

Maine State Housing Authority

Basic Financial Statements
Management's Discussion and Analysis
and Required Supplementary Information

Year Ended December 31, 2017

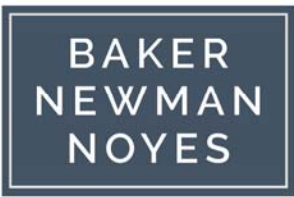
MAINE STATE HOUSING AUTHORITY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

TABLE OF CONTENTS

Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 10
Basic Financial Statements:	
Agency – Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Statement of Net Position – Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15
Balance Sheet – Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Notes to Financial Statements	18 – 43
Required Supplementary Information:	
Schedule of MaineHousing's Proportionate Share of the Net Pension Liability	44
Schedule of MaineHousing's Pension Contributions	44



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Maine State Housing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maine State Housing Authority (MaineHousing), a component unit of the State of Maine, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise MaineHousing's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Commissioners
Maine State Housing Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of MaineHousing, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Required Supplementary Information

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

Baker Newman & Noyes LLC

Portland, Maine
March 28, 2018

**Maine State Housing Authority
Management's Discussion and Analysis
December 31, 2017**

Management's discussion and analysis provides an overview of the Maine State Housing Authority's (MaineHousing) financial activities for the year ended December 31, 2017. It should be read in conjunction with the audited financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- MaineHousing's net position increased by \$19.2 million to \$330 million as a result of program operations and financing activities. The net position of the proprietary funds, which present MaineHousing's business-type activities, increased \$9.5 million while the net position of governmental activities increased \$9.7 million.
- Mortgage receivables increased by \$72.2 million or 5.9% to \$1.3 billion. Single-family mortgage loan purchases totaled \$138.5 million for the year, which is an increase of \$18.4 million or 15.3% compared to 2016. Multi-family loan originations totaled \$75.9 million and increased by \$25.3 million or 50.6%.
- Single-family mortgage loan delinquency rates continued to decline in 2017. The rate for loans 60 days or more delinquent decreased from 5.34% to 3.72%. The volume of foreclosed loans decreased by \$12.5 million or 59.8%; from \$20.9 million to \$8.4 million. The reduction in defaulted single-family loans significantly lowered related expenses, which decreased in 2017 by a combined total of \$3.8 million or 103.7%.
- Total governmental revenues increased by \$8.5 million or 5.3% to \$169.3 million due principally to higher income from the U.S. Department of Housing & Urban Development for Section 8 rental assistance programs and program income from the State of Maine real estate tax transfer deposits. The recognition of income associated with certain General Obligation bonds previously recorded as unearned income also contributed to the total increase in governmental revenues.

OVERVIEW OF MAINEHOUSING

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

MaineHousing's financial statements consist of three parts – this management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include agency-wide financial statements, fund financial statements, and notes to the financial statements.

- Agency-wide financial statements provide information about MaineHousing's overall financial position and operations. These statements, which are presented using the accrual basis of accounting, consist of the Statement of Net Position and the Statement of Activities.

**Maine State Housing Authority
Management's Discussion and Analysis
December 31, 2017**

- Fund financial statements of MaineHousing include its major proprietary funds, which operate similarly to private-sector businesses, and governmental funds, which consist of activities that are funded from federal grants and state appropriations.
- The basic financial statements include notes to financial statements that provide additional information and explain some of the information in the agency-wide and fund financial statements.
- The required supplementary information presents historical pension information.

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

Agency-wide Statements

Agency-wide statements report information about MaineHousing as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position presents MaineHousing's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Statement of Activities presents current year revenues and expenses.

The two agency-wide statements report MaineHousing's net position and results of operations. Net position is one measure of MaineHousing's financial health and position. Agency-wide financial statements are divided into two categories:

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

Fund Financial Statements

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

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

**Maine State Housing Authority
Management's Discussion and Analysis
December 31, 2017**

AN OVERVIEW OF MAINEHOUSING'S FINANCIAL POSITION AND OPERATIONS

MaineHousing's financial position and operations are summarized on the following pages for the years ended December 31, 2017 and 2016 based on the information included in the financial statements.

Statement of Net Position
(in millions of dollars)

	Business-type Activities		Governmental Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	
Cash and investments	\$402.1	\$360.8	\$35.1	\$37.4	\$437.2	\$398.2	9.8%
Mortgage and other notes receivable	1,266.3	1,194.6	29.1	28.6	1,295.4	1,223.2	5.9%
Other assets	11.6	16.7	7.4	5.9	19.0	22.6	(15.9%)
Total Assets	1,680.0	1,572.1	71.6	71.9	1,751.6	1,644.0	6.5%
Total Deferred Outflows of Resources	13.2	18.1	0.2	0.6	13.4	18.7	(28.3%)
Bonds and notes payable	1,371.7	1,274.3	32.6	35.7	1,404.3	1,310.0	7.2%
Other Liabilities	20.0	23.8	8.3	13.0	28.3	36.8	(23.1%)
Total Liabilities	1,391.7	1,298.1	40.9	48.7	1,432.6	1,346.8	6.4%
Total Deferred Inflows of Resources	1.6	1.7	0.8	3.4	2.4	5.1	(52.9%)
Investment in capital assets	0.6	0.7	0.0	0.0	0.6	0.7	(14.3%)
Restricted	265.9	257.1	30.1	20.4	296.0	277.5	6.7%
Unrestricted	33.4	32.6	0.0	0.0	33.4	32.6	2.5%
Total Net Position	\$299.9	\$290.4	\$30.1	\$20.4	\$330.0	\$310.8	6.2%

Total assets at December 31, 2017 were \$1.75 billion, an increase of \$107.6 million or 6.5% from December 31, 2016. The change in assets consisted primarily of a \$39 million increase in cash and investments and a \$72.2 million net increase to mortgage notes receivables. Other assets decreased by \$3.6 million or 15.9% mainly due to a reduction in other real estate owned assets and lower outstanding receivable balances for arbitrage refunds and government mortgage insurers loan acquisitions.

Total deferred outflows of resources, which consist of the accumulated decrease in the fair value of interest rate swaps and deferred amounts associated with debt refundings and pension expenses, decreased \$5.3 million or 28.3%. The decrease is attributed to improvements in fair values for interest rate swap contracts and reductions in deferred debt refunding and pension amounts.

Total liabilities at December 31, 2017 were \$1.43 billion, an increase of \$85.8 million or 6.4% from December 31, 2016. The increase in liabilities is due principally to higher outstanding bonds payable, which increased by \$94.3 million to \$1.4 billion at December 31, 2017. Other liabilities decreased \$8.5 million or 23.1% due to the increase in the fair value of interest rate swaps contracts, which reduced the related liability, and a reduction in the pension liability and in liabilities associated with various revolving loan programs.

Total deferred inflows of resources, which represent deferred amounts associated with grant income and pension credits decreased \$2.7 million or 52.9% due to the utilization of prior year deferred advanced payments from the federal government for the Section 8 Housing Choice Voucher program.

Cash and Investments

Total cash and investments increased by \$39 million or 9.8%. The increase is attributed primarily to higher unexpended bond proceeds at December 31, 2017. MaineHousing's investment portfolio is comprised of securities of the U.S. Government, certain Federal agencies, the State of Maine, or repurchase agreements and money market funds that are secured by such securities. Investments are carried at fair value and unrealized gains and losses due to fluctuations in market values are recognized in revenues. In 2017, the fair value of investments increased and MaineHousing recognized \$0.3 million of unrealized gains compared with \$1.1 million of unrealized losses in 2016.

