MAINE STATE HOUSING AUTHORITY

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2016

MAINE STATE HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2016
(IN THOUSANDS OF DOLLARS)

	Business-type Activities	Governmental Activities	Total
ASSETS:			
Current Assets:			
Cash, principally time deposits (note 3)	$176	$936	$1,112
Investments (notes 3, 8, and 10)	282,438	32,735	315,173
Accounts receivable - Federal	0	2,180	2,180
Other assets	18,588	1,678	20,266
Mortgage notes receivable, net (note 4)	32,836	23	32,859
Other notes receivable, net (note 4)	33	0	33
Internal balances	(5,492)	5,492	0
Total Current Assets	328,579	43,044	371,623
Noncurrent Assets:			
Investments (notes 3, 8, and 10)	51,508	0	51,508
Other assets (note 11)	1,490	0	1,490
Mortgage notes receivable, net (note 4)	1,150,677	27,741	1,178,418
Other notes receivable, net (note 4)	341	9	350
Land, equipment and improvements, net	659	0	659
Other real estate owned	4,067	0	4,067
Total Noncurrent Assets	1,208,742	27,750	1,236,492
Total Assets	1,537,321	70,794	1,608,115
DEFERRED OUTFLOWS OF RESOURCES:			
Accumulated decrease in fair value of hedging derivatives (note 6)	17,764	0	17,764
Deferred pension expense (note 7)	1,478	335	1,813
Deferred amount on debt refundings	5,880	0	5,880
Total Deferred Outflows of Resources	25,122	335	25,457
LIABILITIES:			
Current Liabilities:			
Accrued interest payable	4,700	55	4,755
Accounts payable - Federal	0	365	365
Accounts payable and accrued liabilities	7,475	4,205	11,680
Unearned income	0	3,150	3,150
Mortgage and other bonds payable, current (notes 5, 8, 13, and 15)	22,825	0	22,825
Total Current Liabilities	35,000	7,775	42,775
Noncurrent Liabilities:			
Pension liability (note 7)	2,604	1,164	3,768
Derivative instrument - interest rate swaps (note 6)	17,764	0	17,764
Mortgage and other bonds payable, net (notes 5, 8, 13, and 15)	1,218,660	35,741	1,254,401
Total Noncurrent Liabilities	1,239,028	36,905	1,275,933
Total Liabilities	1,274,028	44,680	1,318,708
DEFERRED INFLOWS OF RESOURCES:			
Deferred loan origination points	49	0	49
Deferred pension credit (note 7)	2,090	776	2,866
Total Deferred Inflows of Resources	2,139	776	2,915
NET POSITION:			
Net investment in capital assets	659	0	659
Restricted for bond resolutions	259,157	0	259,157
Restricted for grants and programs	0	25,673	25,673
Unrestricted	26,460	0	26,460
Total Net Position	$286,276	$25,673	$311,949

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE PERIOD ENDED JUNE 30, 2016
(IN THOUSANDS OF DOLLARS)

		Program Revenues			Net Revenue (Expense) and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Investment Income	Grants and Contributions	Business-type Activities	Governmental Activities	Total
Business-type activities:							
Mortgage Purchase Fund	$27,787	$29,457	$2,981	$0	$4,651	$0	$4,651
Bondholder Reserve Fund	24	0	9	0	(15)	0	(15)
General Administrative Fund	795	782	0	0	(13)	0	(13)
Total business-type activities	28,606	30,239	2,990	0	4,623	0	4,623
Governmental activities:							
HOME Fund	3,961	25	15	8,387	0	4,466	4,466
Section 8 Housing Programs	50,145	2,646	0	47,911	0	412	412
Low Income Housing Energy Assistance Program	11,863	355	0	11,508	0	0	0
Maine Energy, Housing and Economic Recovery Program	4,511	18	14	0	0	(4,479)	(4,479)
Other Federal and State Programs	4,527	961	4	3,694	0	132	132
Total governmental activities	75,007	4,005	33	71,500	0	531	531
Total MaineHousing	$103,613	$34,244	$3,023	$71,500	4,623	531	5,154
General Revenues:							
Unrestricted investment income					15	0	15
Transfers					126	(126)	0
Total general revenues and transfers					141	(126)	15
Change in Net Position					4,764	405	5,169
Net Position at beginning of year					281,512	25,268	306,780
Net Position at end of period					$286,276	$25,673	$311,949

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016
(IN THOUSANDS OF DOLLARS)

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	Total
ASSETS:				
Current Assets:				
Cash, principally time deposits (note 3)	$ 0	$ 1	$ 175	$ 176
Investments (notes 3, 8, and 10)	248,381	7,887	26,170	282,438
Other assets	18,297	1	290	18,588
Mortgage notes receivable, net (note 4)	32,376	0	460	32,836
Other notes receivable, net (note 4)	0	0	33	33
Interfund (note 12)	499	0	4,565	5,064
Total Current Assets	299,553	7,889	31,693	339,135
Noncurrent Assets:				
Investments (notes 3, 8, and 10)	51,508	0	0	51,508
Other assets (note 11)	1,490	0	0	1,490
Mortgage notes receivable, net (note 4)	1,143,895	0	6,782	1,150,677
Other notes receivable, net (note 4)	0	0	341	341
Land, equipment and improvements, net	22	0	637	659
Other real estate owned	4,067	0	0	4,067
Total Noncurrent Assets	1,200,982	0	7,760	1,208,742
Total Assets	1,500,535	7,889	39,453	1,547,877
DEFERRED OUTFLOWS OF RESOURCES:				
Accumulated decrease in fair value of hedging derivatives (note 6)	17,764	0	0	17,764
Deferred pension expense (note 7)	636	4	838	1,478
Deferred amount on debt refundings	5,880	0	0	5,880
Total Deferred Outflows of Resources	24,280	4	838	25,122
LIABILITIES:				
Current Liabilities:				
Accrued interest payable	4,700	0	0	4,700
Accounts payable and accrued liabilities	1,953	9	5,513	7,475
Interfund (note 12)	3,856	1	6,699	10,556
Mortgage and other bonds payable, current (notes 5, 8, 13, and 15)	22,825	0	0	22,825
Total Current Liabilities	33,334	10	12,212	45,556
Noncurrent Liabilities:				
Pension liability (note 7)	2,213	13	378	2,604
Derivative instrument - interest rate swaps (note 6)	17,764	0	0	17,764
Mortgage and other bonds payable, net (notes 5, 8, 13, and 15)	1,218,660	0	0	1,218,660
Total Noncurrent Liabilities	1,238,637	13	378	1,239,028
Total Liabilities	1,271,971	23	12,590	1,284,584
DEFERRED INFLOWS OF RESOURCES:				
Deferred loan origination points	49	0	0	49
Deferred pension credit (note 7)	1,477	9	604	2,090
Total Deferred Inflows of Resources	1,526	9	604	2,139
NET POSITION:				
Net investment in capital assets	22	0	637	659
Restricted for bond resolutions	251,296	7,861	0	259,157
Unrestricted	0	0	26,460	26,460
Total Net Position	$251,318	$7,861	$27,097	$286,276

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE PERIOD ENDED JUNE 30, 2016
(IN THOUSANDS OF DOLLARS)

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	Total
OPERATING REVENUES:				
Interest from mortgages and notes	$28,858	$0	$170	$29,028
Income from investments	1,481	9	15	1,505
Net increase in the fair value of investments	1,500	0	0	1,500
Fee income	501	0	329	830
Other revenue	98	0	283	381
Total Revenues	32,438	9	797	33,244
OPERATING EXPENSES:				
Operating expenses	4,024	24	763	4,811
Other program administrative expenses	3,571	0	3	3,574
Mortgage servicing fees	869	0	19	888
Provision for losses on loans (note 4)	0	0	10	10
Losses on foreclosed real estate	200	0	0	200
Interest expense	19,067	0	0	19,067
Loss on bond redemption (note 13)	56	0	0	56
Total Expenses	27,787	24	795	28,606
Operating Income (Loss)	4,651	(15)	2	4,638
Transfers between funds, net (note 12)	0	0	126	126
Change in Net Position	4,651	(15)	128	4,764
Net Position at beginning of year	246,667	7,876	26,969	281,512
Net Position at end of period	$251,318	$7,861	$27,097	$286,276

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE PERIOD ENDED JUNE 30, 2016
(IN THOUSANDS OF DOLLARS)

