMT)							
Serial Bonds	20,000	20,000	.80%-4.45%	2015-2025	850	-	3,420
Term Bonds	<u>10,000</u>	<u>8,695</u>	4.95%	2026-2028	1,870	-	3,495
	<u>30,000</u>	<u>28,695</u>					
2013 SERIES F BONDS (S/F -M/F):							
2013 Series F (Federally Taxable)							
Serial Bonds	<u>39,585</u>	<u>39,585</u>	Variable-0.13%	2024-2032	1,400	-	5,400
	<u>39,585</u>	<u>39,585</u>					
2013 SERIES G BONDS (S/F):							
2013 Series G (Federally Taxable)							
Serial Bonds	<u>60,000</u>	<u>60,000</u>	Variable-0.11%	2028-2041	1,660	-	5,350
	<u>60,000</u>	<u>60,000</u>					
2014 SERIES A BONDS (S/F):							
2014 Series A-1 (AMT)							
Serial Bonds	5,595	5,395	.65%-3.20%	2015-2021	200	-	960
Term Bonds	4,445	4,445	4.45%	2028-2030	100	-	4,245
Term Bonds	11,545	10,740	3.25%	2037-2043	220	-	1,945
2014 Series A-2 (Non-AMT)							
Serial Bonds	9,045	9,045	2.75%-3.55%	2021-2024	1,120	-	3,080
Term Bonds	9,865	9,865	4.00%	2025-2028	1,290	-	4,145
Term Bonds	<u>11,090</u>	<u>11,090</u>	4.50%	2029-2034	1,430	-	2,025
	<u>51,585</u>	<u>50,580</u>					
2014 SERIES B BONDS (S/F):							
2014 Series B (AMT)							
Term Bonds	<u>50,965</u>	<u>50,965</u>	Variable-0.68%	2024-2037	1,415	-	6,415
	<u>50,965</u>	<u>50,965</u>					
2014 SERIES C BONDS (S/F):							
2014 Series C-1 (AMT)							
Serial Bonds	14,860	14,860	0.25%-3.10%	2015-2024	700	-	3,105
Term Bonds	2,000	2,000	3.63%	2025-2029		400	
Term Bonds	7,620	7,620	4.00%	2030-2034	400	-	1,810
Term Bonds	<u>17,465</u>	<u>17,465</u>	3.50%	2034-2044	1,120	-	2,900

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	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2014 Series C-2 (Non-AMT) Term Bonds	<u>29,000</u> <u>70,945</u>	<u>29,000</u> <u>70,945</u>	3.75%	2030-2034	3,485	-	8,065
2014 SERIES D BONDS (S/F): 2014 Series D (AMT) Term Bonds	<u>55,000</u> <u>55,000</u>	<u>55,000</u> <u>55,000</u>	Variable-0.11%	2028-2039	730	-	11,370
		1,180,345					
Less: Unamortized Bond Discount		<u>(432)</u>					
Total Mortgage Purchase Fund bonds payable	<u>1,510,070</u>	<u>1,179,913</u>					
Total Proprietary Funds bonds payable	<u>\$1,510,070</u>	<u>\$1,179,913</u>					
<b>GOVERNMENTAL FUNDS</b>							
MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND							
2010 Series 1(Non-AMT) Serial Bonds	<u>\$39,970</u>	<u>\$39,970</u>	2.50%-5.00%	2015-2026	355	-	3,800
2010 Series 2(Taxable) Serial Bonds	<u>9,630</u>	<u>1,345</u> <u>41,315</u>	3.03%	2015		1,345	
Plus: Net Unamortized Bond Premium		<u>380</u>					
Total Maine Energy, Housing & Recovery Fund Group bonds payable	<u>49,600</u>	<u>41,695</u>					
Total Governmental Funds bonds payable	<u>\$49,600</u>	<u>\$41,695</u>					

The following table summarizes the debt activity for the year ended December 31, 2014:

<b>Fund</b>	Outstanding at December 31, 2013	Issuance	Retirement	Outstanding at December 31, 2014
Mortgage Purchase Fund	\$1,231,455	\$228,495	(\$279,605)	\$1,180,345
Maine Energy, Housing & Economic Recovery Fund	<u>44,135</u>	<u>0</u>	<u>(2,820)</u>	<u>41,315</u>
Total	<u>\$1,275,590</u>	<u>\$228,495</u>	<u>(\$282,425)</u>	<u>\$1,221,660</u>

Interest is payable semi-annually for the Mortgage Purchase Fund and the Maine Energy, Housing & Economic Recovery Fund. Scheduled principal payments on bonds are due November 15 for the Mortgage Purchase Fund and September 15 for the Maine Energy, Housing & Economic Recovery Fund.

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The interest calculations shown in the table below are based on the variable rate in effect at December 31, 2014 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 debt service requirements and net interest rate swap payments through 2019 and in five-year increments thereafter to maturity:

Year(s)	Mortgage Purchase Fund					Maine Energy, Housing & Economic Recovery Fund	
	Fixed/Variable Unswapped		Variable Swapped		Swaps Net Interest	Fixed Unswapped	
	Principal	Interest	Principal	Interest		Principal	Interest
2015	\$31,965	\$31,910	\$160	\$480	\$5,963	\$2,890	\$1,383
2016	34,460	31,268	3,015	482	5,098	2,980	1,295
2017	45,815	30,497	3,115	469	4,591	3,070	1,204
2018	40,520	29,236	3,225	456	4,388	3,160	1,114
2019	44,245	28,089	3,315	443	4,185	3,245	1,024
2020-2024	221,515	119,244	7,750	2,100	13,129	17,835	3,430
2025-2029	235,131	76,557	28,479	1,725	7,107	8,135	339
2030-2034	195,355	38,446	52,885	1,230	3,797	0	0
2035-2039	100,244	9,974	96,806	358	902	0	0
2040-2044	27,735	1,559	4,610	6	0	0	0
Total	<u>\$976,985</u>	<u>\$396,780</u>	<u>\$203,360</u>	<u>\$7,749</u>	<u>\$49,160</u>	<u>\$41,315</u>	<u>\$9,789</u>

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 bond resolutions. Security for bonds in the Mortgage Purchase Fund includes the mortgage loans made or purchased under the resolution and all monies and investments in the fund and accounts pledged under the resolution. Bonds in the Mortgage Purchase Fund may be redeemed in excess of the annual maturities in accordance with the terms of the resolution. Bonds in the Maine Energy, Housing & Economic Recovery Fund are secured by a portion of the Real Estate Transfer Tax revenues collected by the State of Maine and the bonds may not be redeemed in excess of the annual maturities until September 15, 2020.

***Moral Obligation Debt***

The reserve funds of the Mortgage Purchase Fund are secured by a non-binding obligation (moral obligation) from the State of Maine to replenish by appropriation any deficiency in such reserve funds. MaineHousing was authorized to have bonds outstanding for this program in an aggregate amount not to exceed \$2,150,000 as of December 31, 2014. Of that amount, \$1,180,345 was outstanding at December 31, 2014.

***Other Debt***

MaineHousing had \$24,000 of conduit debt outstanding at December 31, 2014. The conduit debt relates to revenue bonds issued by MaineHousing on behalf of a developer that 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. These bonds are not a liability of MaineHousing and are not recognized in the accompanying financial statements.

**(6.) INTEREST RATE SWAP AGREEMENTS**

MaineHousing has thirteen interest rate swap agreements (swaps) with three counterparties as of December 31, 2014. The objective of the agreements is to attain a synthetic fixed interest rate on a portion of its variable rate 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 at a specified rate on a notional principal amount 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).

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The swaps have an aggregate negative fair value of \$14,435 at December 31, 2014. During 2014, the negative fair value of the swaps decreased by \$717. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the current yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The swaps have been determined to constitute an effective hedge of a portion of the variable rate bond portfolio at December 31, 2014 by using the regression analysis and synthetic instrument methods. The aggregate fair value is classified as a derivative instrument liability and a deferred outflow of resources, which represents the accumulated decrease in fair value. Total variable rate bonds outstanding at December 31, 2014 total \$310,910.

