

## **Maine State Housing Authority**

Basic Financial Statements and  
Management's Discussion and Analysis

Year Ended December 31, 2008

MAINE STATE HOUSING AUTHORITY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2008

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**INDEPENDENT AUDITORS' REPORT**

The Board of Commissioners  
Maine State Housing Authority

We have audited the accompanying financial statements of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information of the Maine State Housing Authority (MaineHousing), a component unit of the State of Maine, as of and for the year ended December 31, 2008, which collectively comprise MaineHousing's basic financial statements as listed in the table of contents. These financial statements are the responsibility of MaineHousing's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information of MaineHousing, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2009 on our consideration of MaineHousing's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

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

Portland, Maine  
March 30, 2009

*Baker Newman & Noyes*  
Limited Liability Company

**MAINE STATE HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2008**

This discussion and analysis provides an overview of the Maine State Housing Authority's (MaineHousing) financial activities for the year ended December 31, 2008 and should be read in conjunction with the audited financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- Net assets increased by \$6.9 million or 2.2% as a result of operations.
- Net operating income decreased by \$19.6 million or 74% due principally to significantly lower short-term earnings rates in 2008.
- Bonds outstanding decreased \$105 million to \$1.45 billion as of December 31, 2008. Debt issuances for the year totaled \$546.1 million, while debt retirements totaled \$651.1 million.
- Total mortgages receivable increased by \$87.4 million or 7.2% and totaled \$1.3 billion as compared to \$1.21 billion in 2007.
- Total grant income for the Low Income Home Energy Assistance Program increased by \$28.8 million or 89.2% to a total of \$61 million.

**OVERVIEW OF MAINEHOUSING**

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

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

## Agency-wide Statements

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

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

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

## Fund Financial Statements

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

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

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

MaineHousing's overall financial position and operations are summarized below for the years ended December 31, 2008 and 2007 based on the information included in the financial statements.

Agency-wide Net Assets (in millions of dollars)							Total Percentage Change
Business-type Activities		Governmental Activities		Total			
2008	2007	2008	2007	2008	2007		
Cash and investments	\$505.3	\$685.1	\$31.2	\$32.7	\$536.5	\$717.8	(25.3%)
Mortgage and other notes receivable	1,241.7	1,160.5	53.3	47.1	1,295.0	1,207.6	7.2%
Other assets	18.6	18.2	10.1	11.0	28.7	29.2	(1.7%)
<b>Total Assets</b>	<b>1,765.6</b>	<b>1,863.8</b>	<b>94.6</b>	<b>90.8</b>	<b>1,860.2</b>	<b>1,954.6</b>	<b>(4.8%)</b>
Deferred income	21.1	23.5	7.9	7.2	29.0	30.7	(5.5%)
Mortgage bonds payable	1,445.5	1,550.5	0.0	0.0	1,445.5	1,550.5	(6.8%)
Other liabilities	16.5	15.1	47.1	43.1	63.6	58.2	9.3%
<b>Total Liabilities</b>	<b>1,483.1</b>	<b>1,589.1</b>	<b>55.0</b>	<b>50.3</b>	<b>1,538.1</b>	<b>1,639.4</b>	<b>(6.2%)</b>
Restricted net assets	265.5	257.8	39.6	40.5	305.1	298.3	2.3%
Unrestricted net assets	17.0	16.9	0.0	0.0	17.0	16.9	0.6%
<b>Total Net Assets</b>	<b>\$282.5</b>	<b>\$274.7</b>	<b>\$39.6</b>	<b>\$40.5</b>	<b>\$322.1</b>	<b>\$315.2</b>	<b>2.2%</b>

MaineHousing's total assets at December 31, 2008 were \$1.86 billion, a decrease of \$94.4 million or 4.8% from December 31, 2007. The change in assets consisted primarily of a \$181.3 million decrease in cash and investments and an \$87.4 million increase in mortgage receivables. Other assets decreased \$.5 million primarily as a result of lower accrued interest receivable from investments. MaineHousing's total liabilities at December 31, 2008 were \$1.54 billion, a decrease of \$101.3 million from December 31, 2007. The decrease in liabilities is due principally to the redemption of \$651.1 million of bonds, which contributed to a \$105 million net decrease in bonds payable. Other liabilities increased \$5.4 million due primarily to a higher amount of accrued liabilities associated with revolving loan programs at December 31, 2008.

### *Cash and Investments*

Total cash and investments decreased by \$181.3 million, or 25.3% at December 31, 2008 compared to December 31, 2007. The reduction is due primarily to using certain investments to retire outstanding debt in 2008. MaineHousing's investment portfolio is comprised of securities of the U.S. Government, certain Federal agencies, the State of Maine, or repurchase agreements that are secured by such securities.

MaineHousing's investments are carried at fair value and unrealized gains and losses due to fluctuations in market values are recognized in revenues. In 2008, MaineHousing recognized \$.7 million of unrealized gains compared with \$4 million of unrealized gains in 2007.

### *Mortgage and Other Notes Receivable*

Total mortgages and other notes receivable, net, increased \$87.4 million in 2008. MaineHousing's total mortgage loan purchases and originations of \$167.1 million in 2008 were higher by \$22 million compared with 2007. The receipt of scheduled mortgage loan repayments of \$26.7 million increased from the previous year's level of \$24.7 million. Mortgage loan prepayments decreased during 2008 to a total of \$53.2 million, a reduction of \$9.3 million.

MaineHousing's combined allowance for losses on loans increased \$1.2 million or 12.8% to \$10.6 million at December 31, 2008. As a result of higher outstanding mortgages receivables and the current characteristics of MaineHousing's loan portfolios, an increase in the allowance for losses on loans was made in 2008. The aggregate allowance for losses on loan is approximately 1% of loans outstanding.

#### *Bonds and Notes Payable*

During the year, MaineHousing completed the issuance of bonds aggregating to \$546.1 million. Last year, MaineHousing completed the issuance of \$381.6 million in bonds. Debt retirements totaled \$651.1 million in 2008 and \$471.7 million in 2007. The increase in retirements is due primarily to the discontinuance of the General Housing Draw Down Bond Fund. MaineHousing issues bonds or notes as capital is needed for program purposes and as opportunities for economic refunding occur. For additional details, see the Debt Activity section of the Management's Discussion and Analysis.

#### *Net Assets*

MaineHousing's financial position continued to improve as net assets increased 2.2% during 2008. Net assets were unfavorably impacted by the low-interest rate environment that existed throughout 2008. However, in spite of a substantial reduction in short-term earning rates in 2008, MaineHousing continued to maintain a positive spread of income from investments and mortgages to cover bond interest and operating expenses.

The net assets of MaineHousing's business activities increased by \$7.8 million, while the net assets of MaineHousing's governmental activities decreased by \$.9 million. MaineHousing's business activities are in the proprietary funds and are dissimilar from the activities in the governmental funds. The results of operations for both MaineHousing's proprietary and governmental funds are presented below for the years ended December 31, 2008 and 2007:

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

	2008	2007	Increase/(Decrease)	
			Amount	Percentage
Interest from mortgages and notes	\$67.1	\$64.9	\$2.2	3.4%
Income from investments	27.2	44.9	(17.7)	(39.4%)
Grants and subsidies	163.1	135.1	28.0	20.7%
Other	9.1	8.5	0.6	7.1%
Total revenues	266.5	253.4	13.1	5.2%
Operating expenses	20.3	22.5	(2.2)	(9.8%)
Provision for losses on loans	1.5	(0.1)	1.6	1600.0%
Interest expense	73.6	72.9	0.7	1.0%
Grants and subsidies	164.2	131.6	32.6	24.8%
Total expenses	259.6	226.9	32.7	14.4%
Increase in net assets	\$6.9	\$26.5	(\$19.6)	(74.0%)

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

## RESULTS OF OPERATIONS

### Proprietary Funds Results

Net assets of MaineHousing's proprietary funds increased by \$7.8 million to \$282.5 million at December 31, 2008. The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of MaineHousing's proprietary funds for the years ended December 31, 2008 and December 31, 2007:

		Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets (in millions of dollars)		Increase/(Decrease)	
				Amount	Percentage
	2008	2007			
<b>Operating revenues:</b>					
Interest from mortgages and notes	\$67.1	\$64.9	\$2.2		3.4%
Income from investments	25.9	39.3	(13.4)		(34.1%)
Net increase in the fair value of investments	0.7	4.0	(3.3)		(82.5%)
Fee income	0.8	0.6	0.2		33.3%
Other revenue	1.4	1.1	0.3		27.3%
Total revenues	95.9	109.9	(14.0)		(12.7%)
<b>Operating expenses:</b>					
Salaries and related benefits	6.6	6.4	0.2		3.1%
Other operating expenses	3.7	4.0	(0.3)		(7.5%)
Mortgage servicing fees	2.0	1.9	0.1		5.3%
Provision for losses on loans	1.5	(0.1)	1.6		1600.0%
Interest expense	73.6	72.9	0.7		1.0%
Loss on bond redemption	0.4	0.3	0.1		33.3%
Excess arbitrage	0.9	4.0	(3.1)		(77.5%)
Total expenses	88.7	89.4	(0.7)		(0.8%)
Operating income	7.2	20.5	(13.3)		(64.9%)
Transfers in	0.6	0.9	(0.3)		(33.3%)
Change in net assets	7.8	21.4	(13.6)		(63.6%)
Net assets at beginning of year	274.7	253.3	21.4		8.4%
Net assets at end of year	\$282.5	\$274.7	\$7.8		2.8%

Operating revenues of MaineHousing's business-type activities are generated principally from interest earned on mortgages and investments. In 2008, MaineHousing's revenues for its business-type activities decreased \$14 million and totaled \$95.9 million. Of this total, \$93.7 million or 97.7% is from interest earned from mortgages and other notes and investments. Operating expenses of MaineHousing's business-type activities consist primarily of interest expense on debt incurred to fund its various lending programs. The total expenses for business-type activities totaled \$88.7 million, of which \$73.6 million or 83% was interest expense.

Change in net assets for the year ended December 31, 2008 was \$7.8 million compared to \$21.4 million for the year ended December 31, 2007, a decrease of \$13.6 million or 63.6%. Factors contributing to these results included:

- Investment income decreased by \$13.4 million or 34.1% due to decreases in short-term earnings rates and lower outstanding investment balances.
- Market fluctuations generated an unrealized gain of \$.7 million in 2008. This represents a decrease of \$3.3 million compared with the unrealized gain of \$4 million that was recognized in 2007.
- Interest earned on mortgages and notes increased by \$2.2 million or 3.4% due to higher loan amounts outstanding and higher average yields.

- Interest expense increased by \$.7 million or 1% as a result of higher average rates on debt issues and higher average debt balances outstanding during the year.
- Excess arbitrage to be rebated decreased \$3.1 million as a result of MaineHousing estimating its arbitrage liability at December 31, 2008.

### Governmental Fund Results

Fund balances of MaineHousing's governmental funds decreased \$.9 million or 2.2% to \$39.6 million at December 31, 2008. The following table summarizes the Statement of Revenues, Expenses and Changes in Fund Balances of MaineHousing's governmental funds for the years ended December 31, 2008 and December 31, 2007:

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

	2008	2007	Increase/(Decrease)	
			Amount	Percentage
<b>Operating revenues:</b>				
Income from investments	\$0.6	\$1.6	(\$1.0)	(62.5%)
Fee income	6.9	6.8	0.1	1.5%
Grant income	75.9	48.3	27.6	57.1%
Income from the State	4.8	9.1	(4.3)	(47.3%)
Federal rent subsidy income	82.4	77.7	4.7	6.0%
Total revenues	170.6	143.5	27.1	18.9%
<b>Operating expenses:</b>				
Other operating expenses	6.7	5.9	0.8	13.6%
Grant expense	82.1	54.8	27.3	49.8%
Federal rent subsidy expense	82.1	76.8	5.3	6.9%
Total expenses	170.9	137.5	33.4	24.3%
Operating income	(0.3)	6.0	(6.3)	(105.0%)
Transfers out	(0.6)	(0.9)	0.3	33.3%
Change in fund balances	(0.9)	5.1	(6.0)	(117.6%)
Fund balances at beginning of year	40.5	35.4	5.1	14.4%
Fund balances at end of year	\$39.6	\$40.5	(\$0.9)	(2.2%)

Operating revenues of MaineHousing's governmental activities are generated primarily from State and Federal grants and Federal rent subsidy income. In 2008, MaineHousing's revenues for its governmental activities increased by \$27.1 million or 18.9% to \$170.6 million. Operating expenses of MaineHousing's governmental activities consist primarily of grant and Federal rent subsidy expenses. Total operating expenses increased \$33.4 million or 24.3% to \$170.9 million for 2008.