**Maine State Housing Authority
Management's Discussion and Analysis
December 31, 2017**

Mortgage and Other Notes Receivable

Total net mortgages and other notes receivable increased \$72.2 million or 5.9% in 2017. MaineHousing's total mortgage purchases and originations of \$214.7 million in 2017 were higher by \$43.6 million or 25.5% compared with 2016. The receipt of \$41.7 million in scheduled mortgage loan repayments decreased from the previous year's level of \$62.2 million. The decrease in scheduled payments is due to fewer receipts from multifamily loans with short terms. Mortgage loan prepayments increased in 2017 by \$10.6 million to a total of \$93.5 million. Foreclosures totaled \$8.4 million in 2017, which is a decrease of \$12.5 million or 59.8% from 2016. Improvement with the economy and lower unemployment rates have contributed to the reduction in foreclosures. The development and implementation of programmatic and outreach initiatives with borrowers in recent years has also helped to lower foreclosures.

MaineHousing's allowance for losses decreased \$1.3 million or 12.8% to \$9.1 million at December 31, 2017. A reduction in the allowance for losses on loans was made in 2017 due to significant decreases in net loan charge-offs, delinquency rates and foreclosed loans.

Bonds and Notes Payable

Bonds and notes payable increased \$94.3 million or 7.2% in 2017. MaineHousing issues bonds or notes as capital is needed for program purposes and as opportunities for economic refunding occur. For additional details, see the Debt Activity section of the Management's Discussion and Analysis.

Net Position

As a result of program operations and financing activities, MaineHousing's net position increased by \$19.2 million or 6.2% to \$330 million at December 31, 2017. The net position of the proprietary funds, which present MaineHousing's business-type activities, increased \$9.5 million to \$299.9 million and the net position for governmental activities increased by \$9.7 million to \$30.1 million.

MaineHousing's business activities are in the proprietary funds and are dissimilar to the activities in the governmental funds. The results of operations for both MaineHousing's proprietary and governmental funds are presented on the following table for the years ended December 31, 2017 and 2016:

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

	<u>2017</u>	<u>2016</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percentage</u>
Revenues:				
Interest from mortgages and notes	\$57.6	\$58.2	(\$0.6)	(1.0%)
Income from investments	5.1	3.1	2.0	64.5%
Net increase (decrease) in fair value of investments	0.3	(1.1)	1.4	(127.3%)
Grants and subsidies	162.1	152.9	9.2	6.0%
Other	9.3	9.8	(0.5)	(5.1%)
Total revenues	<u>234.4</u>	<u>222.9</u>	<u>11.5</u>	5.2%
Expenses:				
Operating and other program expenses	26.1	26.9	(0.8)	(3.0%)
Provision for losses on loans and foreclosed real estate	(0.9)	0.8	(1.7)	(212.5%)
Interest expense	40.1	39.9	0.2	0.5%
Grants and subsidies	149.9	151.3	(1.4)	(0.9%)
Total expenses	<u>215.2</u>	<u>218.9</u>	<u>(3.7)</u>	(1.7%)
Increase in net position	19.2	4.0	15.2	380.0%
Net position at beginning of year	<u>310.8</u>	<u>306.8</u>	<u>4.0</u>	1.3%
Net position at end of year	<u>\$330.0</u>	<u>\$310.8</u>	<u>\$19.2</u>	6.2%

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

**Maine State Housing Authority
Management's Discussion and Analysis
December 31, 2017**

RESULTS OF OPERATIONS

Proprietary Funds Results

The net position of MaineHousing's proprietary funds increased by \$9.5 million or 3.3% to \$299.9 million at December 31, 2017. The following table summarizes the Statement of Revenues, Expenses and Changes in Net Position of MaineHousing's proprietary funds for the years ended December 31, 2017 and December 31, 2016:

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

	2017	2016	Increase/(Decrease)	
			Amount	Percentage
Operating revenues:				
Interest from mortgages and notes	\$57.5	\$58.1	(\$0.6)	(1.0%)
Income from investments	4.9	3.0	1.9	63.3%
Net increase (decrease) in fair value of investments	0.3	(1.1)	1.4	(127.3%)
Fee income	2.1	1.7	0.4	23.5%
Other revenue	0.3	0.4	(0.1)	(25.0%)
Total revenues	65.1	62.1	3.0	4.8%
Operating expenses:				
Operating expenses	10.2	9.8	0.4	4.1%
Other program administrative expenses	6.6	8.1	(1.5)	(18.5%)
Mortgage servicing fees	1.5	2.3	(0.8)	(34.8%)
Provision for losses on loans	(0.9)	0.2	(1.1)	(550.0%)
Losses on foreclosed real estate	0.0	0.4	(0.4)	(100.0%)
Interest expense	38.9	38.7	0.2	0.5%
Loss on bond redemption	0.0	0.2	(0.2)	(100.0%)
Excess arbitrage	0.9	(0.1)	1.0	(1000.0%)
Total expenses	57.2	59.6	(2.4)	(4.0%)
Net Operating income	7.9	2.5	5.4	216.0%
Transfers in	1.6	6.4	(4.8)	(75.0%)
Change in net position	9.5	8.9	0.6	6.7%
Net position at beginning of year	290.4	281.5	8.9	3.2%
Net position at end of year	<u>\$299.9</u>	<u>\$290.4</u>	<u>\$9.5</u>	3.3%

Operating revenues of MaineHousing's business-type activities are generated principally from earnings on mortgages and investments. Operating revenues from business-type activities totaled \$65.1 million for 2017. Of this total, \$62.4 million or 95.9% was from interest earned from mortgages, other notes and non-mortgage investments.

Operating expenses of MaineHousing's business-type activities consist primarily of interest expense on debt incurred to fund its various lending programs. The expenses for business-type activities totaled \$57.2 million, of which \$38.9 million or 68% was interest expense. The 2017 financial results and net position of MaineHousing's proprietary funds were significantly affected by the following:

- Interest earned on mortgages and notes decreased by \$0.6 million or 1.0% due to lower average yields.
- Income from investments increased \$1.9 million or 63.3% due to an increase in long-term investment balances and higher short-term earnings rates.
- Interest rate changes during the year generated an unrealized gain of \$0.3 million. This represents an increase of \$1.4 million compared with the unrealized loss of \$1.1 million that was recognized in 2016.

**Maine State Housing Authority
Management's Discussion and Analysis
December 31, 2017**

- Program administrative expenses for foreclosures and real estate owned properties decreased by \$2.1 million or 72.2% due to a substantial decrease in the volume of defaulted single-family loans in 2017.
- Mortgage servicing fees decreased by \$0.8 million or 34.8%. A servicer change was made at the beginning of the year for approximately 70% of the single-family loan portfolio, which resulted in lower annual servicing fees. The lower servicing fees are also attributed to a reduction of delinquent loans, which decreased significantly in 2017.
- Provision for losses on loans and losses on foreclosed real estate decreased by a combined total of \$1.5 million. The decrease is attributed to a significant reduction in net loan charge-offs, delinquency rates and foreclosed loans.
- Excess arbitrage expense increased by \$1 million due to a change in estimated refund amounts due from prior years and a write-off of \$0.9 million in arbitrage receivables.

Governmental Fund Results

The net position of MaineHousing's governmental funds increased \$9.7 million or 47.5% to \$30.1 million at December 31, 2017. The following table summarizes the Statement of Revenues, Expenditures and Changes in Fund Balances of MaineHousing's governmental funds for the years ended December 31, 2017 and December 31, 2016:

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

	2017	2016	Increase/(Decrease)	
			Amount	Percentage
Revenues:				
Income from mortgages and notes	\$0.1	\$0.1	\$0.0	0.0%
Income from investments	0.2	0.1	0.1	100.0%
Fee income	6.9	7.7	(0.8)	(10.4%)
Grant income	46.5	41.7	4.8	11.5%
Income from the State	17.8	14.7	3.1	21.1%
Federal rent subsidy income	97.8	96.5	1.3	1.3%
Total revenues	169.3	160.8	8.5	5.3%
Expenditures:				
Program administrative expenditures	6.9	6.6	0.3	4.5%
Provision for losses on loans	0.0	0.2	(0.2)	(100.0%)
Interest expense	1.2	1.2	0.0	0.0%
Grant expense	51.9	55.0	(3.1)	(5.6%)
Federal rent subsidy expense	98.0	96.3	1.7	1.8%
Total expenditures	158.0	159.3	(1.3)	(0.8%)
Revenues in excess of expenditures	11.3	1.5	9.8	653.3%
Transfers out	(1.6)	(6.4)	4.8	75.0%
Change in fund balances	9.7	(4.9)	14.6	(298.0%)
Fund balances at beginning of year	20.4	25.3	(4.9)	(19.4%)
Fund balances at end of year	\$30.1	\$20.4	\$9.7	47.5%

MaineHousing's total revenues from governmental activities are generated primarily from federal grants and rent subsidy income. MaineHousing also receives program revenues from the State of Maine. Revenues from governmental activities total \$169.3 million in 2017, which is an increase of \$8.5 million or 5.3%.