The following table contains the terms, fair values, and credit ratings of the swaps as of December 31, 2014. Specific swaps are assigned to certain debt issuances for arbitrage purposes. The credit ratings were issued by Moody's Investor Services and Standard & Poor's, respectively.

Related Debt Issuance	Current Notional Amount	Effective Date of Swap	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2005 Series B	\$15,000	4/26/2005	4.85%	100 % of 90 day LIBOR	(\$671)	11/15/2015	Aa2/AA-
2005 Series C	11,125	8/23/2005	3.83%	65% of 90 day LIBOR plus .10%	(198)	11/15/2032 <sup>1</sup>	Aa2/AA-
2005 Series D-3	20,000	8/2/2005	3.63%	65% of 30 day LIBOR plus .20%	(649)	11/15/2036 <sup>2</sup>	Aa3/A+
2005 Series G	21,235	2/1/2006	3.59%	65% of 30 day LIBOR plus .20%	(5,759)	11/15/2037	Aa3/A+
2006 Series B	5,000	3/14/2006	3.67%	65% of 90 day LIBOR plus .20%	(568)	11/15/2019	Aa2/AA-
2006 Series D-3	5,000	7/11/2006	3.92%	65% of 90 day LIBOR plus .20%	(315)	11/15/2016	Aa3/A+
2007 Series E-2	8,000	9/12/2007	4.05%	65% of 90 day LIBOR plus .20%	(592)	11/15/2027 <sup>3</sup>	Aa2/AA-
2008 Series D	20,000	4/8/2008	3.40%	70% of 90 day LIBOR plus .20%	(1,239)	11/15/2022 <sup>4</sup>	Aa2/AA-
2014 Series B	14,000	4/22/2008	3.25%	67% of 30 day LIBOR	(802)	11/15/2018	Aa2/AA-
2014 Series B	14,000	12/23/2003	3.25%	67% of 30 day LIBOR	(802)	11/15/2018	Aa3/A+
2014 Series B	15,000	1/29/2008	3.71%	100% of SIFMA plus .06%	(2,397)	5/15/2023	Aa3/A+
2014 Series D	25,000	12/26/2014	1.94%	100 % of 90 day LIBOR	(217)	11/15/2019	AA-/A-
2014 Series D	30,000	12/31/2014	2.05%	100 % of 90 day LIBOR	(226)	11/15/2020	AA-/A-
Totals	<u>\$203,360</u>				<u>(\$14,435)</u>		

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

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

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

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

**Credit Risk** – As of December 31, 2014, 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 three counterparties. The swaps contain varying collateral agreements with the counterparties in order to mitigate the potential for credit risk. These requirements are met as of December 31, 2014.

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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, 2014, the thirty day LIBOR rate and the ninety day LIBOR rate were .17% and .26%, respectively and the SIFMA rate was 0.04%.

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 payments on 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.

#### **(7.) 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 \$300 for the year ended December 31, 2014.

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. As such, MaineHousing's employer contributions on behalf of its employees were \$417, \$440 and \$421 for 2014, 2013, and 2012, respectively. As of December 31, 2014, MaineHousing's plan has a surplus balance with MainePERS of approximately \$313. This surplus will reduce or eliminate future employer costs. In 2014, 2013 and 2012 MaineHousing utilized \$69, \$75 and \$70 respectively of the surplus.