MaineHousing earns fees for administering various federal programs. Typically fees earned provide MaineHousing with a revenue source adequate to recover direct and indirect costs of delivering related services. In 2008, fee income for administering federal programs amounted to \$6.9 million.

The 2008 financial results of MaineHousing's governmental funds were significantly affected by the following:

- Total grant income substantially increased by \$27.6 million or 57.1%. Federal grants received for the U.S. Department of Health and Human Services' Low Income Home Energy Assistance Program (LIHEAP) increased by \$28.8 million or 89.2%.
- Total grant expense increased by \$27.3 million or 49.8% due primarily to higher available grant income.
- Total Federal rent subsidy income increased by \$4.7 million or 6% due to an increase in receipts from the Department of Housing and Urban Development for the Section 8 Housing Assistance Payments Programs. Total Federal rent subsidy expense increased proportionally in 2008.

- Income from the State, which consists of Real Estate Transfer Tax deposits to the HOME Fund, decreased by \$4.3 million or 47.3%. The decrease is due to legislation that reduced deposits and lower real estate sales.

## **DEBT ACTIVITY**

MaineHousing is authorized to issue mortgage bonds and notes to purchase or originate mortgages or notes on single-family and multi-family residential properties. MaineHousing had \$1.45 billion in bonds outstanding at December 31, 2008 – a decrease of \$105 million or 6.8% from last year.

MaineHousing's debt issuances for 2008 totaled \$546.1 million. Principal payments on bonds totaled \$651.1 million in 2008. MaineHousing redeemed \$633.8 million of its outstanding bonds in 2008 from reserve funds, mortgage prepayments, and surplus revenues. Scheduled principal payments on bonds and notes totaled \$17.3 million in 2008.

MaineHousing established a General Housing Draw Down Bond Fund and issued Draw Down bonds for the purpose of preserving single family tax-exempt issuing capacity. All proceeds from Draw Down bonds were used to purchase investment securities that were reserved exclusively for all future debt service payments on these bonds. In 2008, the General Housing Draw Down Bond Fund was discontinued and there were no outstanding Draw Down bonds at December 31, 2008.

MaineHousing issues some variable rate demand obligations and enters into interest rate swaps agreements to provide synthetically fixed interest rates on certain bonds. At December 31, 2008, MaineHousing has \$313.2 million of outstanding variable rate bonds. Different interest rate swap agreements have been executed in connection with \$236.3 million of these bonds, in effect, to convert them to synthetic fixed rate bonds.

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

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2008**  
*(IN THOUSANDS OF DOLLARS)*

	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Current Assets:			
Cash, principally time deposits (note 2)	\$762	\$2,156	\$2,918
Investments (notes 2, 6, and 8)	349,149	29,051	378,200
Accounts receivable - Federal	0	3,880	3,880
Accrued interest and other assets	11,560	4,409	15,969
Mortgage notes receivable, net (note 3)	26,655	95	26,750
Other notes receivable, net (note 3)	2	0	2
Total Current Assets	<u>388,128</u>	<u>39,591</u>	<u>427,719</u>
Noncurrent Assets:			
Investments (notes 2, 6, and 8)	155,415	0	155,415
Mortgage notes receivable, net (note 3)	1,215,011	53,183	1,268,194
Other notes receivable, net (note 3)	0	690	690
Land, equipment and improvements, net	1,669	965	2,634
Other real estate owned	1,022	141	1,163
Unamortized debt issuance expense	4,333	0	4,333
Total Noncurrent Assets	<u>1,377,450</u>	<u>54,979</u>	<u>1,432,429</u>
Total Assets	<u>\$1,765,578</u>	<u>\$94,570</u>	<u>\$1,860,148</u>
<b>LIABILITIES AND NET ASSETS:</b>			
Current Liabilities:			
Accrued interest payable	\$8,320	\$0	\$8,320
Accounts payable - Federal	0	334	334
Accounts payable and accrued liabilities	3,955	44,434	48,389
Deferred income	1,054	7,911	8,965
Interfund (note 10)	(2,333)	2,333	0
Mortgage bonds payable, current (notes 4, 9, 11 and 12)	39,920	0	39,920
Total Current Liabilities	<u>50,916</u>	<u>55,012</u>	<u>105,928</u>
Noncurrent Liabilities:			
Excess arbitrage to be rebated (note 9)	6,592	0	6,592
Deferred income	20,072	0	20,072
Mortgage bonds payable, net (notes 4, 9, 11 and 12)	1,405,526	0	1,405,526
Total Noncurrent Liabilities	<u>1,432,190</u>	<u>0</u>	<u>1,432,190</u>
Total Liabilities	<u>1,483,106</u>	<u>55,012</u>	<u>1,538,118</u>
Commitments and contingent liabilities (notes 4, 7 and 12)			
Net Assets:			
Restricted Net Assets	265,546	39,558	305,104
Unrestricted Net Assets	16,926	0	16,926
Total Net Assets	<u>282,472</u>	<u>39,558</u>	<u>322,030</u>
Total Liabilities and Net Assets	<u>\$1,765,578</u>	<u>\$94,570</u>	<u>\$1,860,148</u>

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
*(IN THOUSANDS OF DOLLARS)*

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Assets			
	Expenses	Indirect Expenses Allocation	Charges for Services	Program Investment Income	Operating Grants and Contributions	Business-type Activities	Governmental Activities	Total
<b>Business-type activities:</b>								
Mortgage Purchase Fund Group	\$72,080	\$7,183	\$67,452	\$18,379	\$0	\$6,568	\$0	\$6,568
General Housing Draw Down Bond Fund	6,958	0	0	6,836	0	(122)	0	(122)
Housing Finance Revenue Fund Group	1,250	549	489	920	0	(390)	0	(390)
Bondholder Reserve Fund	0	42	11	158	0	127	0	127
General Administrative Fund	12,577	(11,891)	391	0	900	605	0	605
<b>Total business-type activities</b>	<b>92,865</b>	<b>(4,117)</b>	<b>68,343</b>	<b>26,293</b>	<b>900</b>	<b>6,788</b>	<b>0</b>	<b>6,788</b>
<b>Governmental activities:</b>								
HOME Fund	7,011	0	11	421	5,207	0	(1,372)	(1,372)
Section 8 Housing Programs	83,850	1,895	3,812	95	82,327	0	489	489
Low Income Home Energy Assistance Program	57,214	496	892	29	56,879	0	90	90
Other Federal and State Programs	18,730	1,726	2,225	62	18,634	0	465	465
<b>Total governmental activities</b>	<b>166,805</b>	<b>4,117</b>	<b>6,940</b>	<b>607</b>	<b>163,047</b>	<b>0</b>	<b>(328)</b>	<b>(328)</b>
<b>Total Authority</b>	<b>\$259,670</b>	<b>\$0</b>	<b>\$75,283</b>	<b>\$26,900</b>	<b>\$163,947</b>	<b>6,788</b>	<b>(328)</b>	<b>6,460</b>
<b>General Revenues:</b>								
Unrestricted investment income						322	0	322
Transfers						622	(622)	0
Total general revenues and transfers						944	(622)	322
Change in net assets						7,732	(950)	6,782
Net assets at beginning of year						274,740	40,508	315,248
Net assets at end of year						\$282,472	\$39,558	\$322,030

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2008**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund Group</b>	<b>General Housing Draw Down Bond Fund</b>	<b>Housing Finance Revenue Fund Group</b>	<b>Bondholder Reserve Fund</b>	<b>General Administrative Fund</b>	<b>Total</b>
<b>ASSETS:</b>						
Current Assets:						
Cash, principally time deposits (note 2)	\$ 0	\$ 468	\$ 220	\$ 3	\$ 71	\$ 762
Investments (notes 2, 6, and 8)	321,313	0	4,915	7,560	15,361	349,149
Accrued interest and other assets	11,270	0	210	38	42	11,560
Mortgage notes receivable, net (note 3)	25,432	0	1,093	0	130	26,655
Other notes receivable, net (note 3)	0	0	2	0	0	2
Total Current Assets	<u>358,015</u>	<u>468</u>	<u>6,440</u>	<u>7,601</u>	<u>15,604</u>	<u>388,128</u>
Noncurrent Assets:						
Investments (notes 2, 6, and 8)	144,865	0	10,550	0	0	155,415
Mortgage notes receivable, net (note 3)	1,201,694	0	12,118	511	688	1,215,011
Land, equipment and improvements, net	22	0	0	0	1,647	1,669
Other real estate owned	1,022	0	0	0	0	1,022
Unamortized debt issuance expense	4,265	0	68	0	0	4,333
Total Noncurrent Assets	<u>1,351,868</u>	<u>0</u>	<u>22,736</u>	<u>511</u>	<u>2,335</u>	<u>1,377,450</u>
Total Assets	<u>\$1,709,883</u>	<u>\$468</u>	<u>\$29,176</u>	<u>\$8,112</u>	<u>\$17,939</u>	<u>\$1,765,578</u>
<b>LIABILITIES AND NET ASSETS:</b>						
Current Liabilities:						
Accrued interest payable	\$8,158	\$0	\$162	\$0	\$0	\$8,320
Accounts payable and accrued liabilities	937	0	0	14	3,004	3,955
Deferred income	986	0	68	0	0	1,054
Interfund (note 10)	(358)	10	(19)	25	(1,991)	(2,333)
Mortgage bonds payable, current (notes 4, 9, 11 and 12)	38,585	0	1,335	0	0	39,920
Total Current Liabilities	<u>48,308</u>	<u>10</u>	<u>1,546</u>	<u>39</u>	<u>1,013</u>	<u>50,916</u>
Noncurrent Liabilities:						
Excess arbitrage to be rebated (note 9)	6,134	458	0	0	0	6,592
Deferred income	19,310	0	762	0	0	20,072
Mortgage bonds payable, net (notes 4, 9, 11 and 12)	1,389,124	0	16,402	0	0	1,405,526
Total Noncurrent Liabilities	<u>1,414,568</u>	<u>458</u>	<u>17,164</u>	<u>0</u>	<u>0</u>	<u>1,432,190</u>
Total Liabilities	<u>1,462,876</u>	<u>468</u>	<u>18,710</u>	<u>39</u>	<u>1,013</u>	<u>1,483,106</u>
Commitments and contingent liabilities (notes 4, 7 and 12)						
Net Assets:						
Restricted Net Assets	247,007	0	10,466	8,073	0	265,546
Unrestricted Net Assets	0	0	0	0	16,926	16,926
Total Net Assets	<u>247,007</u>	<u>0</u>	<u>10,466</u>	<u>8,073</u>	<u>16,926</u>	<u>282,472</u>
Total Liabilities and Net Assets	<u>\$1,709,883</u>	<u>\$468</u>	<u>\$29,176</u>	<u>\$8,112</u>	<u>\$17,939</u>	<u>\$1,765,578</u>

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund Group</b>	<b>General Housing Draw Down Bond Fund</b>	<b>Housing Finance Revenue Fund Group</b>	<b>Bondholder Reserve Fund</b>	<b>General Administrative Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>						
Interest from mortgages and notes	\$66,459	\$0	\$489	\$11	\$92	\$67,051
Income from investments	17,744	6,836	811	158	322	25,871
Net increase in the fair value of investments	635	0	109	0	0	744
Fee income	536	0	0	0	294	830
Grant income	0	0	0	0	900	900
Other revenue	457	0	0	0	5	462
<b>Total Revenues</b>	<b>85,831</b>	<b>6,836</b>	<b>1,409</b>	<b>169</b>	<b>1,613</b>	<b>95,858</b>
<b>OPERATING EXPENSES:</b>						
Salaries and related benefits	0	0	0	0	9,777	9,777
Other operating expenses	1,765	0	59	0	2,794	4,618
Mortgage servicing fees	1,817	0	148	0	6	1,971
Provision for losses on loans (note 3)	1,500	0	0	0	0	1,500
Losses on foreclosed real estate	50	0	0	0	0	50
Interest expense	65,919	6,592	1,043	0	0	73,554
Loss on bond redemption (note 11)	441	0	0	0	0	441
Excess arbitrage	588	366	0	0	0	954
Allocated operating costs	7,183	0	549	42	(11,891)	(4,117)
<b>Total Expenses</b>	<b>79,263</b>	<b>6,958</b>	<b>1,799</b>	<b>42</b>	<b>686</b>	<b>88,748</b>
Operating income (loss)	6,568	(122)	(390)	127	927	7,110
Transfers between funds, net (note 10)	1,559	(10)	0	0	(927)	622
Change in net assets	8,127	(132)	(390)	127	0	7,732
Net assets at beginning of year	238,880	132	10,856	7,946	16,926	274,740
Net assets at end of year	<b>\$247,007</b>	<b>\$0</b>	<b>\$10,466</b>	<b>\$8,073</b>	<b>\$16,926</b>	<b>\$282,472</b>