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Interest receipts from borrowers	$29,014	$0	$177	$29,191
Principal receipts on mortgages and notes - scheduled	29,702	0	246	29,948
Principal receipts on mortgages and notes - prepayments	38,177	0	165	38,342
Payments for operating expenses	(5,107)	(4)	(190)	(5,301)
Payments for personnel expenses	(3,357)	(20)	(573)	(3,950)
Investment in mortgages and other notes	(71,389)	0	(2,361)	(73,750)
Other	(3,453)	6	1,749	(1,698)
Net cash provided by (used for) operating activities	13,587	(18)	(787)	12,782
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	65,535	0	0	65,535
Principal payments on bonds	(60,580)	0	0	(60,580)
Interest payments on bonds	(18,604)	0	0	(18,604)
Payments from other funds	1,773	(4)	(420)	1,349
Net cash used for non-capital financing activities	(11,876)	(4)	(420)	(12,300)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from disposition of foreclosed real estate	12,705	0	74	12,779
Purchase of investments	(552,851)	13	1,182	(551,656)
Sales and maturity of investments	536,740	0	0	536,740
Interest received on investments	1,695	9	15	1,719
Net cash provided by (used for) investing activities	(1,711)	22	1,271	(418)
Net increase in cash	0	0	64	64
Cash at beginning of year	0	1	111	112
Cash at end of period	$0	$1	$175	$176
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$4,651	($15)	$2	$4,638
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	353	0	161	514
Interest on bonds	18,714	0	0	18,714
Provision for losses on loans	0	0	10	10
Losses on foreclosed real estate	200	0	0	200
Loss on bond redemption	56	0	0	56
Pension expense	0	0	352	352
Interest income on investments	(1,481)	(9)	(15)	(1,505)
Net increase in fair value of investments	(1,500)	0	0	(1,500)
Changes in operating assets and liabilities:				0
Other assets	(3,840)	0	(391)	(4,231)
Deferred pension outflows	0	0	(249)	(249)
Mortgage note interest receivable	156	0	7	163
Accounts payable and accrued liabilities	(209)	6	1,286	1,083
Unearned income	(3)	0	0	(3)
Investment in mortgage and other notes	(71,389)	0	(2,361)	(73,750)
Mortgage & other note principal repayments	67,879	0	411	68,290
Net cash provided by (used for) operating activities	$13,587	($18)	($787)	$12,782
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:				
Transfer from mortgage notes receivable to other assets and other real estate owned	$11,920	$0	$60	$11,980
Transfer of capital assets	$0	$0	$126	$126

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016
(IN THOUSANDS OF DOLLARS)

	HOME Fund	Section 8 Housing Programs	Low Income Home Energy Assistance Program	Maine Energy, Housing & Economic Recovery Fund	Other Federal and State Programs	Total
ASSETS:						
Current Assets:						
Cash, principally time deposits (note 3)	$0	$155	$0	$0	$781	$936
Investments (notes 3, 8, and 10)	14,526	5,174	222	6,618	6,195	32,735
Accounts receivable - Federal	0	221	178	0	1,781	2,180
Other assets	1,486	110	0	15	67	1,678
Mortgage notes receivable, net (note 4)	23	0	0	0	0	23
Interfund (note 12)	1,102	5,597	0	0	0	6,699
Total Current Assets	17,137	11,257	400	6,633	8,824	44,251
Noncurrent Assets:						
Mortgage notes receivable, net (note 4)	20,792	0	0	6,949	0	27,741
Other notes receivable, net (note 4)	0	0	0	0	9	9
Total Noncurrent Assets	20,792	0	0	6,949	9	27,750
Total Assets	$37,929	$11,257	$400	$13,582	$8,833	$72,001
LIABILITIES:						
Current Liabilities:						
Accrued interest payable	$0	$0	$0	$55	$0	$55
Accounts payable - Federal	0	339	0	0	26	365
Accounts payable and accrued liabilities	0	71	24	0	4,110	4,205
Unearned income	391	0	198	0	2,561	3,150
Interfund (note 12)	0	499	137	0	571	1,207
Bonds payable, net (note 5 and 8)	0	0	0	0	0	0
Total Current Liabilities	391	909	359	55	7,268	8,982
Noncurrent Liabilities:						
Bonds payable, net (note 5 and 8)	0	0	0	35,741	0	35,741
Total Non Current Liabilities	0	0	0	35,741	0	35,741
Total Liabilities	391	909	359	35,796	7,268	44,723
FUND BALANCES:						
Restricted by program requirements	37,538	10,348	41	0	1,565	49,492
Unassigned	0	0	0	(22,214)	0	(22,214)
Total Fund Balances	37,538	10,348	41	(22,214)	1,565	27,278
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$37,929	$11,257	$400	$13,582	$8,833	$72,001

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

Total fund balances in governmental funds	27,278
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Pension expense deferrals reported as deferred outflows of resources in governmental activities are not financial resources and therefore are not reported in the governmental funds.	335
Net pension liabilities reported in governmental activities are not due and payable in the current period and therefore not reported in the governmental funds.	(1,164)
Pension credit deferrals reported as deferred inflows of resources in governmental activities are not available to pay for current period expenditures and therefore are not reported in the governmental funds.	(776)
Net Position of governmental activities	$25,673

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE PERIOD ENDED JUNE 30, 2016

	HOME Fund	Section 8 Housing Programs	Low Income Home Energy Assistance Program	Maine Energy, Housing & Economic Recovery Fund	Other Federal and State Programs	Total
REVENUES:						
Interest from mortgages and notes	$25	$0	$0	$18	$0	$43
Income from investments	15	0	0	14	4	33
Fee income	0	2,646	355	0	961	3,962
Other revenue	0	0	0	0	0	0
Grant income	1,941	0	11,508	0	3,694	17,143
Income from State	6,446	0	0	0	0	6,446
Federal rent subsidy income	0	47,911	0	0	0	47,911
Total Revenues	8,427	50,557	11,863	32	4,659	75,538
EXPENDITURES:						
Operating expenditures	0	1,930	355	0	721	3,006
Other program administrative expenditures	0	276	0	0	113	389
Provision for losses on loans (note 4)	47	0	0	0	0	47
Grant expenditures	3,914	0	11,508	3,873	3,693	22,988
Federal rent subsidy	0	47,939	0	0	0	47,939
Interest	0	0	0	638	0	638
Total Expenditures	3,961	50,145	11,863	4,511	4,527	75,007
Revenues in Excess of (Less Than) Expenditures	4,466	412	0	(4,479)	132	531
Transfers between funds, net (note 12)	0	(6)	(62)	0	(58)	(126)
Change in Fund Balances	4,466	406	(62)	(4,479)	74	405
Fund Balances at beginning of year	33,072	9,942	103	(17,735)	1,491	26,873
Fund Balances at end of period	$37,538	$10,348	$41	($22,214)	$1,565	$27,278

See accompanying notes to the financial statements

ORGANIZATION AND NATURE OF OPERATIONS

The Maine State Housing Authority (MaineHousing) is a public corporation and an instrumentality of the State of Maine established under the provisions of the *Maine Housing Authorities Act*, Title 30-A, Chapter 201, of the Maine Revised Statutes, as amended. MaineHousing is authorized to issue bonds for the purchase or origination of notes and mortgages on single-family and multi-family residential units for the purpose of providing housing for persons and families of low income in the State of Maine. MaineHousing also administers various housing and energy related state and federal programs and collects and disburses federal rent subsidies for low-income housing.

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

(1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

The Agency-wide financial statements are comprised of a Statement of Net Position and Statement of Activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements reflect all of the assets, liabilities, revenues, expenses, deferred inflows, deferred outflows, gains and losses of business-type and governmental activities. Interfund balances entirely within the proprietary funds and governmental funds are eliminated from the Statement of Net Position; remaining amounts are shown as Internal Balances.

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

Separate fund financial statements are provided for proprietary and governmental funds. The fund financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities, which provides that accounting systems be organized by funds to account for specific activities consistent with legal and operating requirements. Major individual governmental funds and all proprietary funds and fund groups are reported as separate columns in the fund financial statements. Certain indirect costs are allocated to the funds; such costs are not significant.

Fund Structure

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

MORTGAGE PURCHASE FUND

This fund consists of funds and accounts established by the General Mortgage Purchase Bond Resolution. Pursuant to the Mortgage Purchase Program, MaineHousing is authorized to purchase or originate first lien mortgages on single-family and multi-family residential properties. Proceeds from the sale of mortgage revenue bonds, the debt service requirements of the bond indebtedness, and mortgage loans made from bond proceeds are recorded in this fund.