MaineHousing's governmental activities expenditures consist primarily of federal grants and rent subsidies payments. Total expenditures decreased \$1.3 million or 0.8% to \$158 million for 2017.

**Maine State Housing Authority
Management's Discussion and Analysis
December 31, 2017**

MaineHousing earns fees for administering federal programs. Typically, fees earned provide MaineHousing with a revenue source adequate to recover direct and indirect costs of delivering related services. Fee income for administering federal programs amounted to \$6.9 million in 2017, which is a decrease of \$0.8 million or 10.4% compared with 2016.

The 2017 financial results and net position of MaineHousing's governmental funds were significantly affected by the following:

- Federal rent subsidy income, which consists of funding from five U.S. Department of Housing & Urban Development Section 8 programs, increased by \$1.3 million or 1.3%. The increase is attributed primarily to higher revenues for the Section 8 Performance Based Contract Administration program.
- Grant income increased \$4.8 million or 11.5% in 2017. The increase is primarily due to the recognition of program income associated with certain State General Obligation bonds. Related bond proceeds were used to fund revolving loan programs in prior years and were deferred. Income was recognized in 2017 as a result of a statutory change that allowed MaineHousing more flexibility over the use of the proceeds.
- Income from the State, which consists mainly of real estate transfer tax deposits to the HOME Fund, increased \$3.1 million or 21.1% as a result of higher real estate sales and deposits from the State.
- Administrative fee income for the Section 8 Housing Choice Voucher (HCV) program decreased by \$1 million or 28%, which is the primary reason for the total \$0.8 million or 10.4% reduction in fee income. Fee income for the HCV program is based on proration factors established by the U.S. Department of Housing & Urban Development, which were lower in 2017.
- Grant expenditures decreased \$3.1 million or 5.6%, which is due primarily to lower expenditures in the Maine Energy, Housing and Economic Recovery Fund. Program funding for this Fund was generated from one-time bond issuances in 2010 and the decrease is attributed to lower available proceeds.
- Federal rent subsidy expenditures increased \$1.7 million or 1.8% due to higher available income for the Section 8 Performance Based Contract Administration program.

DEBT ACTIVITY

MaineHousing is authorized to issue housing revenue bonds to purchase or originate mortgages or notes on single-family and multi-family residential properties. MaineHousing had \$1.4 billion in bonds and notes outstanding at December 31, 2017, which is an increase of \$94.3 million or 7.2% from 2016.

MaineHousing's bond issuances for 2017 totaled \$392.8 million. Principal payments on bonds totaled \$298.9 million in 2017. MaineHousing redeemed prior to maturity \$285.9 million of its outstanding bonds in 2017 from reserve funds, mortgage prepayments, surplus revenues, and the proceeds from refunding bonds. Scheduled principal payments on bonds totaled \$13 million in 2017.

MaineHousing issues some variable rate demand obligations and enters into interest rate swaps agreements to provide synthetically fixed interest rates on a portion of the variable rate bonds. At December 31, 2017, the total amount of variable rate debt outstanding was \$292.5 million and represented 20.8% of the \$1.4 billion total debt portfolio. Twelve interest rate swap agreements have been executed with four counterparties in connection with \$162.9 million of these bonds to, in effect, convert them to synthetic fixed rate bonds.

Bonds in MaineHousing's General Mortgage Purchase Bond Resolution were rated Aa1 and AA+ by Moody's Investor Service and Standard & Poor's, respectively, in 2017. For additional information about MaineHousing's mortgage bonds and notes payables, see Notes 5, 6, 8, 13, and 15 to the financial statements.

**Maine State Housing Authority
Management's Discussion and Analysis
December 31, 2017**

ADDITIONAL INFORMATION

The purpose of this financial report is to provide information needed to understand MaineHousing's financial position and results of operations for the year ended December 31, 2017. Inquiries for additional information may be directed to the Director of Finance at Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330, at (207) 626-4600 or at www.mainehousing.org.

MAINE STATE HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2017
(IN THOUSANDS OF DOLLARS)

	Business-type Activities	Governmental Activities	Total
ASSETS:			
Current Assets:			
Cash, principally time deposits (note 3)	\$123	\$982	\$1,105
Investments (notes 3, 8, and 10)	294,492	34,100	328,592
Accounts receivable - Federal	0	4,332	4,332
Other assets	9,068	3,764	12,832
Mortgage notes receivable, net (note 4)	29,792	14	29,806
Other notes receivable, net (note 4)	40	0	40
Internal balances	664	(664)	0
Total Current Assets	334,179	42,528	376,707
Noncurrent Assets:			
Investments (notes 3, 8, and 10)	107,584	0	107,584
Other assets (note 11)	184	0	184
Mortgage notes receivable, net (note 4)	1,236,166	29,037	1,265,203
Other notes receivable, net (note 4)	275	10	285
Land, equipment and leasehold improvements, net	556	0	556
Other real estate owned	1,144	0	1,144
Total Noncurrent Assets	1,345,909	29,047	1,374,956
Total Assets	1,680,088	71,575	1,751,663
DEFERRED OUTFLOWS OF RESOURCES:			
Accumulated decrease in fair value of hedging derivatives (note 6)	6,462	0	6,462
Deferred pension expense (note 7)	1,697	168	1,865
Deferred amount on debt refundings	5,014	0	5,014
Total Deferred Outflows of Resources	13,173	168	13,341
LIABILITIES:			
Current Liabilities:			
Accrued interest payable	5,197	51	5,248
Accounts payable - Federal	0	416	416
Accounts payable and accrued liabilities	5,811	2,851	8,662
Unearned income	0	3,757	3,757
Bonds and notes payable (notes 5, 8, 13, and 15)	45,525	3,160	48,685
Total Current Liabilities	56,533	10,235	66,768
Noncurrent Liabilities:			
Pension liability (note 7)	2,505	1,207	3,712
Derivative instrument - interest rate swaps (note 6)	6,462	0	6,462
Bonds and notes payable (notes 5, 8, 13, and 15)	1,326,209	29,436	1,355,645
Total Noncurrent Liabilities	1,335,176	30,643	1,365,819
Total Liabilities	1,391,709	40,878	1,432,587
DEFERRED INFLOWS OF RESOURCES:			
Deferred grant income	0	126	126
Deferred loan origination points	35	0	35
Deferred pension credit (note 7)	1,544	679	2,223
Total Deferred Inflows of Resources	1,579	805	2,384
NET POSITION:			
Net investment in capital assets	556	0	556
Restricted for bond resolutions	265,928	0	265,928
Restricted for grants and programs	0	30,060	30,060
Unrestricted	33,489	0	33,489
Total Net Position	\$299,973	\$30,060	\$330,033

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(IN THOUSANDS OF DOLLARS)