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
*(IN THOUSANDS OF DOLLARS)*

	Mortgage Purchase Fund Group	General Housing Draw Down Bond Fund	Housing Finance Revenue Fund Group	Bondholder Reserve Fund	General Administrative Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Interest receipts from borrowers	\$66,085	\$0	\$304	\$11	\$93	\$66,493
Principal receipts on mortgages and notes - scheduled	25,431	0	1,091	0	130	26,652
Principal receipts on mortgages and notes - prepayments	52,241	0	703	203	44	53,191
Payments for operating expenses	(10,765)	0	(756)	(42)	(2,794)	(14,357)
Payments received for operating expenses	0	0	0	0	11,891	11,891
Payments to employees	0	0	0	0	(9,777)	(9,777)
Investment in mortgages and other notes	(158,439)	0	(8,473)	(211)	0	(167,123)
Other	(1,187)	0	(31)	(28)	584	(662)
Net cash provided by (used for) operating activities	<u>(26,634)</u>	<u>0</u>	<u>(7,162)</u>	<u>(67)</u>	<u>171</u>	<u>(33,692)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>						
Payment of bond issuance costs	(1,245)	0	0	0	0	(1,245)
Proceeds from sale of bonds	370,266	174,430	0	0	0	544,696
Principal payments on bonds	(314,560)	(335,442)	(1,100)	0	0	(651,102)
Interest payments on bonds	(64,687)	(7,151)	(1,028)	0	0	(72,866)
Payments (to) from other funds	742	0	(7)	211	(1,571)	(625)
Net cash provided by (used for) non-capital financing activities	<u>(9,484)</u>	<u>(168,163)</u>	<u>(2,135)</u>	<u>211</u>	<u>(1,571)</u>	<u>(181,142)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Proceeds from disposition of foreclosed real estate	3,425	0	40	0	0	3,465
(Purchase) maturity of short-term investments, net	14,477	0	(1,633)	(306)	1,103	13,641
Purchase of long-term investments	(122,920)	(174,430)	(9,449)	0	0	(306,799)
Sales and calls of long-term investments	120,853	335,442	19,500	0	0	475,795
Interest received on investments	20,283	6,836	991	163	328	28,601
Net cash provided by (used for) investing activities	<u>36,118</u>	<u>167,848</u>	<u>9,449</u>	<u>(143)</u>	<u>1,431</u>	<u>214,703</u>
Net increase (decrease) in cash	0	(315)	152	1	31	(131)
Cash at beginning of year	0	783	68	2	40	893
Cash at end of year	<u>\$0</u>	<u>\$468</u>	<u>\$220</u>	<u>\$3</u>	<u>\$71</u>	<u>\$762</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$6,568	(\$122)	(\$390)	\$127	\$927	\$7,110
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	1,483	0	24	0	376	1,883
Interest on bonds	64,436	6,592	1,019	0	0	72,047
Provision for losses on loans	1,500	0	0	0	0	1,500
Losses on foreclosed real estate	50	0	0	0	0	50
Loss on bond redemption	441	0	0	0	0	441
Interest income on investments	(17,744)	(6,836)	(811)	(158)	(322)	(25,871)
Net increase in fair value of investments	(635)	0	(109)	0	0	(744)
Changes in operating assets and liabilities:						
Other assets	(588)	0	(31)	(38)	(553)	(1,210)
Mortgage note interest receivable	(374)	0	(19)	0	1	(392)
Accounts payable and accrued liabilities	1,221	366	0	10	(432)	1,165
Deferred income and other liabilities	(2,225)	0	(166)	0	0	(2,391)
Investment in mortgage and other notes	(158,439)	0	(8,473)	(211)	0	(167,123)
Mortgage & other note principal repayments	77,672	0	1,794	203	174	79,843
Net cash provided by (used for) operating activities	<u>(\$26,634)</u>	<u>\$0</u>	<u>(\$7,162)</u>	<u>(\$67)</u>	<u>\$171</u>	<u>(\$33,692)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:</b>						
Real estate acquired through foreclosure	\$4,757	\$0	\$0	\$0	\$0	\$4,757

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2008**  
*(IN THOUSANDS OF DOLLARS)*

	<b>HOME Fund</b>	<b>Section 8 Housing Programs</b>	<b>Low Income Home Energy Assistance Program</b>	<b>Other Federal and State Programs</b>	<b>Total</b>
<b>ASSETS:</b>					
Current Assets:					
Cash, principally time deposits (note 2)	\$ 18	\$ 60	\$ 951	\$ 1,127	\$ 2,156
Investments (note 2)	17,009	4,583	0	7,459	29,051
Accounts receivable - Federal	0	144	0	3,736	3,880
Accrued interest and other assets	3	72	196	4,138	4,409
Mortgage notes receivable, net (note 3)	33	0	0	62	95
Total Current Assets	<u>17,063</u>	<u>4,859</u>	<u>1,147</u>	<u>16,522</u>	<u>39,591</u>
Noncurrent Assets:					
Mortgage notes receivable, net (note 3)	12,749	178	0	40,256	53,183
Other notes receivable, net (note 3)	0	0	0	690	690
Land, equipment and improvements, net	0	152	477	336	965
Other real estate owned	0	0	0	141	141
Total Noncurrent Assets	<u>12,749</u>	<u>330</u>	<u>477</u>	<u>41,423</u>	<u>54,979</u>
Total Assets	<u><u>\$29,812</u></u>	<u><u>\$5,189</u></u>	<u><u>\$1,624</u></u>	<u><u>\$57,945</u></u>	<u><u>\$94,570</u></u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Current Liabilities:					
Accounts payable - Federal	\$0	\$283	\$47	\$4	\$334
Accounts payable and accrued liabilities	0	51	0	44,383	44,434
Deferred income	414	0	974	6,523	7,911
Interfund (note 10)	(93)	(470)	32	2,864	2,333
Total Current Liabilities	<u>321</u>	<u>(136)</u>	<u>1,053</u>	<u>53,774</u>	<u>55,012</u>
Total Liabilities	<u>321</u>	<u>(136)</u>	<u>1,053</u>	<u>53,774</u>	<u>55,012</u>
Commitments and contingent liabilities (note 7)					
Fund Balances:					
Reserved Fund Balances	29,491	5,325	571	4,171	39,558
Unreserved Fund Balances	0	0	0	0	0
Total Fund Balances	<u>29,491</u>	<u>5,325</u>	<u>571</u>	<u>4,171</u>	<u>39,558</u>
Total Liabilities and Fund Balances	<u><u>\$29,812</u></u>	<u><u>\$5,189</u></u>	<u><u>\$1,624</u></u>	<u><u>\$57,945</u></u>	<u><u>\$94,570</u></u>

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
*(IN THOUSANDS OF DOLLARS)*

	<b>HOME Fund</b>	<b>Section 8 Housing Programs</b>	<b>Low Income Home Energy Assistance Program</b>	<b>Other Federal and State Programs</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>					
Interest from mortgages and notes	\$11	\$0	\$0	\$5	\$16
Income from investments	421	95	29	62	607
Fee income	0	3,812	892	2,220	6,924
Grant income	437	0	56,879	18,634	75,950
Income from State	4,770	0	0	0	4,770
Federal rent subsidy income	0	82,327	0	0	82,327
<b>Total Revenues</b>	<b>5,639</b>	<b>86,234</b>	<b>57,800</b>	<b>20,921</b>	<b>170,594</b>
<b>OPERATING EXPENSES:</b>					
Other operating expenses	0	1,734	335	519	2,588
Grant expense	7,011	0	56,879	18,211	82,101
Federal rent subsidy expense	0	82,116	0	0	82,116
Allocated operating costs	0	1,895	496	1,726	4,117
<b>Total Expenses</b>	<b>7,011</b>	<b>85,745</b>	<b>57,710</b>	<b>20,456</b>	<b>170,922</b>
Operating income (loss)	(1,372)	489	90	465	(328)
Transfers between funds, net (note 10)	(622)	0	0	0	(622)
Change in fund balances	(1,994)	489	90	465	(950)
Fund balances at beginning of year	31,485	4,836	481	3,706	40,508
Fund balances at end of year	<b>\$29,491</b>	<b>\$5,325</b>	<b>\$571</b>	<b>\$4,171</b>	<b>\$39,558</b>

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2008**  
*(IN THOUSANDS OF DOLLARS)*

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

**AUTHORIZING LEGISLATION**

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

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

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

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

**BASIS OF ACCOUNTING**

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

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

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

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

**FUND STRUCTURE**

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

**MORTGAGE PURCHASE FUND GROUP**

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

**GENERAL HOUSING DRAW DOWN BOND FUND**

This fund, established by the General Housing Draw Down Bond Resolution, authorizes MaineHousing to issue Draw Down Bonds for the purpose of preserving tax-exempt single-family bond capacity. This fund was discontinued on December 1, 2008. All assets at December

31, 2008 will be used to settle outstanding obligations in 2009 and the fund will be closed.

**HOUSING FINANCE REVENUE FUND GROUP**

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

**BONDHOLDER RESERVE FUND**

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

**GENERAL ADMINISTRATIVE FUND**

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

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

**HOME FUND**

The State Legislature authorized the creation of the Housing Opportunities for Maine ("HOME") Program to promote and create affordable housing. The program has been funded by a portion of the Real Estate Transfer Tax levied by the State of Maine and by appropriations. These funds may be used in conjunction with MaineHousing's other housing resources. MaineHousing also administers in this fund the Shelter Operating Subsidy Program, which is funded by or in conjunction with the State of Maine.

**SECTION 8 HOUSING PROGRAMS**

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

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

**LOW INCOME HOME ENERGY ASSISTANCE PROGRAM**

MaineHousing is the designated administrator of the Low Income Home Energy Assistance Program for the State of Maine. This program is Federally funded through the Department of Health and Human Services. Under this program, funds are provided to low income homeowners and renters to assist with the payment of heating costs. The funding level is established annually by the Federal government and MaineHousing receives annual fees for the administration of this program.

**OTHER FEDERAL AND STATE PROGRAMS**

MaineHousing administers various other Federal and State housing and energy related programs and grants. This fund group records the activity and reflects the consolidation of these programs and grants. Program

administration is governed by the appropriate Federal regulations or State laws. The annual program and grant funding levels are set by the appropriate Federal or State government. MaineHousing receives annual fees for the program administration for most of the Federal programs and grants. Federal and State programs consist of the following:

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

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

**U.S. Department of Energy**

Weatherization

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

Weatherization / Central Heating Improvement Program  
Residential Energy Assistance Challenge Program

**Neighborhood Reinvestment Corporation**

National Foreclosure Mitigation Counseling Program

**State of Maine**

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

**Private**

Robert Wood Johnson Foundation  
The Ford Foundation

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

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

**DEPRECIATION**

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

**DISCOUNT, PREMIUM AND BOND ISSUANCE COSTS**

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

**INVESTMENTS**

Investments are carried at fair value based on quoted market prices. Unrealized gains and losses due to fluctuations in market values and gains and losses realized upon sale are reported as net increases (decreases) in the fair value of investments.

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

**MORTGAGE NOTES RECEIVABLE**

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

**ALLOWANCES FOR LOSSES ON LOANS**

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

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

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

**LOAN ORIGATION FEES AND COSTS**

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

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

**OTHER REAL ESTATE OWNED**

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

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

**GRANTS**

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

**STATEMENT OF CASH FLOWS**

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

**INTEREST RATE SWAP AGREEMENTS**

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

## (2.) CASH AND INVESTMENTS

At December 31, 2008, the carrying amount of MaineHousing's deposits was \$2,918 and the bank balance was \$4,913. The difference between the carrying amount and the bank balance represents outstanding checks. Of the bank balance, \$400 was covered by federal depository insurance, \$4,135 was collateralized by repurchase agreements for which the securities are held by the bank's trustee in MaineHousing's name, and \$378 was uninsured and uncollateralized.