BONDHOLDER RESERVE FUND

This fund consists of accounts established by the General Authority Bondholder Reserve Fund Resolution and are pledged to replenish any deficiency in the debt service reserve fund of the General Mortgage Purchase Bond resolution.

GENERAL ADMINISTRATIVE FUND

This fund consists of account balances that are not directly pledged to or restricted by a particular bond resolution or program and generates fee and interest income. The receipt of revenues not specifically pledged for the repayment of bonds or notes is recorded in this fund.

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

HOME FUND

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

SECTION 8 HOUSING PROGRAMS

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

Moderate Rehabilitation
New Construction
Housing Choice Voucher
Performance Based Contract Administration

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

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

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

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

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

U.S. Department of Housing and Urban Development
- Emergency Solutions Grant Program
- HOME Investment Partnership Program
- National Housing Trust Fund
- Lead-Based Paint Hazard Control Program
- Homeless Management Information System
- Housing Counseling Program
- Family Self-Sufficiency Program
- Tax Credit Assistance Program – American Recovery & Reinvestment Act

U.S. Department of Energy
- Weatherization Program
- Weatherization Assistance Program Training Centers and Programs

U.S. Department of Health and Human Services
- Weatherization / Central Heating Improvement Program

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

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

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

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

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

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

Fund Balances
In the governmental funds financial statements, fund balances are reported as either restricted for housing and energy related programs, nonspendable in current form due to the long term nature of certain assets, or unassigned for any residual deficit fund balances. Generally, if unrestricted fund balances are available they are used after assigned or restricted amounts.

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

Investments
Money market investments that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Investments not reported at amortized cost are reported at fair value. In accordance with GASB Statement No. 72, a market approach is used to determine fair value using Level 1 inputs. Prices and other relevant information are generated by market transactions involving identical or comparable investments.

Unrealized gains and losses due to fluctuations in market values and gains and losses realized upon sale are reported as net increases or decreases in the fair value of investments. Interest received that is required by federal programs to be spent on program activities is deferred and recorded as a payable to the federal government.

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

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

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

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

Other Real Estate Owned
Other real estate owned consists of single-family and multi-family residential properties acquired through foreclosure, or acceptance of a deed in lieu of foreclosure and are carried at the lower of cost or fair value less estimated costs to sell. Losses arising from the acquisition of other real estate owned are charged to the allowance for loan losses. Operating expenses, subsequent provisions to reduce the carrying value, and any gain or loss on disposition of the property are reflected in the Statement of Revenues, Expenses and Changes in Net Position in the year incurred or realized.

Bond Discount, Premium, Issuance Costs and Deferred Amounts on Refunding
Bond discounts and premiums are reflected as a component of bonds payable and are deferred and amortized over the lives of the bonds using a method that approximates the effective interest method. Gains and losses on debt refundings are amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter and reflected as a deferred outflow of resources. Costs associated with the issuance of bonds are expensed in the year the bonds are issued.

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

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

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

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

Revenues in the governmental funds are derived from grant and program agreements with the federal government and other organizations and appropriations from the Maine State Legislature. MaineHousing

also receives fee income for program administration. Expenditures in the governmental funds are all current operating expenditures and consist primarily of program disbursements and administration charges.

Derivatives and Hedging Instruments
MaineHousing enters into various interest rate swap agreements in order to manage risks associated with interest on its variable rate bond portfolio. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, MaineHousing recognizes the fair value of swap agreements as either an asset or liability on its Statement of Net Position with the offsetting gains or losses as either deferred inflows or outflows of resources, if deemed an effective hedge. If swap agreements are not effective hedges, interest expense is increased or decreased by the change in the fair value. MaineHousing measures the effectiveness of its interest rate swap agreements in total whereby all the swaps are used to hedge interest expense on a portion of the total variable rate bonds equal to the notional amount of the swaps. Hedge effectiveness is determined by using the regression analysis and synthetic instrument methods. MaineHousing's swap agreements constitute an effective hedge of the hedged portion of the variable rate bond portfolio at June 30, 2016.

Defined Benefit Pension Plan
Mainehousing is a participating local district (PLD) member of the Maine Public Employees Retirement System (MainePERS) and employees may participate in a defined benefit plan offered by MainePERS. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positon of MainePERS' PLD Consolidation Plan have been determined on the same basis as they are reported by MainePERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments at MainePers are reported at fair value.

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

New Accounting Standard
In 2016, MaineHousing implemented GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). This statement establishes standards for determining fair value measurements for accounting and financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 also establishes a three-tier hierarchy that prioritizes the inputs used to measure fair value as follows:

- **Level 1 inputs** are observable, quoted prices in active markets for identical assets or liabilities in active market;
- **Level 2 inputs** are directly or indirectly observable, but not on level 1; and
- **Level 3 inputs** are all inputs that are unobservable.

As a result of adopting GASB 72, the fair market valuation of MaineHousing's interest rate swap agreements changed from a mid-market approach to one that more closely provides an achievable market valuation. This change did not significantly impact the related liability and deferred outflows of resource amounts in the Statement of Net Position. There was no change in the market approach used in determining the fair value of investments.

Future Accounting Standards

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* is effective for the year ending December 31, 2017. This standard establishes requirements for pension plans that are not administered through a trust.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* is effective for the year ending December 31, 2017. This standard expands the disclosure requirements for certain postemployment benefit plans.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* is effective for the year ending December 31, 2018 and requires the recognition of a liability for obligations incurred under postemployment benefit plans.

GASB Statement No. 77, *Tax Abatement Disclosures,* is effective for the year ending December 31, 2016 and requires state and local governments to disclose information about property and other tax abatement agreements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14,* is effective for the year ending December 31, 2017. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. It requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* is effective for the year ending December 31, 2017. This Statement establishes standards for accounting and financial reporting for irrevocable split-interest agreements.

MaineHousing has not yet adopted these standards and is evaluating the impact they may have on its financial statements.

(3.) CASH AND INVESTMENTS

At June 30, 2016, the carrying amount of MaineHousing's bank deposits was $1,112 and the bank balance was $1,663. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the bank balance, $271 was covered by federal depository insurance and $1,392 was collateralized by money market funds for which the securities are held in the bank's name at the Federal Reserve Bank.

The Mortgage Purchase Program bond resolution permits MaineHousing to invest in direct obligations of, or obligations guaranteed by, the United States of America, certain government-sponsored enterprises and the State of Maine (permitted investments). The resolution also permits MaineHousing to invest in certificates of deposit, repurchase agreements and other similar banking arrangements that are collateralized by permitted investments.

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

MaineHousing's investment balances and stated maturities as of June 30, 2016 are presented in the following table. Actual maturities may differ due to investments being called by the issuer.

		Investment Maturities in Years			
Investment	Carrying Amount	Less than 1	1-5	6-10	More than 10
PROPRIETARY FUNDS					
MORTGAGE PURCHASE FUND					
Repurchase Agreements	$101,240	$101,240	$0	$0	$0
Money Market Funds	15,183	15,183	0	0	0
U.S. Government-sponsored enterprise obligations (Rated AAA/Aaa)	179,468	127,960	0	0	51,508
U.S. Treasuries	3,998	3,998	0	0	0
Total - Mortgage Purchase Fund	299,889	248,381	0	0	51,508
BONDHOLDERS RESERVE FUND					
Repurchase Agreements	7,887	7,887	0	0	0
GENERAL ADMINISTRATIVE FUND					
Repurchase Agreements	10,660	10,660	0	0	0
Money Market Funds	15,510	15,510	0	0	0
Total - General Administrative Fund	26,170	26,170	0	0	0
Total - Proprietary Funds	$333,946	$282,438	$0	$0	$51,508
GOVERNMENTAL FUNDS					
HOME FUND					
Repurchase Agreements	$14,526	$14,526	$0	$0	$0
SECTION 8 HOUSING PROGRAM					
Money Market Funds	5,174	5,174	0	0	0
LOW INCOME HOME ENERGY ASSISTANCE PROGRAM					
Money Market Funds	222	222	0	0	0
MAINE ENERGY, HOUSING & ECONOMIC RECOVERY PROGRAM					
Repurchase Agreements	6,618	6,618	0	0	0
OTHER FEDERAL AND STATE PROGRAMS					
Repurchase Agreements	6,195	6,195	0	0	0
Total - Governmental Funds	$32,735	$32,735	$0	$0	$0

Repurchase agreements and money market funds are not credit rated and are continuously and fully secured by permitted investments. It is MaineHousing's policy to require that collateral be held by MaineHousing's trustee in MaineHousing's name, wherever practicable, or its bank's trustee. MaineHousing generally invests in repurchase agreements and money market funds for short-term investments.