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Investment Income	Grants and Contributions	Business-type Activities	Governmental Activities	Total
Business-type activities:							
Mortgage Purchase Fund	\$55,460	\$58,444	\$4,968	\$0	\$7,952	\$0	\$7,952
Bondholder Reserve Fund	50	0	60	0	10	0	10
General Administrative Fund	1,743	1,448	0	0	(295)	0	(295)
Total business-type activities	57,253	59,892	5,028	0	7,667	0	7,667
Governmental activities:							
HOME Fund	11,162	53	119	16,010	0	5,020	5,020
Section 8 Housing Programs	102,396	4,351	1	97,842	0	(202)	(202)
Low Income Home Energy Assistance Program	27,848	719	0	27,128	0	(1)	(1)
Maine Energy, Housing and Economic Recovery Program	2,126	37	45	4,318	0	2,274	2,274
Other Federal and State Programs	14,499	1,866	23	16,875	0	4,265	4,265
Total governmental activities	158,031	7,026	188	162,173	0	11,356	11,356
Total MaineHousing	\$215,284	\$66,918	\$5,216	\$162,173	7,667	11,356	19,023
General Revenues:							
Unrestricted investment income					208	0	208
Transfers					1,643	(1,643)	0
Total general revenues and transfers					1,851	(1,643)	208
Change in Net Position					9,518	9,713	19,231
Net Position at beginning of year					290,455	20,347	310,802
Net Position at end of year					\$299,973	\$30,060	\$330,033

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017
(IN THOUSANDS OF DOLLARS)

	<u>Mortgage Purchase Fund</u>	<u>Bondholder Reserve Fund</u>	<u>General Administrative Fund</u>	<u>Total</u>
ASSETS:				
Current Assets:				
Cash, principally time deposits (note 3)	\$ 0	\$ 1	\$ 122	\$ 123
Investments (notes 3, 8, and 10)	262,688	7,882	23,922	294,492
Other assets	8,967	5	96	9,068
Mortgage notes receivable, net (note 4)	29,475	0	317	29,792
Other notes receivable, net (note 4)	0	0	40	40
Interfund (note 12)	209	0	3,610	3,819
Total Current Assets	<u>301,339</u>	<u>7,888</u>	<u>28,107</u>	<u>337,334</u>
Noncurrent Assets:				
Investments (notes 3, 8, and 10)	102,604	0	4,980	107,584
Other assets (note 11)	184	0	0	184
Mortgage notes receivable, net (note 4)	1,225,944	0	10,222	1,236,166
Other notes receivable, net (note 4)	0	0	275	275
Land, equipment and leasehold improvements, net	22	0	534	556
Other real estate owned	1,144	0	0	1,144
Total Noncurrent Assets	<u>1,329,898</u>	<u>0</u>	<u>16,011</u>	<u>1,345,909</u>
Total Assets	<u>1,631,237</u>	<u>7,888</u>	<u>44,118</u>	<u>1,683,243</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Accumulated decrease in fair value of hedging derivatives (note 6)	6,462	0	0	6,462
Deferred pension expense (note 7)	1,443	1	253	1,697
Deferred amount on debt refundings	5,014	0	0	5,014
Total Deferred Outflows of Resources	<u>12,919</u>	<u>1</u>	<u>253</u>	<u>13,173</u>
LIABILITIES:				
Current Liabilities:				
Accrued interest payable	5,197	0	0	5,197
Accounts payable and accrued liabilities	371	2	5,438	5,811
Interfund (note 12)	3,040	8	107	3,155
Bonds and notes payable (notes 5, 8, 13, and 15)	45,525	0	0	45,525
Total Current Liabilities	<u>54,133</u>	<u>10</u>	<u>5,545</u>	<u>59,688</u>
Noncurrent Liabilities:				
Pension liability (note 7)	2,111	12	382	2,505
Derivative instrument - interest rate swaps (note 6)	6,462	0	0	6,462
Bonds and notes payable (notes 5, 8, 13, and 15)	1,322,009	0	4,200	1,326,209
Total Noncurrent Liabilities	<u>1,330,582</u>	<u>12</u>	<u>4,582</u>	<u>1,335,176</u>
Total Liabilities	<u>1,384,715</u>	<u>22</u>	<u>10,127</u>	<u>1,394,864</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred loan origination points	35	0	0	35
Deferred pension credit (note 7)	1,315	8	221	1,544
Total Deferred Inflows of Resources	<u>1,350</u>	<u>8</u>	<u>221</u>	<u>1,579</u>
NET POSITION:				
Net investment in capital assets	22	0	534	556
Restricted for bond resolutions	258,069	7,859	0	265,928
Unrestricted	0	0	33,489	33,489
Total Net Position	<u>\$258,091</u>	<u>\$7,859</u>	<u>\$34,023</u>	<u>\$299,973</u>

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(IN THOUSANDS OF DOLLARS)

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	Total
OPERATING REVENUES:				
Interest from mortgages and notes	\$57,119	\$0	\$383	\$57,502
Income from investments	4,627	60	230	4,917
Net increase (decrease) in the fair value of investments	341	0	(22)	319
Fee income	1,250	0	819	2,069
Other revenue	75	0	246	321
Total Revenues	63,412	60	1,656	65,128
OPERATING EXPENSES:				
Operating expenses	8,526	50	1,596	10,172
Other program administrative expenses	6,610	0	4	6,614
Mortgage servicing fees	1,535	0	32	1,567
Provision for losses on loans (note 4)	(1,022)	0	111	(911)
Interest expense	38,895	0	0	38,895
Loss on bond redemption (note 13)	54	0	0	54
Excess arbitrage (note 11)	862	0	0	862
Total Expenses	55,460	50	1,743	57,253
Operating Income (Loss)	7,952	10	(87)	7,875
Transfers between funds, net (note 12)	800	0	843	1,643
Change in Net Position	8,752	10	756	9,518
Net Position at beginning of year	249,339	7,849	33,267	290,455
Net Position at end of year	<u>\$258,091</u>	<u>\$7,859</u>	<u>\$34,023</u>	<u>\$299,973</u>

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(IN THOUSANDS OF DOLLARS)

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Interest receipts from borrowers	\$57,096	\$0	\$394	\$57,490
Principal receipts on mortgages and notes - scheduled	41,364	0	358	41,722
Principal receipts on mortgages and notes - prepayments	93,262	0	196	93,458
Payments for operating expenses	(10,484)	(9)	(420)	(10,913)
Payments for personnel expenses	(7,049)	(41)	(1,176)	(8,266)
Investment in mortgages and other notes	(210,466)	0	(4,260)	(214,726)
Other	3,137	(1)	2,252	5,388
Net cash used for operating activities	<u>(33,140)</u>	<u>(51)</u>	<u>(2,656)</u>	<u>(35,847)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	393,325	0	0	393,325
Principal payments on bonds	(295,870)	0	0	(295,870)
Interest payments on bonds	(37,740)	0	0	(37,740)
Payments (to) from other funds	(834)	2	1,814	982
Net cash provided by non-capital financing activities	<u>58,881</u>	<u>2</u>	<u>1,814</u>	<u>60,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from disposition of foreclosed real estate	11,480	0	44	11,524
Purchase of investments	(948,703)	(8)	0	(948,711)
Sales and maturity of investments	907,972	0	589	908,561
Interest received on investments	3,510	56	226	3,792
Net cash provided by (used for) investing activities	<u>(25,741)</u>	<u>48</u>	<u>859</u>	<u>(24,834)</u>
Net increase (decrease) in cash	0	(1)	17	16
Cash at beginning of year	0	2	105	107
Cash at end of year	<u>\$0</u>	<u>\$1</u>	<u>\$122</u>	<u>\$123</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES:				
Operating income (loss)	\$7,952	\$10	(\$87)	\$7,875
Adjustments to reconcile operating income (loss) to net cash used for operating activities:				
Depreciation and amortization	567	0	286	853
Interest on bonds	38,328	0	0	38,328
Provision for losses on loans	(1,022)	0	111	(911)
Loss on bond redemption	54	0	0	54
Pension expense	10	0	4	14
Interest income on investments	(4,627)	(60)	(230)	(4,917)
Net (increase) decrease in fair value of investments	(341)	0	22	(319)
Changes in operating assets and liabilities:				
Other assets	3,102	0	(181)	2,921
Pension contributions	(397)	0	(70)	(467)
Mortgage note interest receivable	(23)	0	11	(12)
Accounts payable and accrued liabilities	(897)	(1)	1,184	286
Unearned income	(6)	0	0	(6)
Investment in mortgage and other notes	(210,466)	0	(4,260)	(214,726)
Mortgage & other note principal repayments	134,626	0	554	135,180
Net cash used for operating activities	<u>(\$33,140)</u>	<u>(\$51)</u>	<u>(\$2,656)</u>	<u>(\$35,847)</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:				
Transfer from mortgage notes receivable to other assets and other real estate owned	\$8,400	\$0	\$0	\$8,400