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

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

MaineHousing's investment balances and stated maturities as of December 31, 2008 are presented in the following table. The ratings of Standard & Poor's and Moody's Investors Service are listed respectively after the related investments. Actual maturities may differ due to investments being called by the issuer.

Investment	Carrying Amount	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
<b>PROPRIETARY FUNDS</b>					
<b>MORTGAGE PURCHASE FUND GROUP</b>					
Repurchase Agreements	\$219,094	\$219,094	\$0	\$0	\$0
U.S. Government-sponsored enterprise obligations (Rated AAA/Aaa)	246,502	101,637	0	68,205	76,660
State Obligations (Rated AA-/Aa3)	582	582	0	0	0
<b>Total - Mortgage Purchase Fund Group</b>	<b>466,178</b>	<b>321,313</b>	<b>0</b>	<b>68,205</b>	<b>76,660</b>
<b>HOUSING FINANCE REVENUE FUND GROUP</b>					
Repurchase Agreements	4,915	4,915	0	0	0
U.S. Government-sponsored enterprise obligations (Rated AAA/Aaa)	10,550	0	0	7,158	3,392
<b>Total - Housing Finance Revenue Fund Group</b>	<b>15,465</b>	<b>4,915</b>	<b>0</b>	<b>7,158</b>	<b>3,392</b>
<b>BONDHOLDERS RESERVE FUND</b>					
Repurchase Agreements	7,560	7,560	0	0	0
<b>GENERAL ADMINISTRATIVE FUND</b>					
Repurchase Agreements	15,361	15,361	0	0	0
<b>Total - Proprietary Funds</b>	<b>\$504,564</b>	<b>\$349,149</b>	<b>\$0</b>	<b>\$75,363</b>	<b>\$80,052</b>
<b>GOVERNMENTAL FUNDS</b>					
<b>HOME FUND</b>					
Repurchase Agreements	\$17,009	\$17,009	\$0	\$0	\$0
<b>SECTION 8 HOUSING PROGRAM</b>					
Repurchase Agreements	4,583	4,583	0	0	0
<b>OTHER FEDERAL AND STATE PROGRAMS</b>					
Repurchase Agreements	7,459	7,459	0	0	0
<b>Total - Governmental Funds</b>	<b>\$29,051</b>	<b>\$29,051</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

All repurchase agreements are continuously and fully secured by permitted investments. It is MaineHousing's policy to require that collateral be held by MaineHousing's trustee in MaineHousing's name or held by the broker, dealer or bank's trustee in MaineHousing's name. MaineHousing follows a similar policy for the investments of all funds. MaineHousing generally invests in repurchase agreements for short-term investments. On December 31, 2008, approximately \$276 million was invested in short-term repurchase agreements having maturity dates of less than one year, at rates ranging from 0.05% to 1.92%.

Investments other than repurchase agreements are registered in MaineHousing's name. Investments issued by FHLMC, FNMA, FFCB, and FHLB make up 7%, 9%, 8%, and 29% of total investments, respectively, in the Mortgage Purchase Fund Group and 0%, 42%, 13% and 13% of total investments, respectively, in the Housing Finance Revenue Fund Group.

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

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

A summary of mortgage notes receivable at December 31, 2008, is as follows:

**MORTGAGE PURCHASE FUND GROUP - SINGLE-FAMILY:**

VA guaranteed	817	\$66,009	7.4%
FHA insured	2,659	227,084	25.4%
RD guaranteed	3,143	268,755	30.0%
Privately insured	2,464	206,325	23.0%
Non-insured	2,872	127,067	14.2%
Total Mortgage Purchase Fund Group- single-family	<u>11,955</u>	<u>895,240</u>	<u>100.0%</u>

**MORTGAGE PURCHASE FUND GROUP - MULTI-FAMILY:**

Federally assisted:			
Section 8	175	104,078	30.5%
Section 236	2	134	0.0%
Conventional	199	198,416	58.2%
Supportive Housing	261	38,390	11.3%
Total Mortgage Purchase Fund Group - multi-family	<u>637</u>	<u>341,018</u>	<u>100.0%</u>
Less: Allowance for losses on loans		(9,132)	
Total Mortgage Purchase Fund Group	<u>12,592</u>	<u>1,227,126</u>	

**HOUSING FINANCE REVENUE FUND GROUP – HOME IMPROVEMENT LOANS:**

Non-insured	1,241	6,639	47.7%
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**HOUSING FINANCE REVENUE FUND GROUP – SINGLE-FAMILY:**

Privately insured	7	319	2.3%
Non-insured	179	6,947	50.0%
Total Housing Finance Revenue Fund Group- single-family	<u>186</u>	<u>7,266</u>	
		13,905	<u>100.0%</u>
Less: Allowance for losses on loans		(694)	
Total Housing Finance Revenue Fund Group	<u>1,427</u>	<u>13,211</u>	

**BONDHOLDER RESERVE FUND– MULTI-FAMILY:**

Non-insured	<u>3</u>	<u>511</u>	<u>100.0%</u>
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**GENERAL ADMINISTRATIVE FUND - SINGLE-FAMILY:**

VA guaranteed	4	28	3.4%
Non-insured	9	103	12.6%
Privately insured	47	687	84.0%
Total General Administrative Fund	<u>60</u>	<u>818</u>	<u>100.0%</u>
Total Proprietary Funds mortgage notes receivable	<u>14,082</u>	<u>\$1,241,666</u>	

**GOVERNMENTAL FUNDS****HOME FUND - SINGLE-FAMILY:**

Non-insured	55	163	
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**HOME FUND - MULTI-FAMILY:**

Non-insured	52	13,312	100.0%
Less: Allowance for losses on loans		(693)	
Total HOME Fund	<u>107</u>	<u>12,782</u>	

**SECTION 8 HOUSING PROGRAMS – MULTI-FAMILY:**

Non-insured – revolving loans	<u>5</u>	<u>178</u>	<u>100.0%</u>
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**OTHER FEDERAL AND STATE PROGRAMS – HOME IMPROVEMENT LOANS:**

Non-insured - revolving loans	34	196	0.5%
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**OTHER FEDERAL AND STATE PROGRAMS – MULTI-FAMILY:**

Non-insured - revolving loans	154	40,122	99.5%
Total Other Federal and State Programs	<u>188</u>	<u>40,318</u>	<u>100.0%</u>
Total Governmental Funds mortgage notes receivable	<u>300</u>	<u>\$53,278</u>	

A summary of other notes receivable at December 31, 2008, is as follows:

	Number of Notes	Principal Balance	Percent of Portfolio
<b>PROPRIETARY FUNDS</b>			
HOUSING FINANCE REVENUE FUND GROUP:			
Non-insured	2	\$17	100.0%
Less: Allowance for losses on loans		(15)	
Total Housing Finance Revenue Fund Group	2	2	
Total Proprietary Funds other notes receivable	2	\$2	
<b>GOVERNMENTAL FUNDS</b>			
OTHER FEDERAL AND STATE PROGRAMS:			
Non-insured	2	\$38	4.9%
Non-insured - revolving notes	15	743	95.1%
	17	781	100.0%
Less: Allowance for losses on loans		(91)	
Total Other Federal and State Programs	17	690	
Total Governmental Funds other notes receivable	17	\$690	

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

	<u>PROPRIETARY FUNDS</u>		<u>GOVERNMENTAL FUNDS</u>	
	Mortgage Purchase Fund Group	Housing Finance Revenue Fund Group	HOME Fund	Other Federal And State Programs
Balance – December 31, 2007	\$8,042	\$592	\$693	\$91
Provision	1,500	0	0	0
Loans charged off	(410)	(23)	0	0
Recoveries	0	140	0	0
Balance – December 31, 2008	<u>\$9,132</u>	<u>\$709</u>	<u>\$693</u>	<u>\$91</u>

**(4) MORTGAGE BONDS PAYABLE**

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

The Single-Family (S/F), Multi-Family (M/F), and Home Improvement (HI) Mortgage Bonds Payable outstanding at December 31, 2008 are as follows:

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
<b>MORTGAGE PURCHASE FUND GROUP</b>							
1997 SERIES D BONDS (S/F):							
1997 Series D-1 (Non-AMT)							
Serial Bonds	13,780	2,570	5.10%	2009	2,570		
Term Bonds	17,815	0	5.05%				
1997 Series D-2 (AMT)							
Term Bonds	17,635	0	5.80%				
Term Bonds	1,195	0	5.90%				
Term Bonds	9,475	0	5.90%				
Term Bonds	100	0	5.90%				
	<u>60,000</u>	<u>2,570</u>					
1997 SERIES F BONDS (M/F):							
1997 Series F-1 (Non-AMT)							
Term Bonds	8,580	8,420	5.50%	2018-2029	510	-	890
1997 Series F-2 (AMT)							
Term Bonds	3,825	3,540	5.50%	2009-2017	315	-	490
	<u>12,405</u>	<u>11,960</u>					
1998 SERIES A BONDS (S/F):							
1998 Series A-1 (Non-AMT)							
Serial Bonds	7,970	2,275	4.75%-4.85%	2009-2010	1,105	-	1,170
Term Bonds	6,835	0	5.15%				
1998 Series A-2 (AMT)							
Term Bonds	6,540	0	5.30%				
Term Bonds	7,000	0	4.70%				
Term Bonds	5,470	0	5.35%				
Term Bonds	11,085	10,720	5.33%	2027-2032	1,350	-	2,080
Term Bonds	100	0	5.40%				
	<u>45,000</u>	<u>12,995</u>					
1998 SERIES C BONDS (S/F):							
1998 Series C-1 (Non-AMT)							
Term Bonds	9,000	3,635	5.15%	2010-2012	940	-	1,380
1998 Series C-2 (AMT)							
Serial Bonds	6,000	980	4.90%	2009		980	
Term Bonds	8,600	0	4.75%				
Term Bonds	605	0	5.38%				
Term Bonds	13,220	13,220	5.25%	2016-2030	600	-	1,235
Term Bonds	12,575	0	5.38%				
	<u>50,000</u>	<u>17,835</u>					
1998 SERIES F BONDS (S/F):							
1998 Series F-1 (Non-AMT)							
Term Bonds	8,000	3,975	5.13%	2009-2013	195	-	1,025
1998 Series F-2 (AMT)							
Serial Bonds	1,790	0	4.50%				
Term Bonds	5,425	0	4.65%				
Term Bonds	10,000	10,000	5.25%	2020-2027	800	-	1,530
Term Bonds	195	195	5.35%	2031		195	
Term Bonds	15,090	7,370	5.35%	2020-2029	270	-	2,150
	<u>40,500</u>	<u>21,540</u>					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
1999 SERIES A BONDS (M/F):							
1999 Series A-1 (Non-AMT)							
Term Bonds	3,525	3,525	5.05%	2011-2018	150	-	590
Term Bonds	3,730	2,540	5.13%	2019-2023	460	-	565
1999 Series A-2 (AMT)							
Serial Bonds	2,595	1,355	4.40%-4.70%	2009-2012	295	-	390
Term Bonds	5,105	5,105	5.25%	2026-2032	615	-	845
	<u>14,955</u>	<u>12,525</u>					
1999 SERIES B BONDS (S/F):							
1999 Series B-1 (Non-AMT)							
Term Bonds	7,000	0	5.00%				
1999 Series B-2 (AMT)							
Serial Bonds	14,430	4,570	4.70%-4.80%	2009-2010	2,235	-	2,335
Term Bonds	11,610	11,610	5.25%	2014-2018	1,045	-	4,590
Term Bonds	16,960	0	4.70%				
Term Bonds	30,000	10,930	5.30%	2021-2026	635	-	2,280
	<u>80,000</u>	<u>27,110</u>					
1999 Series C (AMT)							
Serial Bonds	6,840	1,950	4.90%-5.00%	2009-2010	950	-	1,000
Term Bonds	4,015	0	4.85%				
Term Bonds	17,110	14,045	5.45%	2011-2022	145	-	1,620
Term Bonds	12,035	0	5.55%				
	<u>40,000</u>	<u>15,995</u>					
1999 SERIES D BONDS (S/F):							
1999 Series D-1 (Non-AMT)							
Serial Bonds	995	485	5.15%	2009		485	
Term Bonds	11,500	0	5.25%				
Term Bonds	8,565	0	5.75%				
Term Bonds	1,940	0	5.80%				
1999 Series D-2 (AMT)							
Serial Bonds	3,910	0	5.20%				
Term Bonds	2,750	0	5.90%				
Term Bonds	20,340	0	5.95%				
	<u>50,000</u>	<u>485</u>					
1999 SERIES E BONDS (M/F):							
1999 Series E-1 (Non-AMT)							
Term Bonds	6,315	0	5.85%				
1999 Series E-2 (AMT)							
Serial Bonds	11,195	5,075	5.35%-5.75%	2009-2013	910	-	1,130
Term Bonds	3,610	0	5.95%				
Term Bonds	3,295	0	6.10%				
	<u>24,415</u>	<u>5,075</u>					
2000 SERIES A BONDS (S/F):							
2000 Series A (AMT)							
Serial Bonds	6,000	0	5.50%				
Term Bonds	6,640	0	6.40%				
Term Bonds	855	0	6.40%				
Term Bonds	9,500	0	5.75%				
Term Bonds	12,005	12,005	6.40%	2021-2032	420	-	2,115
	<u>35,000</u>	<u>12,005</u>					
2000 SERIES B BONDS (S/F):							
2000 Series B-1 (Non-AMT)							
Serial Bonds	2,505	0	5.35%				
Term Bonds	4,755	0	5.80%				
Term Bonds	740	0	6.00%				