On June 30, 2016, $315,173 was invested in short-term repurchase agreements, money market funds and government sponsored enterprises having maturity dates of less than one year, at rates up to 0.39%. Investments other than repurchase agreements and money market funds are registered in MaineHousing's name. Investments issued by Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), and Federal Home Loan Bank (FHLB) make up 5%, 6%, and 49% of total investments, respectively, in the Mortgage Purchase Fund.

(4.) MORTGAGE AND OTHER NOTES RECEIVABLE:

For financial statement presentation, the allowance for losses on loans has been netted against the noncurrent portion of mortgage notes receivable and other notes receivable. However, where there is no noncurrent portion for other notes receivable, the allowance is netted against the current amount. A summary of mortgage notes receivable at June 30, 2016 is as follows:

	Number Notes	Principal Balance	Percent of Portfolio
PROPRIETARY FUNDS			
MORTGAGE PURCHASE FUND - SINGLE-FAMILY:			
VA guaranteed	478	$39,275	5.0%
FHA insured	1,962	158,603	20.5%
USDA/RD guaranteed	4,080	391,303	50.4%
Privately insured	485	33,055	4.3%
Non-insured	2,965	153,682	19.8%
Total Mortgage Purchase Fund - single-family	9,970	775,918	100.0%
MORTGAGE PURCHASE FUND - MULTI-FAMILY:			
Section 8	187	160,495	39.3%
Conventional	240	223,412	54.7%
Supportive Housing	188	24,382	6.0%
Total Mortgage Purchase Fund - multi-family	615	408,289	100.0%
Less: Allowance for losses on loans		(7,936)	
Total Mortgage Purchase Fund	10,585	1,176,271	
GENERAL ADMINISTRATIVE FUND - SINGLE-FAMILY:			
Non-insured	95	3,111	97.0%
Privately insured	3	95	3.0%
Total General Administrative Fund-Single Family	98	3,206	100.0%
GENERAL ADMINISTRATIVE FUND - MULTI-FAMILY:			
Conventional	5	3,822	100.0%
GENERAL ADMINISTRATIVE FUND- HOME IMPROVEMENT LOANS:			
Non-insured	188	879	100.0%
Less: Allowance for losses on loans		(665)	
Total General Administrative Fund	291	7,242	
Total Proprietary Funds	10,876	$1,183,513	
GOVERNMENTAL FUNDS			
HOME FUND - SINGLE-FAMILY:			
Non-insured	393	$3,503	100.0%
HOME FUND - MULTI-FAMILY:			
Non-insured	65	18,189	100.0%
Total HOME Fund	458	21,692	
Less: Allowance for losses on loans		(877)	
Total HOME Fund	458	20,815	
MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY PROGRAM - MULTI-FAMILY			
Non-insured	13	6,949	100.0%
Total Governmental Funds	471	$27,764	

A summary of other notes receivable at June 30, 2016 is as follows:

	Number Notes	Principal Balance	Percent of Portfolio
PROPRIETARY FUNDS			
GENERAL ADMINISTRATIVE FUND			
Non-insured	5	$374	100.0%
Total Proprietary Funds	5	$374	
GOVERNMENTAL FUNDS			
OTHER FEDERAL AND STATE PROGRAMS:			
Non-insured	1	15	100.0%
Less: Allowance for losses on loans		(6)	
Total Governmental Funds	1	$9	

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

	PROPRIETARY FUNDS		GOVERNMENTAL FUNDS	
	Mortgage Purchase Fund	General Administrative Fund	HOME Fund	Other Federal and State Programs
Balance – December 31, 2015	$8,475	$714	$910	$29
Provision	0	10	47	0
Loans charged off	(846)	(61)	(80)	(23)
Recoveries	307	2	0	0
Balance – June 30, 2016	$7,936	$665	$877	$6

(5.) MORTGAGE BONDS PAYABLE

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

The interest rates presented in the table below for variable rate bonds represent the rate at June 30, 2016. The Single-Family (S/F) and Multi-Family (M/F) Mortgage Bonds Payable outstanding at June 30, 2016 are as follows:

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
PROPRIETARY FUNDS							
MORTGAGE PURCHASE FUND							
2005 SERIES B BONDS (M/F):							
2005 Series B (Federally Taxable)							
Term Bonds	15,000	15,000	Variable - .81%	2016-2020	2,840	-	3,115
2005 SERIES G BONDS (M/F):							
2005 Series G (AMT)							
Term Bonds	22,300	21,075	Variable - .51%	2016-2037	175	-	4,385
2007 SERIES C BONDS (S/F):							
2007 Series C (AMT)							
Term Bonds	5,000	0	5.05%				
Term Bonds	8,000	0	5.13%				
Term Bonds	12,000	100	5.15%	2032		100	
	25,000	100					
2007 SERIES E BONDS (S/F):							
2007 Series E-1 (AMT)							
Serial Bonds	2,885	0	4.65%				
Term Bonds	1,405	0	4.80%				
Term Bonds	2,700	0	5.15%				
Term Bonds	10,010	0	5.30%				
2007 Series E-2 (AMT)							
Term Bonds	8,000	8,000	Variable - .43%	2032-2041		800	
	25,000	8,000					
2008 SERIES D BONDS (S/F):							
2008 Series D (AMT)							
Term Bonds	20,000	20,000	Variable - .42%	2028-2042	905	-	1,870
2009 SERIES C BONDS (S/F):							
2009 Series C (Non-AMT)							
Serial Bonds	8,000	1,200	3.30%	2017		1,200	
Term Bonds	2,885	0	4.50%				
Term Bonds	11,795	0	5.00%				
	22,680	1,200					
2010 SERIES A BONDS (S/F):							
2010 Series A (Non-AMT)							
Serial Bonds	20,405	6,595	2.75% - 3.50%	2016-2019	1,545	-	1,705
Term Bonds	3,595	0	4.25%				
	24,000	6,595					
2010 SERIES B BONDS (S/F):							
2010 Series B-1 (Non-AMT)							
Serial Bonds	8,750	1,185	2.60%	2017		1,185	

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2010 Series B-2 (Non-AMT)							
Term Bonds	9,495	0	4.10%				
2010 Series B-3 (AMT)							
Serial Bonds	33,435	0	3.40%				
	51,680	1,185					
2010 SERIES C BONDS (S/F):							
2010 Series C (Non-AMT)							
Serial Bonds	13,020	1,445	3.30%	2017		1,445	
Term Bonds	980	0	4.75%				
	14,000	1,445					
2011 SERIES A BONDS (S/F):							
2011 Series A (Non-AMT)							
Serial Bonds	12,650	4,895	2.6% - 3.63%	2017-2021	915	-	1,050
Term Bonds	3,350	0	4.63%				
	16,000	4,895					
2011 SERIES B BONDS (M/F):							
2011 Series B-1 (Non-AMT)							
Serial Bonds	20,490	20,490	2.70% - 3.75%	2017-2021	3,425	-	4,735
Term Bonds	4,085	0	4.00%				
2011 Series B-2 (Non-AMT)							
Term Bonds	4,750	0	4.38%				
	29,325	20,490					
2011 SERIES C BONDS (M/F):							
2011 Series C-1 (Non-AMT)							
Serial Bonds	27,320	22,075	2.38% - 3.75%	2017-2023	780	-	5,715
2011 Series C-2 (Non-AMT)							
Serial Bonds	6,000	6,000	3.88% - 4.88%	2024-2041	530	-	3,470
	33,320	28,075					
2011 SERIES D BONDS (S/F):							
2011 Series D (Non-AMT)							
Serial Bonds	10,615	9,990	1.80% - 3.30%	2016-2022	710	-	2,210
Term Bonds	7,385	7,385	4.00%	2023-2026	1,650	-	2,010
	18,000	17,375					
2011 SERIES E BONDS (M/F):							
2011 Series E (Non-AMT)							
Serial Bonds	10,440	0	1.70%				
Term Bonds	2,810	2,810	4.38%	2028-2031	700	-	705
	13,250	2,810					
2012 SERIES A BONDS (S/F):							
2012 Series A-1 (AMT)							
Serial Bonds	42,610	31,005	2.20% - 3.45%	2017-2022	3,150	-	8,115
Term Bonds	21,885	11,430	4.00%	2024		11,430	
Term Bonds	22,575	11,290	4.50%	2026-2027	5,615	-	5,675
2012 Series A-2 (Non-AMT)							
Term Bonds	11,800	11,800	3.60%	2024-2026	2,350	-	5,250
2012 Series A-3 (Non-AMT)							
Serial Bonds	5,000	5,000	2.00% - 2.85%	2018-2022		1,000	
Term Bonds	20,000	20,000	3.85%	2026-2029	1,265	-	7,165
	123,870	90,525					
2012 SERIES B BONDS (M/F):							
2012 Series B-1 (AMT)							
Serial Bonds	4,210	4,210	2.50% - 3.75%	2018-2024	380	-	720
Term Bonds	14,720	13,920	4.25%	2025-2027	4,200	-	5,000
2012 Series B-2 (Non-AMT)							
Serial Bonds	1,735	1,735	1.95% - 2.95%	2018-2023	175	-	350
Term Bonds	1,220	1,220	3.50%	2023-2027	55	-	325
2012 Series B-3 (Non-AMT)							
Term Bonds	3,000	3,000	3.88%	2028-2031		750	
	24,885	24,085					