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
(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	\$74	\$0	\$0	\$908	\$982
Investments (notes 3, 8, and 10)	20,164	4,646	622	6,750	1,918	34,100
Accounts receivable - Federal	0	329	984	0	3,019	4,332
Other assets	3,493	141	0	36	94	3,764
Mortgage notes receivable, net (note 4)	14	0	0	0	0	14
Interfund (note 12)	64	0	0	0	43	107
Total Current Assets	<u>23,735</u>	<u>5,190</u>	<u>1,606</u>	<u>6,786</u>	<u>5,982</u>	<u>43,299</u>
Noncurrent Assets:						
Mortgage notes receivable, net (note 4)	21,167	0	0	7,870	0	29,037
Other notes receivable, net (note 4)	0	0	0	0	10	10
Total Noncurrent Assets	<u>21,167</u>	<u>0</u>	<u>0</u>	<u>7,870</u>	<u>10</u>	<u>29,047</u>
Total Assets	<u>\$44,902</u>	<u>\$5,190</u>	<u>\$1,606</u>	<u>\$14,656</u>	<u>\$5,992</u>	<u>\$72,346</u>
LIABILITIES:						
Current Liabilities:						
Accrued interest payable	\$0	\$0	\$0	\$51	\$0	\$51
Accounts payable - Federal	0	368	0	0	48	416
Accounts payable and accrued liabilities	723	77	778	0	1,273	2,851
Unearned income	0	0	608	0	3,149	3,757
Interfund (note 12)	0	652	117	2	0	771
Bonds payable, net (note 5 and 8)	0	0	0	3,160	0	3,160
Total Current Liabilities	<u>723</u>	<u>1,097</u>	<u>1,503</u>	<u>3,213</u>	<u>4,470</u>	<u>11,006</u>
Noncurrent Liabilities:						
Bonds payable, net (note 5 and 8)	0	0	0	29,436	0	29,436
Total Non Current Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,436</u>	<u>0</u>	<u>29,436</u>
Total Liabilities	<u>723</u>	<u>1,097</u>	<u>1,503</u>	<u>32,649</u>	<u>4,470</u>	<u>40,442</u>
DEFERRED INFLOWS OF RESOURCES:						
Deferred grant income	0	126	0	0	0	126
FUND BALANCES:						
Restricted by program requirements	44,179	3,967	103	0	1,522	49,771
Nonspendable	0	0	0	7,870	0	7,870
Unassigned	0	0	0	(25,863)	0	(25,863)
Total Fund Balances	<u>44,179</u>	<u>3,967</u>	<u>103</u>	<u>(17,993)</u>	<u>1,522</u>	<u>31,778</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$44,902</u>	<u>\$5,190</u>	<u>\$1,606</u>	<u>\$14,656</u>	<u>\$5,992</u>	<u>\$72,346</u>

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

Total fund balances in governmental funds	\$31,778
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.	168
Pension liabilities reported in governmental activities are not due and payable in the current period and therefore not reported in the governmental funds.	(1,207)
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.	(679)
Net Position of governmental activities	<u>\$30,060</u>

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	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	\$53	\$0	\$0	\$37	\$0	\$90
Income from investments	119	1	0	45	23	188
Fee income	0	4,349	719	0	1,823	6,891
Other revenue	0	2	0	0	43	45
Grant income	2,502	0	27,128	0	16,875	46,505
Income from State	13,508	0	0	4,318	0	17,826
Federal rent subsidy income	0	97,842	0	0	0	97,842
Total Revenues	<u>16,182</u>	<u>102,194</u>	<u>27,847</u>	<u>4,400</u>	<u>18,764</u>	<u>169,387</u>
EXPENDITURES:						
Operating expenditures	0	3,796	717	0	1,596	6,109
Other program administrative expenditures	0	591	2	2	204	799
Provision for losses on loans (note 4)	35	0	0	0	0	35
Grant expenditures	11,127	0	27,128	974	12,698	51,927
Federal rent subsidy	0	98,006	0	0	0	98,006
Interest	0	0	0	1,150	0	1,150
Total Expenditures	<u>11,162</u>	<u>102,393</u>	<u>27,847</u>	<u>2,126</u>	<u>14,498</u>	<u>158,026</u>
Revenues in Excess of (Less Than) Expenditures	5,020	(199)	0	2,274	4,266	11,361
Transfers between funds, net (note 12)	<u>3,330</u>	<u>(777)</u>	<u>0</u>	<u>0</u>	<u>(4,196)</u>	<u>(1,643)</u>
Change in Fund Balances	8,350	(976)	0	2,274	70	9,718
Fund Balances at beginning of year	<u>35,829</u>	<u>4,943</u>	<u>103</u>	<u>(20,267)</u>	<u>1,452</u>	<u>22,060</u>
Fund Balances at end of year	<u>\$44,179</u>	<u>\$3,967</u>	<u>\$103</u>	<u>(\$17,993)</u>	<u>\$1,522</u>	<u>\$31,778</u>

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

Change in Fund Balances - total governmental funds	\$9,718
Amounts reported for governmental activities in the Statement of Activities are different because:	
Expenses reported in the Statement of Activities include a pension expense, which does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	<u>(5)</u>
Change in Net Position of governmental activities	<u>\$9,713</u>

See accompanying notes to the financial statements

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

(1.) ORGANIZATION AND NATURE OF OPERATIONS

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

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

(2.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

MaineHousing's 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 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-family 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. Grants received in advance of the period in which they can be used are reported as deferred inflows of resources.

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 insignificant indirect costs are allocated to the funds.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

Fund Structure

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

MORTGAGE PURCHASE FUND

This fund consists of 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 is pledged to replenish any deficiency in the debt service reserve fund of the General Mortgage Purchase Bond Resolution.

GENERAL ADMINISTRATIVE FUND

This fund consists of account balances that are not directly pledged to or restricted by a particular bond resolution or program and generates fee and interest income. Revenues not specifically pledged for the repayment of bonds or notes are 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 as follows, all of which are considered major funds except the Other Federal and State Programs Fund:

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 is 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. Activities associated with the Shelter Operating Subsidy Program, which is funded by the State of Maine and provides funding for emergency shelters that serve Maine's homeless citizens, are also recorded in this fund.

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 and Substantial Rehabilitation
- Section 811 Project Rental Assistance
- 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 the program.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND

The purpose of the Maine Energy, Housing and Economic Recovery Fund (MEHER) is to create capital funding sources to provide affordable housing and to improve energy efficiency of residential housing in the State of Maine. The fund consists of 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 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 annual 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, which are considered non-major funds:

U.S. Department of Housing and Urban Development

- Emergency Solutions Grant Program
- HOME Investment Partnerships Program
- Lead-Based Paint Hazard Control Program
- Homeless Management Information System
- Housing Counseling Assistance Program
- Family Self-Sufficiency Program
- Continuum of Care - Planning Grant
- Continuum of Care - Rental Assistance Program

U.S. Department of Energy

- Weatherization Assistance Program
- Weatherization Assistance Program - Training Centers and Programs

U.S. Department of Health and Human Services

- Weatherization / Central Heating Improvement Program

State of Maine

- Home Modification Program
- Arsenic Remediation Program
- Pathways to Opportunity
- Natural Disaster Housing Assistance Fund
- Consumer Residential Opportunities Program
- Indian Housing Mortgage Insurance Program

Private

- Low Income Assistance Plan

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.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

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 funds and repurchase agreements 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. 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. MaineHousing capitalizes assets with an initial cost of one thousand dollars or more. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which range from three to ten years.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

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. Bond issuance costs are expensed in the year 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 certain mortgage loans, which are essentially yield adjustments on the loans. Points received for single-family loans 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 originating and servicing loans, 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. 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 for the hedged portion of the variable rate bond portfolio at December 31, 2017.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

Fair Value Methodology

Generally accepted accounting principles 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 and 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;
- **Level 2 inputs** are directly or indirectly observable, but not on level 1; and
- **Level 3 inputs** are all inputs that are unobservable.