#### **(8.) AVAILABLE BONDS PROCEEDS**

##### **MORTGAGE PURCHASE FUND**

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

2011 Series E (M/F)	\$3,517
2012 Series A (S/F)	9,525
2012 Series B (M/F)	475
2013 Series D (S/F)	3,002
2014 Series C (S/F)	17,365
	<u>\$33,884</u>

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**MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND**

The following bond proceeds are invested in accordance with the Maine Energy, Housing and Recovery General Indenture and are available for program activities at December 31, 2014:

2010 Series 1	\$11,294
2010 Series 2	5,955
	<u>\$17,249</u>

**(9.) COMMITMENTS**

**MORTGAGE COMMITMENTS**

Mortgage commitments are agreements to loan money 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, 2014, MaineHousing had outstanding commitments in several funds to originate multi-family mortgage loans of approximately \$31,364. MaineHousing, under its single-family program, enters into purchase agreements with lenders to purchase mortgage loans. At December 31, 2014, single-family loans being processed by lenders for MaineHousing totaled approximately \$17,588.

**LEASE COMMITMENT**

MaineHousing has committed to a lease agreement for approximately 39,000 square feet of office space that expires on December 31, 2019. Annual rent under this lease agreement increases at a rate of 3% per year and rental expense amounted to \$673 for the year ended December 31, 2014.

**(10.) RESERVE FUNDS**

**MORTGAGE PURCHASE FUND – 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, 2014 was \$96,313.

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, 2014 was \$116,277.

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, 2014, 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 \$135,171.

**MAINE ENERGY, HOUSING & ECONOMIC RECOVERY FUND – CAPITAL RESERVE FUND**

MaineHousing is required to maintain a Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement established under the General Indenture. The Capital Reserve Fund Requirement equals the greatest amount of principal and interest maturing and becoming due in the current or any succeeding bond year. The Capital Reserve Requirement as of December 31, 2014 was \$4,320. This requirement may be satisfied by the deposit of money or by the deposit of a Credit Facility or an insurance policy for the benefit of the bondholders.

Between July 1 and July 15 of each year, MaineHousing must certify to the Treasurer of the State the amount necessary and sufficient to meet MaineHousing's debt service obligation, including amounts necessary to replenish the Capital Reserve Fund to the Capital Reserve Requirement. At December 31, 2014, valuation of the Capital Reserve Fund insurance policy in the Capital Reserve Fund was \$4,320.

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**(11.) EXCESS ARBITRAGE TO BE REBATED**

Tax-exempt bonds issued by MaineHousing are subject to Internal Revenue Service (IRS) regulations that limit the amount of income that can be earned with non-mortgage investments to an amount not greater than the amount that would have been earned had the funds been invested at the yield on the bonds. Excess earnings must be rebated every five years. At December 31, 2014, there are no arbitrage liabilities to be rebated.

Prior rebate payments made by MaineHousing that are eligible for refund from the United States Treasury, based on estimated arbitrage rebate calculations, are recorded as an asset. MaineHousing has recorded assets, which are included in other assets, in the amount of \$1,086 in the Mortgage Purchase Fund.

**(12.) FUND TRANSFERS AND INTERFUND BALANCES**

During the year ended December 31, 2014, MaineHousing made operating and other transfers between funds. The following is a summary of transfers in (out):

	Mortgage Purchase Fund	General Administrative Fund	Section 8 Housing Programs	Low Income Housing Energy Assistance Program	Other Federal And State Programs
Capital Assets	\$0	\$145	(\$11)	(\$126)	(\$8)
Program Subsidies	0	2,173	0	0	(2,173)
Other	(10)	(34)	0	0	44
	<u>(\$10)</u>	<u>\$2,284</u>	<u>(\$11)</u>	<u>(\$126)</u>	<u>(\$2,137)</u>

At December 31, 2014, MaineHousing has outstanding balances between funds. The following is a summary of outstanding payables (receivables) between funds:

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	HOME Fund	Section 8 Housing Programs	Low Income Housing Energy Assistance Program	Maine Energy, Housing & Economic Recovery Program	Other Federal And State Programs
Operating expenses	\$2,316	\$7	(\$313)	\$0	(\$4,463)	\$517	\$2	\$1,934
Funds for loan closings	(337)	(7)	459	(24)	0	0	0	(91)
Program revenues and fees	(774)	0	407	(1,140)	774	0	0	733
	<u>\$1,205</u>	<u>\$0</u>	<u>\$553</u>	<u>(\$1,164)</u>	<u>(\$3,689)</u>	<u>\$517</u>	<u>\$2</u>	<u>\$2,576</u>