Maine State Housing Authority
Notes to Financial Statements – June 30, 2016
(IN THOUSANDS OF DOLLARS)

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2013 SERIES A BONDS (S/F):							
2013 Series A (Federally Taxable)							
Serial Bonds	9,000	7,460	1.19% - 2.37%	2016-2020	1,140	-	1,615
	9,000	7,460					
2013 SERIES B BONDS (S/F):							
2013 Series B (Non-AMT)							
Serial Bonds	7,540	7,030	2.20% - 2.75%	2021-2024	1,685	-	1,835
Term Bonds	3,890	2,000	3.00%	2026-2027	985	-	1,015
Term Bonds	38,690	38,690	3.45%	2028-2032	7,215	-	8,280
Term Bonds	28,880	28,880	3.60%	2033-2036	2,230	-	9,205
Term Bonds	27,000	16,160	4.00%	2036-2038	650	-	9,875
	106,000	92,760					
2013 SERIES C BONDS (S/F - M/F):							
2013 Series C (Federally Taxable)							
Serial Bonds	61,900	55,650	1.12% - 3.09%	2016-2023	3,500	-	9,000
Term Bonds	24,910	24,910	3.84%	2024-2027	5,765	-	7,615
Term Bonds	8,560	8,560	4.32%	2028-2030	2,840	-	2,860
	95,370	89,120					
2013 SERIES D BONDS (S/F):							
2013 Series D-1 (AMT)							
Serial Bonds	15,000	15,000	1.63% - 3.65%	2016-2023	1,735	-	2,060
2013 Series D-2 (Non-AMT)							
Term Bonds	12,990	12,990	4.00%	2024-2028	925	-	5,565
Term Bonds	12,010	12,010	4.50%	2033-2037	2,205	-	2,610
	40,000	40,000					
2013 SERIES E BONDS (S/F):							
2013 Series E (Non-AMT)							
Serial Bonds	20,000	13,315	1.25% - 3.85%	2016-2022	1,255	-	2,620
Term Bonds	10,000	0	4.95%				
	30,000	13,315					
2013 SERIES F BONDS (S/F -M/F):							
2013 Series F (Federally Taxable)							
Term Bonds	39,585	39,585	Variable - 0.42%	2024-2032	1,400	-	5,400
	39,585	39,585					
2013 SERIES G BONDS (S/F):							
2013 Series G (Federally Taxable)							
Term Bonds	60,000	60,000	Variable - 0.44%	2028-2041	1,660	-	5,350
	60,000	60,000					
2014 SERIES A BONDS (S/F):							
2014 Series A-1 (AMT)							
Serial Bonds	5,595	4,620	1.10% - 3.20%	2016-2021	200	-	960
Term Bonds	4,445	0	4.45%				
Term Bonds	11,545	8,925	3.25%	2038-2043	255	-	1,945
2014 Series A-2 (Non-AMT)							
Serial Bonds	9,045	9,045	2.75% - 3.55%	2021-2024	1,120	-	3,080
Term Bonds	9,865	9,865	4.00%	2025-2028	1,290	-	4,145
Term Bonds	11,090	7,845	4.50%	2031-2034	1,890	-	2,025
	51,585	40,300					
2014 SERIES B BONDS (M/F):							
2014 Series B (AMT)							
Term Bonds	50,965	50,965	Variable - 0.89%	2024-2037	1,415	-	6,415
	50,965	50,965					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2014 SERIES C BONDS (S/F):							
2014 Series C-1 (AMT)							
Serial Bonds	14,860	13,455	1.10% - 3.10%	2017-2024	705	-	3,105
Term Bonds	2,000	2,000	3.63%	2025-2029		400	
Term Bonds	7,620	7,620	4.00%	2030-2034	400	-	1,810
Term Bonds	17,465	14,090	3.50%	2034-2043	300	-	2,900
2014 Series C-2 (Non-AMT)							
Term Bonds	29,000	29,000	3.75%	2030-2034	3,485	-	8,065
	70,945	66,165					
2014 SERIES D BONDS (S/F):							
2014 Series D (Federally Taxable)							
Term Bonds	55,000	55,000	Variable - 0.42%	2028-2039	730	-	11,370
	55,000	55,000					
2015 SERIES A BONDS (M/F)							
2015 Series A-1 (AMT)							
Serial Bonds	13,485	13,485	1.55% - 3.05%	2018-2025	1,550	-	1,855
2015 Series A-2 (Non-AMT)							
Term Bonds	6,555	6,555	3.25%	2026-2029	600	-	2,680
2015 Series A-3 (Non-AMT)							
Serial Bonds	8,050	8,050	0.50% - 1.20%	2016-2018	1,540	-	3,255
Term Bonds	11,220	11,220	3.50%	2030-2034	2,085	-	2,410
Term Bonds	13,505	13,505	3.63%	2035-2039	2,505	-	2,905
Term Bonds	16,225	16,225	3.75%	2040-2044	2,995	-	3,500
	69,040	69,040					
2015 SERIES B BONDS (S/F)							
2015 Series B (Non-AMT)							
Serial Bonds	9,750	9,750	0.80% - 2.60%	2017-2025	1,020	-	1,175
Term Bonds	10,750	10,750	3.20%	2026-2030	2,015	-	2,285
Term Bonds	1,610	1,610	3.45%	2031-2034	380	-	425
Term Bonds	9,890	9,785	3.50%	2035-2040	1,505	-	1,735
	32,000	31,895					
2015 SERIES C BONDS (M/F)							
2015 Series C (Federally Taxable)							
Serial Bonds	9,480	9,480	1.46% - 3.04%	2018-2025	390	-	1,410
Term Bonds	18,000	18,000	3.59%	2026-2030	3,190	-	4,100
Term Bonds	12,520	12,520	3.95%	2036-2040	2,315	-	2,700
	40,000	40,000					
2015 SERIES D BONDS (S/F)							
2015 Series D (Non-AMT)							
Serial Bonds	7,105	7,105	1.65% - 3.30%	2019-2026	780	-	1,000
Term Bonds	3,340	3,340	3.75%	2027-2030	540	-	1,130
Term Bonds	4,890	4,890	4.00%	2031-2035	660	-	1,300
Term Bonds	7,585	7,585	4.25%	2036-2040	1,165	-	1,880
Term Bonds	7,080	7,080	4.00%	2041-2045	1,020	-	1,795
	30,000	30,000					
2015 SERIES E BONDS (S/F)							
2015 Series E-1 (AMT)							
Serial Bonds	30,115	27,280	1.20% - 3.60%	2017-2026	2,545	-	4,155
Term Bonds	26,690	26,690	4.00%	2027-2030	5,600	-	9,575
Term Bonds	26,325	23,240	3.50%	2031-2034	5,170	-	6,910
2015 Series E-2 (Non-AMT)							
Term Bonds	2,105	2,105	3.80%	2031-2033	650	-	755
Term Bonds	8,360	8,360	4.05%	2039-2040	4,085	-	4,275
Term Bonds	14,535	14,535	4.15%	2041-2045	2,515	-	3,285
2015 Series E-3 (AMT)							
Term Bonds	30,000	30,000	Variable - 0.41%	2035-2038	5,455	-	8,975
	138,130	132,210					