MaineHousing's assets and liabilities carried at fair value are interest rate swaps and investments.

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 position of MainePERS' PLD Consolidated 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 and fair value of interest rate swaps. Actual results could differ from estimates.

New Accounting Standards

GASB standards that are under evaluation include: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 85, *Omnibus 2017*, GASB Statement No. 86, *Certain Debt Extinguishment Issues* are effective for the year ending December 31, 2018, and GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 87, *Leases* are effective for the year ending December 31, 2020. MaineHousing has not adopted these standards and is evaluating the impact they may have on its financial statements. GASB Statement No. 75 and GASB Statement No. 85 are not expected to have a material impact on the financial statements.

Reclassifications

Certain reclassifications have been made to the statement of net position as of December 31, 2016 in order to conform to the presentation used for December 31, 2017. These reclassifications had no effect on the change in net position or net position as previously reported.

(3.) CASH AND INVESTMENTS

At December 31, 2017, the carrying amount of MaineHousing's bank deposits was \$1,105 and the bank balance was \$1,436. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the bank balance, \$339 was covered by federal depository insurance and \$1,097 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.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

MaineHousing's investment balances and stated maturities as of December 31, 2017 are presented in the following table. Actual maturities may differ due to investments being called by the issuer.

Investment Type	Carrying Amount	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
PROPRIETARY FUNDS					
MORTGAGE PURCHASE FUND					
Repurchase Agreements	\$63,879	\$63,879	\$0	\$0	\$0
Money Market Funds	30,861	30,861	0	0	0
U.S. Government-sponsored enterprises (Rated AAA/Aaa)	265,552	162,948	0	44,284	58,320
U.S. Treasuries	5,000	5,000	0	0	0
Total - Mortgage Purchase Fund	365,292	262,688	0	44,284	58,320
BONDHOLDERS RESERVE FUND					
Repurchase Agreements	7,882	7,882	0	0	0
GENERAL ADMINISTRATIVE FUND					
Repurchase Agreements	7,091	7,091	0	0	0
Money Market Funds	16,831	16,831	0	0	0
U.S. Government-sponsored enterprises (Rated AAA/Aaa)	4,980	0	0	4,980	0
Total - General Administrative Fund	28,902	23,922	0	4,980	0
Total - Proprietary Funds	\$402,076	\$294,492	\$0	\$49,264	\$58,320
GOVERNMENTAL FUNDS					
HOME FUND					
Repurchase Agreements	\$20,164	\$20,164	\$0	\$0	\$0
SECTION 8 HOUSING PROGRAMS					
Money Market Funds	4,646	4,646	0	0	0
LOW INCOME HOME ENERGY ASSISTANCE PROGRAM					
Money Market Funds	622	622	0	0	0
MAINE ENERGY, HOUSING & ECONOMIC RECOVERY FUND					
Repurchase Agreements	6,750	6,750	0	0	0
OTHER FEDERAL AND STATE PROGRAMS					
Repurchase Agreements	1,918	1,918	0	0	0
Total - Governmental Funds	\$34,100	\$34,100	\$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.

A market approach is used to determine fair value using Level 2 inputs for investments carried at fair value. Prices and other relevant information are generated by market transactions involving identical or comparable investments.

On December 31, 2017, \$328,592 was invested in short-term repurchase agreements, money market funds, government sponsored enterprises, and U.S. Treasuries having maturity dates of less than one year, bearing interest at rates up to 1.29%. Investments other than repurchase agreements and money market funds are registered in MaineHousing's name. Investments issued by Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), and Federal Home Loan Bank (FHLB) make up 15%, 21%, and 37% of total investments, respectively, in the Mortgage Purchase Fund. Investments issued by FFCB make up 17% of total investments in the General Administrative Fund.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

(4.) MORTGAGE AND OTHER NOTES RECEIVABLE:

For financial statement presentation, the allowance for losses on loans has been netted against the noncurrent portion of mortgage notes receivable and other notes receivable. However, where there is no noncurrent portion for other notes receivable, the allowance is netted against the current amount. A summary of mortgage notes receivable at December 31, 2017 is as follows:

	<u>Number of Notes</u>	<u>Principal Balance</u>	<u>Percent of Portfolio</u>
PROPRIETARY FUNDS			
MORTGAGE PURCHASE FUND - SINGLE-FAMILY:			
VA guaranteed	468	\$41,919	5.0%
FHA insured	1,878	156,565	18.6%
USDA/RD guaranteed	4,645	459,536	54.6%
Privately insured	376	27,829	3.3%
Non-insured	<u>2,876</u>	<u>155,923</u>	<u>18.5%</u>
Total Mortgage Purchase Fund - single-family	<u>10,243</u>	<u>841,772</u>	<u>100.0%</u>
MORTGAGE PURCHASE FUND - MULTI-FAMILY:			
Section 8	190	173,894	41.3%
Conventional	235	224,802	53.4%
Supportive Housing	<u>181</u>	<u>22,425</u>	<u>5.3%</u>
Total Mortgage Purchase Fund - multi-family	<u>606</u>	<u>421,121</u>	<u>100.0%</u>
Less: Allowance for losses on loans		<u>(7,474)</u>	
Total Mortgage Purchase Fund	<u>10,849</u>	<u>1,255,419</u>	
GENERAL ADMINISTRATIVE FUND - SINGLE-FAMILY:			
Non-insured	86	2,640	96.8%
Privately insured	<u>3</u>	<u>86</u>	<u>3.2%</u>
Total General Administrative Fund-Single Family	<u>89</u>	<u>2,726</u>	<u>100.0%</u>
GENERAL ADMINISTRATIVE FUND - MULTI-FAMILY:			
Conventional	11	8,021	<u>100.0%</u>
GENERAL ADMINISTRATIVE FUND - HOME IMPROVEMENT LOANS:			
Non-insured	<u>134</u>	<u>516</u>	<u>100.0%</u>
Less: Allowance for losses on loans		<u>(724)</u>	
Total General Administrative Fund	<u>234</u>	<u>10,539</u>	
Total Proprietary Funds	<u>11,083</u>	<u>\$1,265,958</u>	
GOVERNMENTAL FUNDS			
HOME FUND - SINGLE-FAMILY:			
Non-insured	358	\$3,452	<u>100.0%</u>
HOME FUND - MULTI-FAMILY:			
Non-insured	<u>72</u>	<u>18,658</u>	<u>100.0%</u>
Total HOME Fund	<u>430</u>	<u>22,110</u>	
Less: Allowance for losses on loans		<u>(929)</u>	
Total HOME Fund	<u>430</u>	<u>21,181</u>	
MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND - MULTI-FAMILY			
Non-insured	<u>13</u>	<u>7,870</u>	<u>100.0%</u>
Total Governmental Funds	<u>443</u>	<u>\$29,051</u>	

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

A summary of other notes receivable at December 31, 2017 is as follows:

	<u>Number of Notes</u>	<u>Principal Balance</u>	<u>Percent of Portfolio</u>
PROPRIETARY FUNDS			
GENERAL ADMINISTRATIVE FUND			
Non-insured	<u>5</u>	<u>\$315</u>	<u>100.0%</u>
Total Proprietary Funds	<u><u>5</u></u>	<u><u>\$315</u></u>	
GOVERNMENTAL FUNDS			
OTHER FEDERAL AND STATE PROGRAMS:			
Non-insured	<u>1</u>	<u>\$15</u>	<u>100.0%</u>
Less: Allowance for losses on loans		<u>(5)</u>	
Total Governmental Funds	<u><u>1</u></u>	<u><u>\$10</u></u>	

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	General Administrative Fund	HOME Fund	Other Federal and State Programs
Balance – December 31, 2016	\$8,858	\$671	\$934	\$6
Provision	(1,022)	111	35	0
Loans charged off	(781)	(60)	(41)	(1)
Recoveries	419	2	1	0
Balance – December 31, 2017	<u><u>\$7,474</u></u>	<u><u>\$724</u></u>	<u><u>\$929</u></u>	<u><u>\$5</u></u>

(5.) BONDS AND NOTES 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.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

The interest rates presented in the table below for variable rate bonds represent the rate at December 31, 2017. The Single-Family (S/F), Multi-Family (M/F) Mortgage Bonds Payable and Notes Payable outstanding at December 31, 2017 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	<u>\$15,000</u>	<u>\$9,230</u>	Variable - 1.60%	2018-2020	3,025	-	3,115
2005 SERIES G BONDS (M/F):							
2005 Series G (AMT)							
Term Bonds	<u>22,300</u>	<u>20,715</u>	Variable - 1.70%	2018-2037	200	-	4,385
2011 SERIES B BONDS (M/F):							
2011 Series B-1 (Non-AMT)							
Serial Bonds	20,490	3,695	3.00%	2018		3,695	
Term Bonds	4,085	0	4.00%				
2011 Series B-2 (Non-AMT)							
Term Bonds	<u>4,750</u>	<u>0</u>	4.38%				
	<u>29,325</u>	<u>3,695</u>					
2011 SERIES C BONDS (M/F):							
2011 Series C-1 (Non-AMT)							
Serial Bonds	27,320	7,480	2.70% - 3.75%	2018-2023	780	-	4,000
2011 Series C-2 (Non-AMT)							
Serial Bonds	<u>6,000</u>	<u>2,530</u>	3.88% - 4.88%	2024-2041	530	-	2,000
	<u>33,320</u>	<u>10,010</u>					
2011 SERIES D BONDS (S/F):							
2011 Series D (Non-AMT)							
Serial Bonds	10,615	7,990	2.50% - 3.30%	2018-2022	1,155	-	2,210
Term Bonds	<u>7,385</u>	<u>0</u>	4.00%				
	<u>18,000</u>	<u>7,990</u>					
2011 SERIES E BONDS (M/F):							
2011 Series E (Non-AMT)							
Serial Bonds	10,440	0	1.70%				
Term Bonds	<u>2,810</u>	<u>705</u>	4.38%	2031		705	
	<u>13,250</u>	<u>705</u>					
2012 SERIES A BONDS (S/F):							
2012 Series A-1 (AMT)							
Serial Bonds	42,610	16,690	2.60% - 3.45%	2018-2022	3,310	-	8,115
Term Bonds	21,885	0	4.00%				
Term Bonds	22,575	7,595	4.50%	2026-2027	2,735	-	4,860
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	<u>20,000</u>	<u>20,000</u>	3.85%	2026-2029	1,265	-	7,165
	<u>123,870</u>	<u>61,085</u>					
2012 SERIES B BONDS (M/F):							
2012 Series B-1 (AMT)							
Serial Bonds	4,210	3,610	2.50% - 3.75%	2018-2024	380	-	720
Term Bonds	14,720	0	4.25%				

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(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		
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	<u>3,000</u>	<u>3,000</u>	3.88%	2028-2031		750	
	<u>24,885</u>	<u>9,565</u>					
2013 SERIES A BONDS (S/F):							
2013 Series A (Federally Taxable)							
Serial Bonds	<u>9,000</u>	<u>4,350</u>	1.92% - 2.37%	2018-2020	1,140	-	1,615
	<u>9,000</u>	<u>4,350</u>					
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	<u>27,000</u>	<u>11,260</u>	4.00%	2036-2037	4,935	-	6,325
	<u>106,000</u>	<u>87,860</u>					
2013 SERIES C BONDS (S/F-M/F):							
2013 Series C (Federally Taxable)							
Serial Bonds	61,900	48,150	1.66% - 3.09%	2018-2023	4,500	-	9,000
Term Bonds	24,910	17,295	3.84%	2025-2027		5,765	
Term Bonds	<u>8,560</u>	<u>5,700</u>	4.32%	2029-2030	2,840	-	2,860
	<u>95,370</u>	<u>71,145</u>					
2013 SERIES D BONDS (S/F):							
2013 Series D-1 (AMT)							
Serial Bonds	15,000	9,625	2.25% - 3.65%	2018-2023	1,800	-	2,060
2013 Series D-2 (Non-AMT)							
Term Bonds	12,990	7,800	4.00%	2027-2028	2,235	-	5,565
Term Bonds	<u>12,010</u>	<u>12,010</u>	4.50%	2033-2037	2,205	-	2,610
	<u>40,000</u>	<u>29,435</u>					
2013 SERIES E BONDS (S/F):							
2013 Series E (Non-AMT)							
Serial Bonds	20,000	8,615	2.20% - 3.85%	2018-2022	1,685	-	2,620
Term Bonds	<u>10,000</u>	<u>0</u>	4.95%				
	<u>30,000</u>	<u>8,615</u>					
2014 SERIES A BONDS (S/F):							
2014 Series A-1 (AMT)							
Serial Bonds	5,595	2,765	1.95% - 2.85%	2018-2020	885	-	960
Term Bonds	4,445	0	4.45%				
Term Bonds	11,545	6,160	3.25%	2038-2042	210	-	1,650
2014 Series A-2 (Non-AMT)							
Serial Bonds	9,045	7,245	3.13% - 3.55%	2022-2024	1,120	-	3,080
Term Bonds	9,865	0	4.00%				
Term Bonds	<u>11,090</u>	<u>7,845</u>	4.50%	2031-2034	1,890	-	2,025
	<u>51,585</u>	<u>24,015</u>					
2014 SERIES C BONDS (S/F):							
2014 Series C-1 (AMT)							
Serial Bonds	14,860	12,020	1.50% - 3.10%	2018-2024	710	-	3,105
Term Bonds	2,000	1,500	3.63%	2026-2029	300	-	400
Term Bonds	7,620	7,620	4.00%	2030-2034	400	-	1,810
Term Bonds	17,465	10,685	3.50%	2034-2041	590	-	2,625
2014 Series C-2 (Non-AMT)							
Term Bonds	<u>29,000</u>	<u>29,000</u>	3.75%	2030-2034	3,485	-	8,065
	<u>70,945</u>	<u>60,825</u>					
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	6,360	3.25%	2026-2029	600	-	2,675