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**(13.) REDEMPTION OF BONDS**

For the year ended December 31, 2014, MaineHousing redeemed prior to maturity \$259,860 of its Mortgage Purchase Fund bonds from recoveries of principal, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of \$320 were attributed to the recognition of bond discount with the redeemed bonds. The following is a summary of bonds redeemed:

	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
<b>Mortgage Purchase Fund</b>				
2004 Series B-2 Term Bonds	5.20%	2035	\$11,955	100%
2004 Series B-3 Term Bonds	variable	2027	11,000	100%
2004 Series B-3 Term Bonds	variable	2035	9,000	100%
2004 Series B-3 Term Bonds	variable	2038	5,000	100%
2004 Series C-2 Term Bonds	4.80%	2024	2,945	100%
2004 Series C-2 Term Bonds	5.00%	2034	14,070	100%
2004 Series C-3 Term Bonds	variable	2038	15,000	100%
2004 Series D-1 Term Bonds	4.00%	2015	1,535	100%
2004 Series D-2 Term Bonds	4.70%	2024	2,380	100%
2004 Series D-2 Term Bonds	4.90%	2034	9,605	100%
2004 Series D-3 Term Bonds	variable	2039	15,000	100%
2005 Series A-1 Serial Bonds	4.15%	2015	95	100%
2005 Series D-2 Term Bonds	4.80%	2036	14,895	100%
2005 Series E-2 Term Bonds	4.95%	2031	6,965	100%
2005 Series E-2 Term Bonds	5.10%	2035	5,685	100%
2006 Series A-2 Term Bonds	4.65%	2025	15,250	100%
2006 Series A-2 Term Bonds	4.85%	2036	215	100%
2006 Series D-2 Term Bonds	4.85%	2026	1,805	100%
2006 Series E-2 Term Bonds	4.80%	2026	2,205	100%
2007 Series A Term Bonds	4.75%	2027	7,240	100%
2007 Series C Term Bonds	5.13%	2027	1,900	100%
2008 Series C-1 Serial Bonds	4.00%	2016	1,885	100%
2008 Series E-2 Term Bonds	variable	2030	25,415	100%
2008 Series E-2 Term Bonds	variable	2037	25,550	100%
2008 Series F-1 Serial Bonds	4.05%	2016	980	100%
2008 Series F-1 Serial Bonds	4.30%	2018	600	100%
2009 Series A-2 Serial Bonds	3.40%	2015	920	100%
2009 Series A-2 Serial Bonds	4.13%	2019	775	100%
2009 Series A-2 Term Bonds	4.90%	2024	4,495	100%
2009 Series B Serial Bonds	2.65%	2014	1,445	100%
2009 Series B Term Bonds	5.00%	2029	13,485	100%
2009 Series C Serial Bonds	2.55%	2014	1,400	100%
2009 Series C Term Bonds	5.00%	2029	11,795	100%
2009 Series D Serial Bonds	2.30%	2014	2,355	100%
2009 Series D Term Bonds	4.70%	2027	375	100%
2010 Series B-3 Serial Bonds	2.65%	2014	1,065	100%
2010 Series B-3 Serial Bonds	4.50%	2020	955	100%
2011 Series B-1 Term Bonds	4.00%	2023	250	100%
2011 Series C-1 Serial Bonds	3.75%	2023	140	100%
2012 Series A-1 Term Bonds	4.00%	2024	4,185	100%



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	Interest Rate	Original Maturity	Amount	Redemption Price
2012 Series A-1 Term Bonds	4.50%	2028	2,805	100%
2013 Series B Term Bonds	4.00%	2043	3,130	100%
2013 Series E Term Bonds	4.95%	2028	1,305	100%
2014 Series A-1 Term Bonds	3.25%	2043	805	100%
			<u>\$259,860</u>	

**(14.) CONTINGENCIES**

MaineHousing is subject to various legal proceedings and claims that arise in the normal course of its business. MaineHousing also receives funding from federal government agencies. These funds are to be used for designated purposes only and are subject to financial and compliance audits and the resolution of identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time. In the opinion of management, the ultimate resolution of these actions will not materially affect the accompanying financial statements.