Maine State Housing Authority
Notes to Financial Statements – June 30, 2016
(IN THOUSANDS OF DOLLARS)

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2015 SERIES F BONDS (M/F)							
2015 Series F-1 (AMT)							
Serial Bonds	8,800	8,800	1.3% - 2.20%	2018-2021		2,200	
2015 Series F-2 (Non-AMT)							
Serial Bonds	2,450	2,450	2.05% - 2.85%	2022-2026	450	-	500
2015 Series F-3 (Non-AMT)							
Serial Bonds	15,005	15,005	.40% - 1.10%	2016-2018	4,785	-	5,110
Term Bonds	6,340	6,340	3.40%	2027-2030	1,185	-	1,785
Term Bonds	9,565	9,565	3.85%	2031-2035	1,310	-	2,195
Term Bonds	11,840	11,840	3.95%	2036-2040	1,635	-	2,720
	54,000	54,000					
2015 SERIES G BONDS (S/F)							
2015 Series G (Non-AMT)							
Serial Bonds	8,185	8,185	2.00% - 3.00%	2021-2027	630	-	2,095
Term Bonds	1,730	1,730	3.35%	2028-2030	535	-	615
Term Bonds	2,125	2,125	3.65%	2031-2035	325	-	525
Term Bonds	12,060	12,060	3.85%	2036-2040	2,295	-	2,535
Term Bonds	5,900	5,900	3.50%	2041-2045	1,095	-	1,270
	30,000	30,000					
2016 SERIES A BONDS (S/F)							
2016 Series A (Non-AMT)							
Serial Bonds	6,065	6,065	1.13% - 2.45%	2019-2026	670	-	855
Term Bonds	6,520	6,520	2.90%	2027-2030	1,545	-	1,720
Term Bonds	4,630	4,630	3.30%	2031-2035	865	-	990
Term Bonds	10,900	10,900	3.55%	2036-2040	1,960	-	2,355
Term Bonds	6,885	6,885	4.00%	2041-2045	1,305	-	1,475
	35,000	35,000					
		1,239,670					
Plus: Net Unamortized Bond Premium		1,815					
Total Mortgage Purchase Fund bonds payable	1,514,930	1,241,485					
Total Proprietary Funds bonds payable	$1,514,930	$1,241,485					
GOVERNMENTAL FUNDS							
MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND							
2010 Series 1(Non-AMT)							
Serial Bonds	$39,970	$35,445	2.50% - 5.00%	2017-2026	355	-	3,800
2010 Series 2(Taxable)							
Serial Bonds	9,630	0	3.03%				
		35,445					
Plus: Net Unamortized Bond Premium		296					
Total Maine Energy, Housing & Recovery Fund Group bonds payable	49,600	35,741					
Total Governmental Funds bonds payable	$49,600	$35,741					

The following table summarizes the debt activity for the period ended June 30, 2016:

Fund	Outstanding at December 31, 2015	Issuance	Retirement	Outstanding at June 30, 2016
Mortgage Purchase Fund	$1,235,250	$65,000	($60,580)	$1,239,670
Maine Energy, Housing & Economic Recovery Fund	38,425	0	(2,980)	35,445
Total	$1,273,675	$65,000	($63,560)	$1,275,115

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

The interest calculations shown in the table below are based on the variable rate in effect at June 30, 2016 and may not be indicative of actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary. The following table provides a summary of MaineHousing's debt service requirements and net interest rate swap payments through 2020 and in five-year increments thereafter to maturity:

	Mortgage Purchase Fund					Maine Energy, Housing & Economic Recovery Fund	
	Fixed/Variable Unswapped		Variable Swapped		Swaps	Fixed Unswapped	
Year(s)	Principal	Interest	Principal	Interest	Net Interest	Principal	Interest
2016	$19,810	$15,558	$3,015	$852	$4,037	$0	$625
2017	42,060	31,592	3,115	984	3,496	3,070	1,204
2018	43,810	30,806	3,225	959	3,320	3,160	1,114
2019	42,510	29,911	3,315	933	3,143	3,245	1,024
2020	43,310	28,869	3,310	908	2,637	3,340	921
2021-2025	209,428	125,394	6,707	4,365	7,622	18,485	2,761
2026-2030	251,337	88,275	19,563	3,846	3,350	4,145	87
2031-2035	194,129	52,360	62,396	3,105	2,408	0	0
2036-2040	148,216	24,969	75,579	752	403	0	0
2041-2045	61,985	6,073	2,850	16	0	0	0
Total	$1,056,595	$433,807	$183,075	$16,720	$30,416	$35,445	$7,736

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

Moral Obligation Debt

The reserve funds of the Mortgage Purchase Fund are secured by a non-binding obligation (moral obligation) from the State of Maine to replenish by appropriation any deficiency in such reserve funds. MaineHousing was authorized to have bonds outstanding for this program in an aggregate amount not to exceed $2,150,000 as of June 30, 2016. Of that amount, $1,239,670 was outstanding at June 30, 2016.

Other Debt
MaineHousing uses its tax-exempt debt issuing authority to provide financial assistance to private sector developers for the acquisition and rehabilitation, or the construction of multi-family housing projects serving low-to-moderate income households. The debt, which is referred to as conduit debt, is collateralized by revenues generated by the properties financed and is repayable solely from payments received on the underlying mortgage loans and any specific third-party credit enhancement associated with the individual financings. MaineHousing has a total of $53,935 outstanding in two series at June 30, 2016. The debt does not constitute a liability or a pledge of faith and credit of MaineHousing and is not reported in the accompanying financial statements.

(6.) INTEREST RATE SWAP AGREEMENTS

MaineHousing has twelve interest rate swap agreements (swaps) with four counterparties as of June 30, 2016. The objective of the agreements is to attain a synthetic fixed interest rate on a portion of its variable rate bonds at a cost expected to be less than rates associated with fixed-rate debt. The swap agreement terms state MaineHousing is to make semi-annual fixed interest rate payments at a specified rate on a notional principal amount and in exchange receive semi-annual payments based upon either the thirty-day or ninety-day London InterBank Offered Rate (LIBOR) or the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA).

The swaps have an aggregate negative fair value of $17,764 at June 30, 2016. During 2016, the negative fair value of the swaps increased by $3,787. The fair value was estimated using a zero-coupon method and level 3 inputs in accordance with GASB Statement No. 72. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the current yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. These amounts are adjusted for estimated unwinding costs.

The swaps have been determined to constitute an effective hedge of a portion of the variable rate bond portfolio equal to the notional amount of the swaps at June 30, 2016 by using the regression analysis and synthetic instrument methods. The aggregate fair value is classified as a derivative instrument liability and a deferred outflow of resources, which represents the accumulated decrease in fair value. Total variable rate bonds outstanding at June 30, 2016 total $299,625.

The following table contains the terms, fair values, and credit ratings of the swaps as of June 30, 2016. Specific swaps are assigned to certain debt issuances for arbitrage purposes. The credit ratings were issued by Moody's Investor Services and Standard & Poor's, respectively.

Related Debt Issuance	Current Notional Amount	Effective Date of Swap	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2005 Series B	$15,000	11/17/2015	1.41%	100 % of 90 day LIBOR	($239)	11/15/2020	Aa3/AA-
2005 Series G	21,075	2/1/2006	3.59%	65% of 30 day LIBOR plus .20%	(7,851)	11/15/2037	Aa3/A+
2015 Series E	5,000	3/14/2006	3.67%	65% of 90 day LIBOR plus .20%	(511)	11/15/2019	Aa1/AA-
2015 Series E	5,000	7/11/2006	3.92%	65% of 90 day LIBOR plus .20%	(83)	11/15/2016	Aa3/A+
2007 Series E-2	8,000	9/12/2007	4.05%	65% of 90 day LIBOR plus .20%	(275)	11/15/2027 [1]	Aa1/AA-
2008 Series D	20,000	4/8/2008	3.40%	70% of 90 day LIBOR plus .20%	(816)	11/15/2022 [2]	Aa1/AA-
2014 Series B	9,500	4/22/2008	3.25%	67% of 30 day LIBOR	(355)	11/15/2018	Aa1/AA-
2014 Series B	9,500	12/23/2003	3.25%	67% of 30 day LIBOR	(355)	11/15/2018	Aa3/A+
2014 Series B	15,000	1/29/2008	3.71%	100% of SIFMA plus .06%	(3,338)	5/15/2023	Aa3/A+
2014 Series D	25,000	12/26/2014	1.94%	100 % of 90 day LIBOR	(998)	11/15/2019	A2/A-
2014 Series D	30,000	12/31/2014	2.05%	100 % of 90 day LIBOR	(1,560)	11/15/2020	A2/A-
2015 Series E-3	20,000	11/15/2015	1.60%	67% of 30 day LIBOR	(1,383)	11/15/2025	A2/A-
Totals	$183,075				($17,764)		

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

The following table contains the terms and credit ratings of executed swap agreements with effective dates after June 30, 2016.