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
<b>2000 Series B-2 (AMT)</b>							
Serial Bonds	5,365	740	5.45%	2009		740	
Term Bonds	3,835	0	6.05%				
Term Bonds	5,800	75	5.60%	2021		75	
Term Bonds	7,000	0	6.15%				
Term Bonds	10,000	0	6.20%				
	<u>40,000</u>	<u>815</u>					
<b>2001 SERIES A BONDS (M/F):</b>							
<b>2001 Series A (Non-AMT)</b>							
Serial Bonds	17,325	10,595	4.25%-5.05%	2009-2016	1,125	-	1,545
Term Bonds	19,815	17,015	5.35%	2017-2021	1,585	-	4,155
Term Bonds	3,335	0	5.45%				
	<u>40,475</u>	<u>27,610</u>					
<b>2001 SERIES B BONDS (S/F):</b>							
<b>2001 Series B (AMT)</b>							
Serial Bonds	4,130	1,550	4.50%-4.75%	2009-2011	495	-	540
Term Bonds	9,350	9,350	5.40%	2012-2021	725	-	1,170
Term Bonds	3,660	495	4.60%	2022		495	
Term Bonds	4,045	3,445	5.50%	2025-2031	125	-	690
Term Bonds	8,815	3,545	5.50%	2025-2029	240	-	1,035
	<u>30,000</u>	<u>18,385</u>					
<b>2001 SERIES C BONDS (S/F):</b>							
<b>2001 Series C (AMT)</b>							
Serial Bonds	4,715	2,575	4.70%-5.00%	2009-2012	600	-	690
Term Bonds	5,580	5,580	5.45%	2013-2021	385	-	860
Term Bonds	6,425	6,425	5.45%	2013-2022	335	-	1,680
Term Bonds	13,280	5,805	5.55%	2023-2028	70	-	1,275
	<u>30,000</u>	<u>20,385</u>					
<b>2001 SERIES E BONDS (S/F):</b>							
<b>2001 Series E-1 (Non-AMT)</b>							
Serial Bonds	23,500	10,635	4.00%-4.38%	2009-2012	2,490	-	2,905
Term Bonds	6,500	6,500	4.95%	2013-2017	100	-	2,205
<b>2001 Series E-2 (AMT)</b>							
Term Bonds	18,365	2,945	4.25%	2016		2,945	
<b>2001 Series E-3 (AMT)</b>							
Term Bonds	16,635	9,245	5.25%	2009-2016	985	-	1,340
Term Bonds	25,000	0	5.38%				
	<u>90,000</u>	<u>29,325</u>					
<b>2001 SERIES F BONDS (M/F):</b>							
<b>2001 Series F-1 (Non-AMT)</b>							
Term Bonds	2,255	2,255	5.25%	2012-2021	175	-	285
Term Bonds	4,280	4,280	5.38%	2022-2032	295	-	500
<b>2001 Series F-2 (AMT)</b>							
Serial Bonds	3,830	0	3.75%				
Term Bonds	3,235	3,235	5.50%	2012-2032	85	-	250
	<u>13,600</u>	<u>9,770</u>					
<b>2001 SERIES G BONDS (M/F):</b>							
<b>2001 Series G (AMT)</b>							
Term Bonds	3,130	3,130	5.40%	2012-2021	240	-	390
Term Bonds	5,305	5,305	5.50%	2022-2031	415	-	670
	<u>8,435</u>	<u>8,435</u>					
<b>2002 SERIES A BONDS (S/F):</b>							
<b>2002 Series A-1 (Non-AMT)</b>							
Term Bonds	2,355	2,355	4.95%	2013-2016	40	-	805

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2002 Series A-2 (AMT)							
Serial Bonds	6,190	3,385	4.40%-4.85%	2009-2013	630	-	710
Term Bonds	2,460	2,460	5.30%	2017-2021	435	-	540
Term Bonds	5,815	5,815	5.30%	2017-2022	750	-	1,580
Term Bonds	4,900	1,080	4.55%	2023		1,080	
Term Bonds	8,280	5,690	5.40%	2027-2031	470	-	1,410
	<u>30,000</u>	<u>20,785</u>					
2002 SERIES B BONDS (M/F):							
2002 Series B (Non-AMT)							
Serial Bonds	7,245	4,990	4.10%-4.85%	2009-2015	630	-	815
Term Bonds	7,250	7,095	5.30%	2016-2023	755	-	1,030
	<u>14,495</u>	<u>12,085</u>					
2002 SERIES C BONDS (M/F):							
2002 Series C (Non-AMT)							
Serial Bonds	10,165	7,250	4.10%-4.85%	2009-2015	905	-	1,180
Term Bonds	12,020	8,495	5.30%	2016-2021	1,245	-	1,580
	<u>22,185</u>	<u>15,745</u>					
2002 SERIES D BONDS (S/F):							
2002 Series D (AMT)							
Serial Bonds	6,255	3,035	4.00%-4.45%	2009-2012	715	-	805
Term Bonds	15,725	15,725	5.25%	2013-2022	845	-	2,335
Term Bonds	18,020	12,615	5.40%	2023-2030	1,025	-	1,930
	<u>40,000</u>	<u>31,375</u>					
2002 SERIES F BONDS (S/F):							
2002 Series F-1 (Non-AMT)							
Serial Bonds	10,430	8,285	3.45%-4.00%	2009-2012	1,205	-	2,715
Term Bonds	5,790	5,790	4.63%	2013-2017	1,125	-	1,185
2002 Series F-2 (AMT)							
Serial Bonds	13,480	5,245	3.80%-4.25%	2009-2012	1,105	-	1,660
Term Bonds	17,000	4,390	3.75%	2016-2017	460	-	3,930
Term Bonds	10,000	10,000	5.05%	2013-2021	720	-	1,610
Term Bonds	12,580	6,945	5.15%	2013-2019	775	-	1,430
Term Bonds	5,000	5,000	5.10%	2013-2023	15	-	3,020
Term Bonds	10,720	0	5.25%				
	<u>85,000</u>	<u>45,655</u>					
2002 SERIES G BONDS (S/F):							
2002 Series G-1 (Non-AMT)							
Serial Bonds	2,000	2,000	3.80%-4.25%	2012-2015	215	-	620
2002 Series G-2 (AMT)							
Serial Bonds	4,150	1,870	3.55%-4.00%	2009-2012	330	-	535
Term Bonds	8,100	4,375	5.15%	2016-2020	100	-	1,150
Term Bonds	1,815	315	4.00%	2023		315	
Term Bonds	790	335	5.25%	2025-2028	30	-	105
Term Bonds	5,145	2,435	5.25%	2025-2029	190	-	605
	<u>22,000</u>	<u>11,330</u>					
2003 SERIES A BONDS (M/F):							
2003 Series A-1 (Non-AMT)							
Serial Bonds	1,155	615	3.05%-3.90%	2009-2013	115	-	135
Term Bonds	1,735	1,735	4.85%	2014-2023	135	-	215
Term Bonds	2,785	2,785	4.95%	2024-2033	215	-	345
2003 Series A-2 (AMT)							
Serial Bonds	7,795	1,305	3.40%-4.20%	2009-2013	245	-	280
Term Bonds	1,755	1,755	4.90%	2014-2022	160	-	235
Term Bonds	1,975	1,975	4.90%	2014-2023	135	-	450
Term Bonds	3,000	3,000	5.00%	2024-2032	270	-	400
Term Bonds	3,100	3,100	5.00%	2024-2033	210	-	760
	<u>23,300</u>	<u>16,270</u>					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
<b>2003 SERIES B BONDS (S/F):</b>							
<b>2003 Series B-1 (Non-AMT)</b>							
Serial Bonds	1,885	1,885	3.90%-4.05%	2013-2014	925	-	960
Term Bonds	4,965	4,965	4.85%	2021-2025	910	-	1,085
<b>2003 Series B-2 (AMT)</b>							
Serial Bonds	3,310	1,570	3.45%-4.15%	2009-2012	260	-	755
Term Bonds	7,000	2,505	3.65%	2015-2017	360	-	1,105
Term Bonds	245	245	5.00%	2026		245	
Term Bonds	7,965	6,365	5.05%	2026-2030	975	-	1,420
	<u>25,370</u>	<u>17,535</u>					
<b>2003 SERIES C BONDS (S/F):</b>							
<b>2003 Series C-1 (Non-AMT)</b>							
Serial Bonds	8,350	5,920	3.45%-4.70%	2009-2016	650	-	850
<b>2003 Series C-2 (AMT)</b>							
Term Bonds	4,420	1,830	4.00%	2020-2025	135	-	375
Term Bonds	5,415	5,080	5.45%	2017-2032	165	-	845
	<u>18,185</u>	<u>12,830</u>					
<b>2003 SERIES D BONDS (S/F):</b>							
<b>2003 Series D-1 (Non-AMT)</b>							
Serial Bonds	21,490	15,805	3.10%-4.50%	2009-2017	1,505	-	2,055
<b>2003 Series D-2 (AMT)</b>							
Term Bonds	4,000	4,000	4.90%	2018-2022	735	-	865
Term Bonds	5,240	5,240	4.90%	2018-2023	650	-	1,695
Term Bonds	9,100	4,595	5.00%	2024-2026	150	-	2,280
Term Bonds	10,170	5,555	5.00%	2028-2030	595	-	2,515
	<u>50,000</u>	<u>35,195</u>					
<b>2003 SERIES F BONDS (S/F – M/F):</b>							
<b>2003 Series F (Non-AMT)</b>							
Serial Bonds	27,250	15,995	3.00%-4.00%	2009-2014	1,745	-	4,000
Term Bonds	23,205	23,205	4.80%	2019-2023	4,640	-	4,645
Term Bonds	21,970	21,970	4.80%	2019-2024	50	-	4,385
	<u>72,425</u>	<u>61,170</u>					
<b>2004 SERIES A BONDS (S/F):</b>							
<b>2004 Series A-1 (Non-AMT)</b>							
Serial Bonds	13,385	11,880	2.65%-4.00%	2009-2015	1,550	-	1,875
<b>2004 Series A-2 (AMT)</b>							
Serial Bonds	3,890	0	2.35%				
Term Bonds	13,420	6,440	5.00%	2016-2019	1,370	-	2,115
Term Bonds	5,605	5,605	4.75%	2019-2023	400	-	2,330
Term Bonds	5,060	5,060	4.75%	2019-2024	360	-	1,860
Term Bonds	3,240	2,180	4.80%	2025-2028	70	-	1,080
Term Bonds	2,675	0	4.80%				
	<u>47,275</u>	<u>31,165</u>					
<b>2004 SERIES B BONDS (S/F):</b>							
<b>2004 Series B-1 (Non-AMT)</b>							
Serial Bonds	10,000	6,975	3.10%-4.00%	2009-2014	1,070	-	1,270
<b>2004 Series B-2 (AMT)</b>							
Term Bonds	15,000	12,525	5.20%	2029-2035	245	-	2,565
<b>2004 Series B-3 (AMT)</b>							
Term Bonds	11,000	11,000	Variable-1.30% *	2015-2027	425	-	1,505
Term Bonds	9,000	9,000	Variable-1.35% *	2028-2035	730	-	1,620
Term Bonds	5,000	5,000	Variable-1.30% *	2036-2038	1,480	-	1,860
	<u>50,000</u>	<u>44,500</u>					
<b>2004 SERIES C BONDS (S/F):</b>							
<b>2004 Series C-1 (Non-AMT)</b>							
Serial Bonds	8,000	4,745	2.80%-3.75%	2009-2013	890	-	995