**(15.) SUBSEQUENT EVENTS**

Subsequent to December 31, 2014, MaineHousing issued and redeemed bonds. The following is a summary of subsequent event transactions.

On February 17, 2015 MaineHousing issued, at par, \$69,040 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	Interest Rate	Maturity	Amount	Issued Price
2015 Series A-1 Serial Bonds	1.55-3.05%	2018-2025	\$13,485	100%
2015 Series A-2 Term Bonds	3.25%	2029	6,555	100%
2015 Series A-3 Serial Bonds	.50-1.20%	2016-2018	8,050	100%
2015 Series A-3 Term Bonds	3.50%	2034	11,220	100%
2015 Series A-3 Term Bonds	3.63%	2039	13,505	100%
2015 Series A-3 Term Bonds	3.75%	2044	16,225	100%
			<u>\$69,040</u>	

On February 18, 2015 MaineHousing redeemed at par \$19,965 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	Interest Rate	Maturity	Amount	Redemption Price
2005 Series A-1 Serial Bonds	4.15%	2015	\$420	100%
2005 Series A-1 Serial Bonds	4.30%	2016	530	100%
2005 Series A-1 Serial Bonds	4.40%	2017	530	100%
2005 Series A-1 Term Bonds	4.90%	2032	5,100	100%
2005 Series A-2 Term Bonds	4.95%	2027	2,260	100%
2005 Series C Term Bonds	variable	2039	11,125	100%
			<u>\$19,965</u>	

On March 4, 2015 MaineHousing issued, at par, \$72,000 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	Interest Rate	Maturity	Amount	Issued Price
2015 Series B Serial Bonds	.80-2.60%	2017-2025	\$9,750	100%
2015 Series B Term Bonds	3.20%	2030	10,750	100%
2015 Series B Term Bonds	3.45%	2034	1,610	100%
2015 Series B Term Bonds	3.50%	2040	9,890	100%
2015 Series C Serial Bonds	1.46-3.04%	2018-2025	9,480	100%
2015 Series C Term Bonds	3.59%	2030	18,000	100%
2015 Series C Term Bonds	3.95%	2040	12,520	100%
			<u>\$72,000</u>	

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On March 31, 2015 MaineHousing will redeem at par \$46,810 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
2006 Series A-2 Term Bonds	4.85%	2036	\$220	100%
2006 Series D-2 Term Bonds	4.85%	2026	195	100%
2006 Series E-2 Term Bonds	4.80%	2026	230	100%
2007 Series A Term Bonds	4.75%	2032	1,450	100%
2007 Series C Term Bonds	5.15%	2032	6,900	100%
2008 Series C-1 Serial Bonds	4.00%	2016	350	100%
2008 Series F-1 Serial Bonds	4.20%	2017	950	100%
2008 Series F-1 Serial Bonds	4.30%	2018	330	100%
2009 Series A-2 Serial Bonds	3.60%	2016	880	100%
2009 Series B Term Bonds	4.65%	2024	5,365	100%
2009 Series C Term Bonds	4.50%	2024	2,020	100%
2009 Series D Serial Bonds	2.75%	2015	1,890	100%
2009 Series D Term Bonds	4.70%	2027	3,055	100%
2010 Series B-3 Serial Bonds	4.30%	2019	4,025	100%
2010 Series B-3 Serial Bonds	4.50%	2020	1,915	100%
2010 Series C Term Bonds	4.75%	2026	980	100%
2011 Series A Term Bonds	4.63%	2028	3,350	100%
2012 Series A-1 Term Bonds	4.00%	2024	3,170	100%
2013 Series E Term Bonds	4.95%	2028	8,695	100%
2014 Series A-1 Term Bonds	4.45%	2030	225	100%
2014 Series C-1 Term Bonds	3.50%	2044	615	100%
			<u>\$46,810</u>	