Related Debt Issuance	Initial Notional Amount	Effective Date of Swap	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2015 Series E-3	$5,000	11/15/2016	1.15%	70% of 30 day LIBOR	0	11/15/2025	Aa3/AA-
2016 Series B-2	8,000	5/15/2017	1.62%	70% of 30 day LIBOR	0	11/15/2031 [1]	Aa3/AA-
2016 Series B-2	20,000	11/15/2017	1.66%	70% of 30 day LIBOR	0	11/15/2031 [1]	Aa3/AA-
Totals	$33,000						

1 MaineHousing has the option of termination, with no Termination Payment on November 15, 2026 and on each May 15 and November 15 thereafter.

Credit Risk – The swaps contain varying collateral agreements with the counterparties in order to mitigate the potential for credit risk. The requirements of the collateral agreements are met as of June 30, 2016. As of June 30, 2016, MaineHousing is not exposed to credit risk for the swaps that have negative fair values.

Basis Risk – The floating rate payments provided by the counterparties are based upon either the SIFMA index or the LIBOR index. The LIBOR rate will be adjusted on a monthly basis, except for 2005 Series B, which is adjusted on a quarterly basis. MaineHousing's floating rate bonds will have rates adjusted weekly. MaineHousing's bonds are expected to track with the SIFMA Index, which differs from the LIBOR index. If the floating rate tax exempt bonds, which should correspond to the SIFMA index, trade at a value significantly different than their historical relationship to LIBOR, the net cost to MaineHousing could increase or decrease.

As of June 30, 2016, the thirty day LIBOR rate and the ninety day LIBOR rate were .47% and .65%, respectively and the SIFMA rate was 0.41%.

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

Rollover Risk – MaineHousing is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt.

(7.) RETIREMENT BENEFITS

MaineHousing has defined contribution and defined benefit pension plans that cover substantially all employees. Employees have the option to participate in either plan.

Defined Contribution 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).

Benefit terms, including contribution requirements, for the defined contribution plan are establishment by management. For each participant in the plan, MaineHousing contributes 4.6% of annual salary to the 401(a) plan. Additionally, if a participant makes voluntary contributions to the 457 plan, MaineHousing matches the contributions up to 5.9% of annual salary. The employer match contribution is made to the 401(a) plan.

For the period ended June 30, 2016, employee contributions totaled $246 and MaineHousing recognized expense of $153. Employees are immediately vested in their own contributions, MaineHousing contributions, and the earnings on those contributions.

Defined Benefit Plan

Plan Description: MaineHousing is a participating local district (PLD) member of the Maine Public Employees Retirement System's PLD Consolidated Retirement Plan (MainePERS) and employees may elect to participate in this multiple-employer cost sharing defined benefit plan. An advisory group established by Maine statute reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them.

Benefits Provided: Retirement benefits are based on participants' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. The normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years (20 years for participants in the plan prior to July 1, 2014) of service credit is reduced by a statutorily prescribed factor for each year of age that a participant is below her/his normal retirement age at retirement.

Post-retirement cost-of-living adjustments (COLA) become available to participants after 12 months of retirement. The post-retirement COLA is capped at 3% annually. The plan also provides disability and death benefits, which are established by contract under applicable statutory provisions.

Upon termination, accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and rights. The annual rate of interest credited to participants' accounts is set by MainePERS Board of Trustees and is currently 5.0%.

Contributions: Retirement benefits are funded by contributions from participants and employers and by earnings from MainePers investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Participant and employer normal cost contributions are each a percentage of applicable participant compensation. Participant contribution rates are defined by the MainePERS Board of Trustees. Employers' contributions are determined by actuarial valuations. As of June 30, 2016, the established MainePERS employer and employee contribution rates were 8.9% and 7.5%, respectively. MaineHousing also currently pays on behalf of its employees 1.6% of the MainePERS employee contribution rate. Total employer contributions were $246 for the period ended June 30, 2016.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014, using the following actuarial assumptions, applied to all periods included in the measurement period:

Investment Rate of Return – 7.125% per annum for June 30, 2015 and 7.25% per annum for June 30, 2014, compounded annually
Inflation Rate – 3.5%
Salary Increases, Merit and Inflation – 3.5% to 9.5% per year
Cost of Living Benefit Increases – 2.55% per annum for June 30, 2015 and 3.12% per annum for June 30, 2014
Mortality Rates – RP 2000 Table for Males and Females projected forward using Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period of July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%

Discount Rate: The discount rate used to measure the collective total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability: At June 30, 2016, MaineHousing has a liability of $3,768 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MaineHousing's proportion of the net pension liability was based on MaineHousing's employer contributions received by MainePERS during the measurement period July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all participating entities. At June 30, 2016, MaineHousing's proportion is 1.181151%. In 2014, the proportion was 1.420739%.

Sensitivity of MaineHousing's proportionate share of the net pension liability to changes in the discount rate: The following represents MaineHousing's proportionate share of the net pension liability calculated using the discount rate of 7.125%, as well as what MaineHousing's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.125%) or 1% higher (8.125%) than the current rate.

1% Decrease (6.125%)	Current Discount Rate (7.125%)	1% Increase (8.125%)
$7,508	$3,768	$(223)

Pension plan fiduciary net position: Detailed information about the plan's fiduciary net position is available in the separately issued MainePERS' Comprehensive Annual Financial Report at www.mainepers.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the period ended June 30, 2016, MaineHousing recognized pension expense of $352 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$183	$484
Employer contributions subsequent to the measurement date	505	0
Net difference between projected and actual earnings on pension plan investments	1,164	1,742
Changes in proportion and differences between employer contributions and proportionate share of contributions	(372)	640
Changes of assumptions	333	0
Total	$1,813	$2,866

Amounts reported as deferred outflows of resources related to pensions resulting from MaineHousing's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense through December 31, 2019 as follows:

Year ended December 31:	Pension Expense Amount
2016	($547)
2017	($547)
2018	($403)
2019	$291

Payables to the Pension Plan: At June 30, 2016, MaineHousing's total payables to MainePERS for unremitted contributions were $13.

(8.) AVAILABLE BONDS PROCEEDS

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

2015 Series A (M/F)	$1,539
2015 Series E (S/F)	22,537
2015 Series F (M/F)	20,734
2016 Series A (S/F)	26,124
	$70,934

MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND
The following bond proceeds are invested in accordance with the Maine Energy, Housing and Recovery General Indenture and are available for program activities at June 30, 2016:

2010 Series 1	$4,064
2010 Series 2	2,549
	$6,613

(9.) COMMITMENTS

MORTGAGE COMMITMENTS
Mortgage commitments are agreements to loan money provided there is no violation of any term or condition established in the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as MaineHousing deems necessary. At June 30, 2016, MaineHousing had outstanding commitments in several funds to originate multi-family mortgage loans of approximately $25,121. MaineHousing, under its single-family program, enters into purchase agreements with lenders to purchase mortgage loans. At June 30, 2016, single-family loans being processed by lenders for MaineHousing totaled approximately $60,649.

LEASE COMMITMENT
MaineHousing has committed to a lease agreement for approximately 39,000 square feet of office space that expires on June 30, 2020. Annual rent under this lease agreement increases at a rate of 3% per year and rental expense amounted to $352 for the period ended June 30, 2016.

(10.) RESERVE FUNDS

MORTGAGE PURCHASE FUND – HOUSING RESERVE FUND
On or before December 1 of each year, MaineHousing is required to value the Housing Reserve Fund and verify to the Governor of the State of Maine that the sum of money in the fund equals or exceeds the Housing Reserve Fund Minimum Requirement. The Housing Reserve Fund Minimum Requirement equals the amount of principal and interest maturing and coming due in the next succeeding calendar year on bonds outstanding. The Housing Reserve Fund Minimum Requirement as of June 30, 2016 was $111,873.