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2004 Series C-2 (AMT)							
Term Bonds	5,000	5,000	4.80%	2022-2024	1,625	-	1,710
Term Bonds	15,000	14,195	5.00%	2029-2034	2,035	-	2,705
2004 Series C-3 (AMT)							
Term Bonds	15,000	15,000	Variable -1.40%*	2035-2038		3,750	
	<u>43,000</u>	<u>38,940</u>					
2004 SERIES D BONDS (S/F):							
2004 Series D-1(Non-AMT)							
Serial Bonds	7,145	4,235	3.00%-3.80%	2009-2013	790	-	890
Term Bonds	1,855	1,855	4.00%	2014-2015	900	-	955
2004 Series D-2 (AMT)							
Term Bonds	6,000	6,000	4.70%	2022-2024	1,955	-	2,050
Term Bonds	10,000	9,730	4.90%	2029-2034	1,420	-	1,800
2004 Series D-3 (AMT)							
Term Bonds	15,000	15,000	Variable -1.30%*	2035-2039		3,000	
	<u>40,000</u>	<u>36,820</u>					
2005 SERIES A BONDS (M/F):							
2005 Series A-1 (Non-AMT)							
Serial Bonds	5,785	4,415	3.30%-4.40%	2009-2017	450	-	530
Term Bonds	5,425	5,100	4.90%	2028-2032	920	-	1,160
2005 Series A-2 (AMT)							
Term Bonds	9,715	9,715	4.95%	2018-2027	800	-	1,120
	<u>20,925</u>	<u>19,230</u>					
2005 SERIES B BONDS (M/F):							
2005 Series B (Federally Taxable)							
Term Bonds	15,000	15,000	Variable-2.33% *	2016-2020	2,840	-	3,115
2005 SERIES C BONDS (M/F):							
2005 Series C (AMT)							
Term Bonds	11,125	11,125	Variable-1.40%*	2036-2039	2,780	-	2,785
2005 SERIES D BONDS (S/F):							
2005 Series D-1 (Non-AMT)							
Serial Bonds	3,000	2,400	3.05%-3.90%	2009-2015	305	-	380
2005 Series D-2 (AMT)							
Term Bonds	15,000	14,895	4.80%	2026-2036	1,075	-	1,520
2005 Series D-3 (AMT)							
Term Bonds	20,000	20,000	Variable-1.30%*	2028-2038	1,485	-	2,190
	<u>38,000</u>	<u>37,295</u>					
2005 SERIES E BONDS (S/F):							
2005 Series E-1 (Non-AMT)							
Serial Bonds	6,330	5,240	3.38%-4.25%	2009-2016	575	-	745
2005 Series E-2 (AMT)							
Term Bonds	9,765	9,765	4.90%	2017-2026	780	-	1,200
Term Bonds	6,965	6,965	4.95%	2027-2031	1,260	-	1,530
Term Bonds	6,940	6,775	5.10%	2032-2035	1,610	-	1,775
	<u>30,000</u>	<u>28,745</u>					
2005 SERIES G BONDS (M/F):							
2005 Series G (AMT)							
Term Bonds	22,300	22,125	Variable-1.30%*	2009-2037	135	-	4,385
2006 SERIES A BONDS (S/F):							
2006 Series A-1 (Non-AMT)							
Serial Bonds	6,680	5,665	3.40%-4.05%	2009-2017	535	-	735
2006 Series A-2 (AMT)							
Term Bonds	16,000	16,000	4.65%	2018-2025	1,680	-	2,360
Term Bonds	7,320	7,235	4.85%	2026-2036	515	-	800
	<u>30,000</u>	<u>28,900</u>					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2006 SERIES B BONDS (S/F):							
2006 Series B (AMT)							
Term Bonds	5,000	5,000	Variable-1.40%*	2026-2036	350	-	580
2006 SERIES D BONDS (S/F):							
2006 Series D-1 (Non-AMT)							
Serial Bonds	6,970	5,615	3.55%-4.05%	2009-2015	715	-	900
2006 Series D-2 (AMT)							
Term Bonds	7,170	7,170	4.75%	2018-2021	1,665	-	1,925
Term Bonds	10,915	10,915	4.85%	2022-2026	1,985	-	2,395
Term Bonds	7,075	6,970	4.95%	2027-2031	1,280	-	1,485
Term Bonds	12,870	12,870	4.90%	2032-2036	2,130	-	3,690
2006 Series D-3 (AMT)							
Term Bonds	5,000	5,000	Variable-1.30%*	2027-2035	455	-	670
	<u>50,000</u>	<u>48,540</u>					
2006 SERIES E BONDS (S/F):							
2006 Series E-1 (Non-AMT)							
Serial Bonds	6,895	6,120	3.60%-4.00%	2009-2015	795	-	960
2006 Series E-2 (AMT)							
Term Bonds	5,535	5,535	4.75%	2019-2021	1,795	-	1,895
Term Bonds	7,365	7,365	4.80%	2022-2026	1,360	-	1,590
Term Bonds	9,040	9,040	4.90%	2027-2031	1,665	-	1,960
Term Bonds	11,165	11,165	4.95%	2032-2036	2,045	-	2,430
	<u>40,000</u>	<u>39,225</u>					
2006 SERIES G BONDS (S/F):							
2006 SERIES G (AMT)							
Serial Bonds	6,170	5,580	3.80%-4.20%	2009-2016	610	-	790
Term Bonds	15,295	15,295	4.55%	2017-2026	830	-	2,350
Term Bonds	7,250	7,250	4.63%	2027-2031	1,320	-	1,590
Term Bonds	11,285	11,285	4.70%	2032-2037	1,665	-	2,115
	<u>40,000</u>	<u>39,410</u>					
2006 SERIES I BONDS (M/F):							
2006 Series I-1 (Non-AMT)							
Term Bonds	2,500	2,500	4.40%	2022-2026		500	
2006 Series I-2 (AMT)							
Term Bonds	9,000	9,000	4.75%	2032-2036		1,800	
2006 Series I-3 (AMT)							
Term Bonds	7,500	3,910	Variable-1.40%*	2027-2032	160	-	750
	<u>19,000</u>	<u>15,410</u>					
2007 SERIES A BONDS (S/F):							
2007 Series A (AMT)							
Serial Bonds	4,840	4,840	4.20%-4.45%	2013-2017	885	-	1,050
Term Bonds	4,855	4,855	4.70%	2018-2022	875	-	1,070
Term Bonds	7,240	7,240	4.75%	2023-2027	1,305	-	1,605
Term Bonds	8,065	8,065	4.75%	2028-2032	1,450	-	1,780
	<u>25,000</u>	<u>25,000</u>					
2007 SERIES C BONDS (S/F):							
2007 Series C (AMT)							
Term Bonds	5,000	5,000	5.05%	2018-2022	860	-	1,135
Term Bonds	8,000	8,000	5.13%	2023-2027	1,100	-	1,900
Term Bonds	12,000	12,000	5.15%	2028-2032	2,200	-	2,600
	<u>25,000</u>	<u>25,000</u>					
2007 SERIES E BONDS (S/F):							
2007 Series E1 (AMT)							
Serial Bonds	2,885	2,885	4.15%-4.65%	2011-2015	515	-	640

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
Term Bonds	1,405	1,405	4.80%	2016-2017	685	-	720
Term Bonds	2,700	2,700	5.15%	2018-2020	700	-	1,200
Term Bonds	10,010	10,010	5.30%	2021-2023	1,810	-	4,300
2007 Series E2 (AMT)							
Term Bonds	8,000	8,000	Variable-1.40%*	2032-2041	800		
	<u>25,000</u>	<u>25,000</u>					
2008 SERIES A BONDS (S/F):							
2008 Series A1 (Non-AMT)							
Serial Bonds	6,050	6,050	3.35%-3.65%	2013-2016	950	-	1,760
2008 Series A2 (AMT)							
Term Bonds	10,180	10,180	4.85%	2017-2022	250	-	2,225
Term Bonds	10,985	10,985	5.05%	2023-2027	1,985	-	2,430
Term Bonds	7,785	7,785	5.20%	2028-2032	420	-	1,940
	<u>35,000</u>	<u>35,000</u>					
2008 SERIES B BONDS (S/F):							
2008 Series B (AMT)							
Term Bonds	15,000	15,000	Variable-1.45%*	2032-2041	1,025	-	1,785
2008 SERIES C BONDS (S/F):							
2008 Series C1 (Non-AMT)							
Serial Bonds	12,260	12,260	3.30%-4.00%	2013-2016	1,380	-	5,040
2008 Series C2 (AMT)							
Term Bonds	1,740	1,740	5.00%	2017-2020	405	-	460
	<u>14,000</u>	<u>14,000</u>					
2008 SERIES D BONDS (S/F):							
2008 Series D (AMT)							
Term Bonds	20,000	20,000	Variable-1.50%*	2028-2042	905	-	1,870
2008 SERIES E BONDS (S/F – M/F):							
2008 Series E1 (Non-AMT)							
Term Bonds	9,585	9,585	Variable-3.20%*	2024-2030	1,185	-	1,400
Term Bonds	30,000	30,000	Variable-3.20%*	2026-2032	4,000	-	5,000
2008 Series E2 (AMT)							
Term Bonds	25,415	25,415	Variable-3.60%*	2024-2030	1,415	-	4,000
Term Bonds	25,550	25,550	Variable-3.60%*	2033-2037	2,135	-	6,415
	<u>90,550</u>	<u>90,550</u>					
2008 SERIES F BONDS (SF)							
2008 Series F1 (Non-AMT)							
Serial Bonds	9,585	9,585	2.00%-4.30%	2009-2018	310	-	1,735
2008 Series F2 (Non-AMT)							
Term Bonds	5,580	5,580	4.95%	2019-2023	1,075	-	1,155
Term Bonds	7,100	7,100	5.15%	2024-2028	1,370	-	1,460
Term Bonds	2,735	2,735	5.30%	2029-2033	530	-	565
	<u>25,000</u>	<u>25,000</u>					
2008 SERIES G BONDS (SF)							
2008 Series G1 (Non-AMT)							
Serial Bonds	20,425	20,425	3.50%-5.35%	2010-2017	1,300	-	3,935
2008 Series G2 (Non-AMT)							
Serial Bonds	4,150	4,150	5.50%	2018		4,150	
Term Bonds	5,200	5,200	6.00%	2019-2020	1,210	-	3,990
Term Bonds	7,925	7,925	6.25%	2021-2023	2,475	-	2,810
	<u>37,700</u>	<u>37,700</u>					
2008 SERIES H BONDS (SF)							
2008 Series H (Non-AMT)							
Term Bonds	23,000	23,000	Variable-1.15%*	2029-2040	1,525	-	2,360
2008 SERIES I BONDS (SF)							
2008 Series I (AMT)							
Term Bonds	100,000	100,000	2.00%	2024-2034	4,700	-	15,000

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2008 SERIES J BONDS (MF)							
2008 Series J (Non-AMT)							
Serial Bonds	1,795	1,795	3.20%-3.45%	2010-2011	895	-	900
Term Bonds	2,500	2,500	6.10%	2020-2023	565	-	690
Term Bonds	7,165	7,165	6.50%	2024-2028	1,255	-	1,630
	<u>11,460</u>	<u>11,460</u>					
		1,442,935					
Less: Unamortized Bond Discount		(15,226)					
Total Mortgage Purchase Fund							
Group bonds payable	<u>2,056,080</u>	<u>1,427,709</u>					

#### HOUSING FINANCE REVENUE FUND GROUP

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

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

Serial Bonds	2,235	0	5.00%				
Term Bonds	2,765	2,765	5.38%	2009-2012	635	-	750

##### 1995 Series I-2 (AMT)

Serial Bonds	2,000	0	4.80%				
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##### 1995 Series I-4 (AMT)

Serial Bonds	1,350	0	5.10%				
Term Bonds	2,120	2,120	5.70%	2009-2018	165	-	265
Term Bonds	4,530	2,530	5.75%	2019-2030	160	-	275
	<u>15,000</u>	<u>7,415</u>					

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

##### 1998 Series I (AMT)

Serial Bonds	2,690	1,110	4.90%-5.00%	2009-2010	535	-	575
Term Bonds	2,435	2,435	5.30%	2011-2013	760	-	865
Term Bonds	6,680	6,680	5.45%	2014-2017	1,545	-	1,795
Term Bonds	195	195	5.45%	2018		195	
	<u>12,000</u>	<u>10,420</u>					
		17,835					

Less: Unamortized Bond Discount

Total Housing Finance Revenue		(98)					
Fund Group bonds payable	27,000	17,737					
Total bonds payable	<u>\$2,083,080</u>	<u>\$1,445,446</u>					

\* Represents rate at December 31, 2008

The following table summarizes the debt activity for MaineHousing's Proprietary Funds for the year ended December 31, 2008.