When issuing bonds MaineHousing must also meet the Housing Reserve Fund Maximum Requirement. The Housing Reserve Fund Maximum Requirement equals the maximum debt service required in any subsequent calendar year. The Housing Reserve Fund Maximum Requirement as of June 30, 2016 was $112,578.

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 June 30, 2016,

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 $129,456.

MAINE ENERGY, HOUSING & ECONOMIC RECOVERY FUND – CAPITAL RESERVE FUND
MaineHousing is required to maintain a Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement established under the General Indenture. The Capital Reserve Fund Requirement equals the greatest amount of principal and interest maturing and becoming due in the current or any succeeding bond year. The Capital Reserve Requirement as of June 30, 2016 was $4,320. This requirement may be satisfied by the deposit of money or by the deposit of a Credit Facility or an insurance policy for the benefit of the bondholders.

Between July 1 and July 15 of each year, MaineHousing must certify to the Treasurer of the State the amount necessary and sufficient to meet MaineHousing's debt service obligation, including amounts necessary to replenish the Capital Reserve Fund to the Capital Reserve Requirement. At June 30, 2016, valuation of the Capital Reserve Fund insurance policy in the Capital Reserve Fund was $4,320.

(11.) EXCESS ARBITRAGE TO BE REBATED

Tax-exempt bonds issued by MaineHousing are subject to Internal Revenue Service (IRS) regulations that limit the amount of income that can be earned with non-mortgage investments to an amount not greater than the amount that would have been earned had the funds been invested at the yield on the bonds. Excess earnings must be rebated every five years. At June 30, 2016, there are no arbitrage liabilities to be rebated.

Prior rebate payments made by MaineHousing that are eligible for refund from the United States Treasury, based on estimated arbitrage rebate calculations, are recorded as an asset. MaineHousing has recorded assets, which are included in other assets, in the amount of $1,490 in the Mortgage Purchase Fund.

(12.) FUND TRANSFERS AND INTERFUND BALANCES

MaineHousing records transfers between funds for various purposes including program subsidies and capital asset transfers. Transfers for the period ended June 30, 2016 consisted of the following:

	General Administrative Fund	Other Federal And State Programs
Capital Assets	$132	($132)
Program Subsidies	(6)	6
	$126	($126)

MaineHousing reports interfund balances among its funds. These balances generally consist of amounts for various revenues or expenses due to a fund, but received or paid to another and funds for loan closings. These amounts are generally paid or received within the subsequent year.

Interfund accounts receivable (payable) balances at June 30, 2016 consisted of the following:

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	HOME Fund	Section 8 Housing Programs	Low Income Housing Energy Assistance Program	Other Federal And State Programs
Receivable due from:							
Mortgage Purchase Fund	$0	$0	$3,856	$0	$0	$0	$0
General Adminstrative Fund	0	0	0	1,102	5,597	0	0
Other Federal And State Programs	0	0	137	0	0	0	0
Collectively, all other funds	499	0	572	0	0	0	0
	499	0	4,565	1,102	5,597	0	0
Payables	(3,856)	(1)	(6,699)	0	(499)	(137)	(571)
	($3,357)	($1)	($2,134)	$1,102	$5,098	($137)	($571)

The interfund accounts receivable of the General Administrative Fund consist primarily of operating expenses owed from the Mortgage Purchase Fund and Other Federal and State Programs. The General Administrative Fund accounts payable consist of program revenues and fees collected for the HOME Fund and Section 8 Housing Program.

(13.) REDEMPTION OF BONDS

For the period ended June 30, 2016, MaineHousing redeemed prior to maturity $60,580 of its Mortgage Purchase Fund bonds from recoveries of principal, surplus revenues and the proceeds of refunding bonds. Losses of $56 were attributed to the recognition of related bond discount. In general, where these redemptions were related to refundings, the overall interest rate was lower with the new bonds. The following is a summary of bonds redeemed:

	Interest Rate	Original Maturity	Amount	Redemption Price
Mortgage Purchase Fund				
2008 Series C-1 Serial Bonds	4.00%	11/15/2016	$310	100%
2009 Series A-2 Serial Bonds	3.88%	11/15/2017	4,405	100%
2009 Series B Serial Bonds	3.45%	11/15/2017	1,520	100%
2009 Series D Serial Bonds	3.40%	11/15/2017	1,720	100%
2009 Series D Serial Bonds	3.65%	11/15/2018	1,770	100%
2009 Series D Serial Bonds	3.85%	11/15/2019	1,575	100%
2010 Series A Serial Bonds	3.70%	11/15/2020	1,735	100%
2010 Series A Serial Bonds	3.90%	11/15/2021	975	100%
2010 Series A Serial Bonds	3.95%	11/15/2022	1,740	100%
2010 Series A Serial Bonds	4.00%	11/15/2023	1,885	100%
2010 Series B-1 Serial Bonds	2.25%	11/15/2016	1,570	100%
2010 Series B-3 Serial Bonds	3.40%	11/15/2016	1,750	100%
2010 Series B-3 Serial Bonds	3.80%	11/15/2017	5,060	100%
2010 Series C Serial Bonds	3.65%	11/15/2018	1,470	100%
2010 Series C Serial Bonds	3.90%	11/15/2019	1,510	100%
2010 Series D-1 Serial Bonds	3.35%	11/15/2017	1,090	100%
2010 Series D-1 Serial Bonds	3.70%	11/15/2018	405	100%
2010 Series D-2 Serial Bonds	2.90%	11/15/2016	615	100%
2010 Series D-2 Serial Bonds	3.35%	11/15/2017	410	100%
2010 Series D-2 Serial Bonds	3.70%	11/15/2018	240	100%
2010 Series D-2 Serial Bonds	4.05%	11/15/2019	270	100%
2011 Series A Serial Bonds	2.20%	11/15/2016	890	100%
2011 Series A Serial Bonds	4.00%	11/15/2023	1,095	100%
2011 Series B-1 Term Bonds	4.00%	11/15/2023	2,950	100%
2011 Series C-1 Serial Bonds	2.00%	11/15/2016	5,000	100%

	Interest Rate	Original Maturity	Amount	Redemption Price
2012 Series A-1 Serial Bonds	1.85%	11/15/2016	3,060	100%
2012 Series A-1 Term Bonds	4.50%	11/15/2028	1,820	100%
2013 Series B Term Bonds	4.00%	11/15/2043	1,690	100%
2013 Series E Serial Bonds	4.00%	11/15/2023	3,420	100%
2014 Series A-1 Term Bonds	3.25%	11/15/2043	900	100%
2014 Series C-1 Serial Bonds	0.65%	11/15/2016	705	100%
2014 Series C-1 Term Bonds	3.50%	11/15/2044	1,000	100%
2015 Series B Term Bonds	3.50%	11/15/2040	105	100%
2015 Series E-1 Serial Bonds	0.60%	11/15/2016	2,835	100%
2015 Series E-1 Term Bonds	3.50%	11/15/2035	3,085	100%
			$60,580	

(14.) CONTINGENCIES

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

(15.) SUBSEQUENT EVENTS

Subsequent to June 30, 2016, MaineHousing redeemed bonds. The following is a summary of subsequent event transactions.

On July 20, 2016 MaineHousing redeemed at par $28,000 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	Interest Rate	Maturity	Amount	Redemption Price
2007 Series E-2 Term Bonds	variable	11/15/2041	$8,000	100%
2008 Series D Term Bonds	variable	11/15/2042	20,000	100%
			$28,000	

On July 13, 2016 MaineHousing issued, at par, $70,000 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	Interest Rate	Maturity	Amount	Issued Price
2016 Series B-1 Serial Bonds	.90%-2.55%	2018-2027	$19,260	100%
2016 Series B-1 Term Bonds	2.70%	2029	3,885	100%
2016 Series B-1 Term Bonds	3.50%	2046	18,855	100%
2016 Series B-2 Term Bonds	variable	2037	28,000	100%
			$70,000	

On August 24, 2016 MaineHousing will issue, at par, $40,000 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	Interest Rate	Maturity	Amount	Issued Price
2016 Series C Serial Bonds	1.10%-2.50%	2020-2028	$13,620	100%
2016 Series C Term Bonds	2.75%	2031	5,670	100%
2016 Series C Term Bonds	3.00%	2036	8,975	100%
2016 Series C Term Bonds	3.15%	2041	3,355	100%
2016 Series C Term Bonds	3.50%	2046	8,380	100%
			$40,000	