Fund	December 31, 2007	Issuance	Retirement	December 31, 2008
Mortgage Purchase Fund Group	\$1,385,785	\$371,710	(\$314,560)	\$1,442,935
General Housing Draw Down Bond Fund	161,012	174,430	(335,442)	0
Housing Finance Revenue Fund Group	18,935	0	(1,100)	17,835
Total Proprietary Funds	<u>\$1,565,732</u>	<u>\$546,140</u>	<u>(\$651,102)</u>	<u>\$1,460,770</u>

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

The interest calculations shown in the table below are based on the variable rate in effect at December 31, 2008 and may not be indicative of actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary. The following table provides a summary of MaineHousing's proprietary funds debt service requirements and net interest rate swap payments through 2012 and in five-year increments thereafter to maturity:

Year(s)	Mortgage Purchase Fund Group					Housing Finance Revenue Fund Group	
	Fixed/Variable Unswapped		Variable Swapped		Interest Rate Swaps, Net	Fixed Unswapped	
	Principal	Interest	Principal	Interest		Principal	Interest
2009	\$38,450	\$54,130	\$135	\$4,620	\$6,062	\$1,335	\$974
2010	36,985	52,679	135	4,672	6,081	1,420	904
2011	36,930	51,187	140	4,670	6,070	1,655	829
2012	39,270	49,676	160	4,670	6,065	1,755	740
2013	39,560	47,999	155	4,664	6,063	1,070	646
2014-2018	210,430	212,014	12,580	23,044	25,856	8,070	1,925
2019-2023	268,270	155,433	13,460	21,354	16,437	875	632
2024-2028	224,870	93,108	48,065	18,436	9,950	1,120	354
2029-2033	221,550	42,014	57,485	10,450	4,757	535	46
2034-2038	85,745	6,871	86,670	4,900	1,183	-	-
2039-2043	4,625	80	17,265	447	-	-	-
Total	\$1,206,685	\$765,191	\$236,250	\$101,927	\$88,524	\$17,835	\$7,050

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

#### Moral Obligation Debt

The reserve funds of the Mortgage Purchase Fund Group and Housing Finance Revenue Fund Group are secured by a non-binding appropriation by the State (moral obligation) to replenish any deficiency in such reserve funds. MaineHousing was authorized to have bonds outstanding for these programs in an aggregate amount not to exceed \$2,150,000 as of December 31, 2008. Of that amount, \$1,460,770 was outstanding at December 31, 2008.

#### Other Debt

MaineHousing had \$24,000 of conduit debt outstanding at December 31, 2008. The conduit debt relates to revenue bonds issued by MaineHousing on behalf of a developer which will be paid solely from the revenues of the project, other assets of the developer, or an irrevocable direct pay letter of credit held by the Trustee. Therefore, these bonds are not a liability of MaineHousing and are not recognized in the accompanying financial statements.

MaineHousing also issues Draw Down Bonds for the purpose of preserving single-family tax exempt bond issuing capacity. At December 31, 2008, there were no Draw Down Bonds outstanding. All Draw Down Bonds are privately placed. The principal and interest on these bonds are paid solely from Guaranteed Investment Contracts that are maintained in an irrevocable trust with an escrow agency.

#### Interest Rate Swaps

MaineHousing has entered into sixteen interest rate swap agreements with two counterparties as of December 31, 2008. The objective of the agreements is to attain a synthetic fixed interest rate on the underlying bonds at a cost expected to be less than rates associated with fixed-rate debt. The swap agreement terms state MaineHousing is to make semi-annual fixed interest rate payments on a notional principal amount of bonds and in exchange receive semi-annual payments based upon either the thirty-day or ninety-day London InterBank Offered Rate (LIBOR).

The table below contains the terms, fair values, and credit ratings of the outstanding agreements as of December 31, 2008. The credit ratings were issued by Moody's Investor Services and Standard & Poor's respectively.

Associated Debt Issuance	Current Notional Amount	Effective Date of Swap	Maturities/Sinking Fund Installments	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2004 Series B-3	\$20,000	8/24/04	11/15/15-11/15/35	3.756%	63% of 30 day LIBOR plus .20%	(\$2,383)	11/15/2023 <sup>2</sup>	Aaa/AA
2004 Series C-3	\$15,000	10/26/04	11/15/14-11/15/39	3.439%	63% of 30 day LIBOR plus .20%	(\$1,529)	11/15/2021 <sup>2</sup>	Aa2/AA+
2004 Series D-3	\$15,000	1/18/05	11/15/16-11/15/39	3.587%	65% of 30 day LIBOR plus .20%	(\$1,597)	11/15/2021 <sup>2</sup>	Aaa/AA
2005 Series B	\$15,000	4/26/05	11/15/16-11/15/20	4.852%	100% of 90 day LIBOR	(\$2,456)	11/15/2015	Aa2/AA+
2005 Series C	\$11,125	8/23/05	11/01/28-11/01/39	3.832%	65% of 90 day LIBOR plus .10%	(\$1,381)	11/15/2032 <sup>3</sup>	Aa2/AA+

Associated Debt Issuance	Current Notional Amount	Effective Date of Swap	Maturities/ Sinking Fund Installments	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2005 Series D-3	\$20,000	8/2/05	11/15/16-11/15/38	3.630%	65% of 30 day LIBOR plus .20%	(\$2,290)	11/15/2036 <sup>4</sup>	Aaa/AA
2005 Series G	\$22,125	2/1/06	11/15/07-11/15/37	3.591%	65% of 30 day LIBOR plus .20%	(\$6,143)	11/15/2037	Aaa/AA
2006 Series B	\$5,000	3/14/06	11/15/19-11/15/36	3.670%	65% of 90 day LIBOR plus .20%	(\$866)	11/15/2019	Aa2/AA+
2006 Series D-3	\$5,000	7/11/06	11/15/16-11/15/35	3.922%	65% of 90 day LIBOR plus .20%	(\$789)	11/15/2016	Aaa/AA
2007 Series E-2	\$8,000	9/12/07	11/15/27-11/15/41	4.049%	65% of LIBOR plus .20%	(\$1,401)	11/15/2027 <sup>5</sup>	Aa2/AA+
2008 Series B	\$15,000	1/29/08	11/15/23-11/15/41	3.710%	100% of SIFMA plus .06%	(\$1,475)	5/15/2023 <sup>5</sup>	Aaa/AA
2008 Series D	\$20,000	4/08/08	11/15/22-11/15/42	3.397%	70% of 90 day LIBOR plus .20%	(\$2,132)	11/15/2022 <sup>5</sup>	Aa2/AA+
2008 Series E-1, E-2	\$17,500	12/23/03	11/15/14-11/15/30	3.246%	67% of 30 day LIBOR	(\$2,113)	11/15/2018	Aa2/AA+
2008 Series E-1, E-2	\$17,500	12/23/03	11/15/14-11/15/30	3.246%	67% of 30 day LIBOR	(\$2,089)	11/15/2018	Aaa/AA
2008 Series E-1	\$15,000	12/23/03	11/15/26-11/15/32	3.831%	67% of 30 day LIBOR	(\$1,629)	11/15/2032 <sup>1</sup>	Aa2/AA+
2008 Series E-1	\$15,000	12/23/03	11/15/26-11/15/32	3.831%	67% of 30 day LIBOR	(\$1,546)	11/15/2032 <sup>1</sup>	Aaa/AA
Totals	\$236,250					(\$31,819)		

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

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

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

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

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

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

**Credit Risk** – As of December 31, 2008, MaineHousing is not exposed to credit risk because all outstanding swaps have negative fair values. A positive fair value of the swaps would represent MaineHousing's credit exposure to the two counterparties.

The swap agreements contain varying collateral agreements with the counterparties in order to mitigate the potential for credit risk. These requirements are met as of December 31, 2008.

**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 Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA), which differs from the LIBOR index. If the floating rate tax exempt bonds, which should correspond to the SIFMA index, trade at a value significantly different than their historical relationship to LIBOR, the net cost to MaineHousing could increase or decrease. As of December 31, 2008, 67% of the thirty-day LIBOR rate was 0.29%, 63% of the thirty-day LIBOR rate plus .20% was 0.47% and 65% of the thirty-day LIBOR rate plus .20% was 0.48%. As of December 31, 2008 the ninety day LIBOR rate was 1.43% and 70% of the ninety-day LIBOR rate plus .20% was 1.20%. The SIFMA rate was 0.90% at December 31, 2008.

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

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

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

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

The defined contribution plan consists of a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and a separate plan created under the provisions of the Internal Revenue Code Section 401(a). MaineHousing makes direct contributions on behalf of participants to the 401(a) plan. Additionally, if a participant makes contributions to the 457 plan, a portion of the contribution is matched by MaineHousing. The employer match contribution is made to the 401(a) plan. Total expense under the defined contribution plan was \$481 for the year ended December 31, 2008.

MaineHousing is also a participating local district member of the Maine Public Employees Retirement System (MainePERS) and its employees may participate in a defined benefit plan offered by MainePERS. All employees that do not participate in MaineHousing's defined contribution plan are eligible. The defined benefit plan requires contributions by both participants and MaineHousing. MaineHousing's net expense for the year ended December 31, 2008 was \$147. As of December 31, 2008, MaineHousing's plan has a surplus balance with MainePERS of approximately \$823. This surplus will reduce or eliminate future employer costs. In 2008, MaineHousing has utilized \$139 of the surplus.

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

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

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

2005 Series C (M/F)	\$3,324
2006 Series G (S/F)	600
2006 Series I-2, I-3 (M/F)	5,859
2007 Series E (S/F)	1,901
2008 Series C/D (S/F)	5,102
2008 Series G/H (S/F)	12,473
2008 Series J (M/F)	8,025
	<u>\$ 37,285</u>

Original bond proceeds available for the purchase of single-family and multi-family mortgages amounted to \$19,494 and \$15,964 respectively, at December 31, 2008. Amounts in the Bond Proceeds Fund attributable to income from investments totaled \$1,827 at December 31, 2008, all of which is available to pay debt service when necessary.

#### **(7.) COMMITMENTS**

##### **MORTGAGE COMMITMENTS**

Mortgage commitments are agreements to lend provided there is no violation of any term or condition established in the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as MaineHousing deems necessary. At December 31, 2008, MaineHousing had outstanding commitments to originate multi-family mortgage loans of approximately \$37,183.

MaineHousing, under its single-family program, enters into purchase agreements with lenders to purchase mortgage loans. At December 31, 2008, single-family loans being processed by lenders for MaineHousing totaled approximately \$28,008.

##### **LEASE COMMITMENT**

MaineHousing has committed to a lease agreement for approximately 39,000 square feet of office space. Annual rent under this lease agreement is approximately \$581 and increases at a rate of 3% per year. This lease agreement expires on September 30, 2019. For the year ended December 31, 2008, MaineHousing had rental expense of \$564.

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

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

On or before December 1 of each year, MaineHousing is required to value the Housing Reserve Fund and verify to the Governor of the State of Maine that the sum of money in the fund equals or exceeds the Housing Reserve Fund Minimum Requirement. The Housing Reserve Fund Minimum Requirement equals the amount of principal and interest maturing and coming due in the next succeeding calendar year on bonds outstanding. The Housing Reserve Fund Minimum Requirement as of December 31, 2008 was \$122,675.

When issuing bonds MaineHousing must also meet the Housing Reserve Fund Maximum Requirement. The Housing Reserve Fund Maximum Requirement equals the maximum debt service required in any subsequent year. The Housing Reserve Fund Maximum Requirement as of December 31, 2008 was \$124,192.

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, 2008, 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 \$161,479.

HOUSING FINANCE REVENUE FUND GROUP - CAPITAL RESERVE FUND

On or before December 1 of each year, MaineHousing is required to value the Capital Reserve Fund and verify to the Governor of the State of Maine that the sum of money in the fund equals or exceeds the Capital Reserve Fund Minimum Requirement. The Capital Reserve Fund Minimum Requirement equals the amount of principal and interest maturing and coming due in the next succeeding calendar year on bonds outstanding. The Capital Reserve Fund Minimum Requirement as of December 31, 2008 was \$2,324.

When issuing bonds MaineHousing must also meet the Capital Reserve Fund Maximum Requirement. The Capital Reserve Fund Maximum Requirement equals the maximum debt service required in any subsequent year. The Capital Reserve Fund Maximum Requirement as of December 31, 2008 was \$2,495.

At December 31, 2008, valuation of the investments in the Capital Reserve Fund computed at amortized value in accordance with the General Housing Finance Revenue Bond Resolution was \$3,734.

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

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

At December 31, 2008, the estimated values of future arbitrage rebates in the Mortgage Purchase Fund Group and the General Housing Draw Down Fund were \$6,134 and \$458, respectively. There are no other arbitrage liabilities to be rebated in the other fund groups at December 31, 2008.

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

During the year ended December 31, 2008, MaineHousing made operating transfers between Funds. The following is a summary of transfers in (out):

	Mortgage Purchase Fund Group	General Housing DrawDown Bond Funds	General Administrative Fund	HOME Fund
Program Subsidies	\$1,559	(\$10)	(\$927)	(\$622)

During the year ended December 31, 2008, MaineHousing had outstanding balances between funds. The following is a summary of outstanding payables (receivables) between funds:

	Mortgage Purchase Fund Group	General Housing Draw Down Bond Fund	Housing Finance Revenue Fund Group	Bondholder Reserve Fund	General Adminstrative Fund	HOME Fund	Section 8 Housing Programs	Low Income Home Energy Assistance Program	Other Federal And State Programs
Operating expenses	\$896	\$10	\$62	\$1	(\$14,933)	\$0	\$2,597	\$2,359	\$9,008
Funds for loan closings	(885)	0	19	24	(1,333)	269	0	0	1,906
Program revenues and fees	(369)	0	(100)	0	14,275	(362)	(3,067)	(2,327)	(8,050)
	(\$358)	\$10	(\$19)	\$25	(\$1,991)	(\$93)	(\$470)	\$32	\$2,864

**(11.) REDEMPTION OF BONDS**

For the year ended December 31, 2008, MaineHousing redeemed \$298,360 of its Mortgage Purchase Fund Group bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund Group losses of \$441 were attributable to recognition of the bond discount and debt issuance expenses associated with the redeemed bonds. The following is a summary of bonds redeemed:

	Interest Rate	Maturity	Amount	Redemption Price
1996 Series C Serial Bonds	5.50%	2008	\$45	100%
1997 Series C-1 Serial Bonds	5.25%	2008	250	100%
1997 Series D-1 Serial Bonds	5.00%	2008	2,565	100%
1997 Series D-1 Serial Bonds	5.10%	2009	130	100%
1997 Series D-1 Serial Bonds	5.15%	2010	30	100%
1998 Series A-1 Serial Bonds	4.65%	2008	1,055	100%
1998 Series A-1 Term Bonds	5.15%	2015	930	100%
1998 Series A-2 Term Bonds	5.33%	2032	365	100%
1998 Series C-1 Term Bonds	5.15%	2015	4,225	100%
1998 Series C-2 Serial Bonds	4.85%	2008	935	100%
1998 Series F-1 Term Bonds	5.13%	2015	830	100%
1998 Series F-2 Term Bonds	5.35%	2032	125	100%
1999 Series B-1 Term Bonds	5.00%	2014	1,620	100%

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
1999 Series B-2 Serial Bonds	4.60%	2008	2,135	100%
1999 Series B-2 Term Bonds	5.30%	2032	325	100%
1999 Series C Serial Bonds	4.80%	2008	910	100%
1999 Series D-1 Serial Bonds	5.25%	2010	430	100%
1999 Series D-1 Term Bonds	5.25%	2015	280	100%
1999 Series D-2 Serial Bonds	5.20%	2008	790	100%
2000 Series B-1 Serial Bonds	5.35%	2011	720	100%
2000 Series B-2 Serial Bonds	5.55%	2010	625	100%
2000 Series B-2 Term Bonds	5.60%	2024	625	100%
2000 Series D Term Bonds	5.50%	2014	5,260	100%
2001 Series A Serial Bonds	4.15%	2008	395	100%
2001 Series B Term Bonds	4.60%	2025	305	100%
2001 Series C Serial Bonds	4.55%	2008	570	100%
2001 Series C Term Bonds	5.55%	2032	110	100%
2001 Series E-2 Term Bonds	4.25%	2019	2,110	100%
2001 Series E-3 Term Bonds	5.25%	2017	1,310	100%
2002 Series A-2 Term Bonds	4.55%	2026	660	100%
2002 Series A-2 Term Bonds	5.40%	2032	155	100%
2002 Series D Serial Bonds	3.90%	2008	685	100%
2002 Series D Term Bonds	5.40%	2032	255	100%
2002 Series F-2 Serial Bonds	3.55%	2008	1,525	100%
2002 Series F-2 Term Bonds	3.75%	2019	1,775	100%
2002 Series F-2 Term Bonds	5.15%	2022	175	100%
2002 Series G-2 Serial Bonds	3.35%	2008	480	100%
2002 Series G-2 Term Bonds	4.00%	2024	240	100%
2003 Series B-2 Serial Bonds	3.15%	2008	645	100%
2003 Series B-2 Term Bonds	3.65%	2020	930	100%
2003 Series C-1 Serial Bonds	3.10%	2008	630	100%
2003 Series C-2 Term Bonds	4.00%	2030	675	100%
2003 Series C-2 Term Bonds	5.45%	2032	115	100%
2003 Series D-2 Term Bonds	5.00%	2027	810	100%
2003 Series E-1 Term Bonds	Variable	2030	9,585	100%
2003 Series E-1 Term Bonds	Variable	2032	30,000	100%
2003 Series E-2 Term Bonds	Variable	2030	25,415	100%
2003 Series E-2 Term Bonds	Variable	2037	25,550	100%
2004 Series A-1 Serial Bonds	2.35%	2008	1,505	100%
2004 Series A-2 Term Bonds	5.00%	2021	1,630	100%
2004 Series A-2 Term Bonds	4.80%	2028	130	100%
2004 Series B-1 Serial Bonds	2.85%	2008	1,035	100%
2004 Series B-2 Term Bonds	5.20%	2035	320	100%
2004 Series C-1 Serial Bonds	2.50%	2008	840	100%
2004 Series C-2 Term Bonds	5.00%	2034	170	100%
2004 Series D-1 Serial Bonds	2.75%	2008	750	100%
2004 Series D-2 Term Bonds	4.90%	2034	150	100%
2005 Series D-1 Serial Bonds	2.85%	2008	310	100%
2005 Series E-1 Serial Bonds	3.25%	2008	555	100%
2005 Series E-2 Term Bonds	5.10%	2035	85	100%
2006 Series A-1 Serial Bonds	3.35%	2008	515	100%
2006 Series D-1 Serial Bonds	3.50%	2008	690	100%
2006 Series E-1 Serial Bonds	3.55%	2008	775	100%
2006 Series I-3 Term Bonds	Variable	2036	3,590	100%
2007 Series B Term Bonds	3.75%	2008	45,000	100%
2007 Series D Term Bonds	3.82%	2034	75,000	100%
2007 Series F Term Bonds	3.85%	2034	35,000	100%
			<u>\$298,360</u>	

For the year ended December 31, 2008, MaineHousing redeemed \$335,442 of bonds in the General Housing Draw Down Bond Fund from the bond escrow funds. The following is a summary of bonds redeemed:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
2005 Series A	Variable	2010	\$39,708	100%
2005 Series B	Variable	2010	295,734	100%
			<u>\$335,442</u>	

**(12.) SUBSEQUENT EVENTS**

On February 24, 2009, MaineHousing redeemed, at par, \$23,830 of bonds in the Mortgage Purchase Fund Group as follows:

	Interest Rate	Maturity	Amount	Redemption Price
1997 Series D-1 Serial Bonds	5.10%	2009	\$150	100%
1997 Series F-2 Term Bonds	5.50%	2017	315	100%
1998 Series C-2 Serial Bonds	4.90%	2009	980	100%
1998 Series F-1 Term Bonds	5.13%	2015	75	100%
1999 Series A-1 Term Bonds	5.13%	2025	200	100%
1999 Series A-2 Serial Bonds	4.40%	2009	370	100%
1999 Series B-2 Serial Bonds	4.70%	2009	2,235	100%
1999 Series C Serial Bonds	4.90%	2009	950	100%
1999 Series D-1 Serial Bonds	5.15%	2009	255	100%
1999 Series E-2 Serial Bonds	5.35%	2009	910	100%
2000 Series B-2 Serial Bonds	5.45%	2009	740	100%
2000 Series B-2 Term Bonds	5.60%	2024	30	100%
2001 Series A Serial Bonds	4.25%	2009	1,125	100%
2001 Series B Serial Bonds	4.50%	2009	495	100%
2001 Series B Term Bonds	4.60%	2025	50	100%
2001 Series C Serial Bonds	4.70%	2009	600	100%
2001 Series E-1 Serial Bonds	4.00%	2009	195	100%
2001 Series E-2 Term Bonds	4.25%	2019	375	100%
2001 Series E-3 Term Bonds	5.25%	2017	985	100%
2002 Series A-2 Serial Bonds	4.40%	2009	630	100%
2002 Series A-2 Term Bonds	4.55%	2026	140	100%
2002 Series B Serial Bonds	4.10%	2009	630	100%
2002 Series C Serial Bonds	4.10%	2009	905	100%
2002 Series D Serial Bonds	4.00%	2009	715	100%
2002 Series F-2 Term Bonds	3.75%	2019	255	100%
2002 Series F-2 Serial Bonds	3.80%	2009	1,660	100%
2002 Series G-2 Serial Bonds	3.55%	2009	495	100%
2002 Series G-2 Term Bonds	4.00%	2024	100	100%
2003 Series A-1 Serial Bonds	3.05%	2009	115	100%
2003 Series A-1 Term Bonds	4.95%	2033	115	100%
2003 Series A-2 Serial Bonds	3.40%	2009	245	100%
2003 Series B-2 Serial Bonds	3.45%	2009	260	100%
2003 Series B-2 Term Bonds	3.65%	2020	320	100%
2003 Series C-2 Term Bonds	4.00%	2030	275	100%
2003 Series D-2 Term Bonds	5.00%	2027	340	100%
2004 Series A-2 Term Bonds	5.00%	2021	575	100%
2004 Series B-1 Serial Bonds	3.10%	2009	165	100%
2004 Series D-1 Serial Bonds	3.00%	2009	100	100%
2005 Series A-1 Serial Bonds	3.30%	2009	450	100%
2006 Series A-1 Serial Bonds	3.40%	2009	75	100%
2006 Series E-1 Serial Bonds	3.60%	2009	95	100%
2006 Series G Serial Bonds	3.80%	2009	610	100%
2006 Series I-3 Term Bonds	Variable	2036	3,525	100%
			<u>\$23,830</u>	

**(13.) NEW ACCOUNTING PRONOUNCEMENT**

In June 2008, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." This Statement will be effective for Maine Housing's financial statements beginning January 1, 2010. Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments, including interest rate swap agreements. The key provision in the Statement is that derivative instruments will be reported at fair value. Management has not yet determined the effect of adopting Statement No. 53 on the financial statements.

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