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(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 A-3 (Non-AMT)							
Serial Bonds	8,050	1,540	1.20%	2018	1,540		
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	<u>16,225</u>	<u>16,225</u>	3.75%	2040-2044	2,995	-	3,500
	<u>69,040</u>	<u>62,335</u>					
2015 SERIES B BONDS (S/F)							
2015 Series B (Non-AMT)							
Serial Bonds	9,750	8,730	1.10% - 2.60%	2018-2025	1,030	-	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	<u>9,890</u>	<u>9,150</u>	3.50%	2035-2040	1,355	-	1,675
	<u>32,000</u>	<u>30,240</u>					
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	<u>12,520</u>	<u>12,520</u>	3.95%	2036-2040	2,315	-	2,700
	<u>40,000</u>	<u>40,000</u>					
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	<u>7,080</u>	<u>6,465</u>	4.00%	2041-2045	975	-	1,640
	<u>30,000</u>	<u>29,385</u>					
2015 SERIES E BONDS (S/F)							
2015 Series E-1 (AMT)							
Serial Bonds	30,115	22,175	1.60% - 3.60%	2018-2026	2,555	-	4,155
Term Bonds	26,690	21,690	4.00%	2027-2030	820	-	9,575
Term Bonds	26,325	18,310	3.50%	2031-2034	2,245	-	6,325
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	<u>30,000</u>	<u>30,000</u>	Variable - 1.72%	2035-2038	5,455	-	8,975
	<u>138,130</u>	<u>117,175</u>					
2015 SERIES F BONDS (M/F)							
2015 Series F-1 (AMT)							
Serial Bonds	8,800	8,800	1.30% - 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	5,110	1.10%	2018	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	<u>11,840</u>	<u>11,840</u>	3.95%	2036-2040	1,635	-	2,720
	<u>54,000</u>	<u>44,105</u>					
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	<u>5,900</u>	<u>5,000</u>	3.50%	2041-2045	805	-	1,105
	<u>30,000</u>	<u>29,100</u>					

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(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		
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	<u>6,885</u>	<u>6,205</u>	4.00%	2041-2045	1,190	-	1,295
	<u>35,000</u>	<u>34,320</u>					
2016 SERIES B BONDS (S/F)							
2016 Series B-1 (Non-AMT)							
Serial Bonds	19,260	19,260	0.90% - 2.55%	2018-2027	680	-	2,410
Term Bonds	3,885	3,885	2.70%	2028-2029	1,675	-	2,210
Term Bonds	18,855	15,900	3.50%	2040-2046	980	-	2,625
2016 Series B-2 (AMT)							
Term Bonds	<u>28,000</u>	<u>28,000</u>	Variable - 1.72%	2029-2037	2,720	-	3,420
	<u>70,000</u>	<u>67,045</u>					
2016 SERIES C BONDS (S/F)							
2016 Series C (Non-AMT)							
Serial Bonds	13,620	13,620	1.10% - 2.50%	2020-2028	890	-	3,475
Term Bonds	5,670	5,670	2.75%	2029-2031	1,185	-	2,285
Term Bonds	8,975	8,975	3.00%	2032-2036	1,305	-	2,510
Term Bonds	3,355	3,355	3.15%	2037-2041	625	-	720
Term Bonds	<u>8,380</u>	<u>8,195</u>	3.50%	2042-2046	1,530	-	1,755
	<u>40,000</u>	<u>39,815</u>					
2016 SERIES D BONDS (M/F)							
2016 Series D (Federally Taxable)							
Serial Bonds	32,000	32,000	2.24% - 2.99%	2023-2029	825	-	8,185
Term Bonds	<u>8,000</u>	<u>8,000</u>	3.29%	2030-2031		4,000	
	<u>40,000</u>	<u>40,000</u>					
2016 SERIES E BONDS (S/F)							
2016 Series E (Non-AMT)							
Serial Bonds	6,250	6,250	1.45% - 3.15%	2019-2027	600	-	800
Term Bonds	3,050	3,050	3.63%	2028-2031	720	-	800
Term Bonds	10,385	10,385	3.90%	2032-2036	1,940	-	2,230
Term Bonds	<u>8,315</u>	<u>8,240</u>	4.00%	2037-2046	700	-	960
	<u>28,000</u>	<u>27,925</u>					
2017 SERIES A BONDS (S/F)							
2017 Series A (Non-AMT)							
Serial Bonds	5,920	5,920	1.55% - 3.15%	2020-2028	555	-	765
Term Bonds	3,360	3,360	3.65%	2029-2032	790	-	895
Term Bonds	6,315	6,315	4.00%	2033-2037	1,170	-	1,360
Term Bonds	7,625	7,625	4.05%	2038-2042	1,405	-	1,645
Term Bonds	<u>6,780</u>	<u>6,780</u>	4.00%	2043-2047	1,115	-	2,065
	<u>30,000</u>	<u>30,000</u>					
2017 SERIES B BONDS (S/F)							
2017 SERIES B (Non-AMT)							
Serial Bonds	8,680	8,680	1.25% - 3.00%	2020-2030	650	-	1,010
Term Bonds	4,215	4,215	3.25%	2031-2032	2,090	-	2,125
Term Bonds	6,170	6,170	3.65%	2033-2037	1,150	-	1,325
Term Bonds	8,745	8,745	3.75%	2038-2044	1,115	-	1,340
Term Bonds	<u>7,190</u>	<u>7,190</u>	4.00%	2045-2047	2,360	-	2,455
	<u>35,000</u>	<u>35,000</u>					
2017 SERIES C BONDS (S/F - M/F)							
2017 SERIES C (Federally Taxable)							
Term Bonds	<u>39,585</u>	<u>39,585</u>	Variable - 1.60%	2040-2047	4,290	-	5,655
	<u>39,585</u>	<u>39,585</u>					

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(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		
2017 SERIES D BONDS (M/F)							
2017 Series D-1 (Non-AMT)							
Serial Bonds	13,175	13,175	1.00% - 2.95%	2018-2029	1,000	-	2,000
Term Bonds	14,320	14,320	3.50%	2033-2037	2,250	-	3,980
Term Bonds	5,870	5,870	3.65%	2038-2042	1,090	-	1,265
Term Bonds	7,810	7,810	3.75%	2043-2047	1,445	-	1,680
2017 Series D-2 (AMT)							
Term Bonds	<u>50,000</u>	<u>50,000</u>	Variable - 1.49%	2042-2046		10,000	
	<u>91,175</u>	<u>91,175</u>					
2017 SERIES E BONDS (S/F)							
2017 Series E (Federally Taxable)							
Term Bonds	<u>60,000</u>	<u>60,000</u>	Variable - 1.70%	2042-2052	5,000	-	10,000
	<u>60,000</u>	<u>60,000</u>					
2017 SERIES F BONDS (S/F)							
2017 SERIES F (Non-AMT)							
Serial Bonds	13,180	13,180	1.00% - 3.00%	2019-2030	860	-	1,675
Term Bonds	2,055	2,055	3.15%	2031-2032	1,005	-	1,050
Term Bonds	5,920	5,920	3.50%	2033-2037	1,090	-	1,280
Term Bonds	7,000	7,000	3.65%	2038-2042	1,320	-	1,490
Term Bonds	<u>11,845</u>	<u>11,845</u>	3.50%	2043-2047	1,840	-	4,035
	<u>40,000</u>	<u>40,000</u>					
2017 SERIES G BONDS (S/F - MF)							
2017 Series G-1 (Federally Taxable)							
Term Bonds	55,000	55,000	Variable - 1.80%	2045-2050	8,290	-	10,090
2017 Series G-2 (Federally Taxable)							
Term Bonds	<u>3,520</u>	<u>3,520</u>	0.00%	2022		3,520	
	<u>58,520</u>	<u>58,520</u>					
2017 SERIES H BONDS (S/F)							
2017 SERIES H (Non-AMT)							
Serial Bonds	18,380	18,380	2.10% - 3.05%	2023-2030	1,105	-	4,510
Term Bonds	5,420	5,420	3.25%	2031-2033	1,750	-	1,865
Term Bonds	10,625	10,625	3.55%	2034-2037	2,515	-	2,795
Term Bonds	1,485	1,485	3.70%	2038-2042	275	-	320
Term Bonds	<u>2,590</u>	<u>2,590</u>	3.75%	2043-2047	480	-	555
	<u>38,500</u>	<u>38,500</u>					
		1,363,465					
Plus: Net Unamortized Bond Premium		<u>4,069</u>					
Total Mortgage Purchase Fund	<u>1,681,800</u>	<u>1,367,534</u>					
Total Proprietary Funds	<u>\$1,681,800</u>	<u>\$1,367,534</u>					
GOVERNMENTAL FUNDS							
MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND							
2010 Series 1 (Non-AMT)							
Serial Bonds	<u>\$39,970</u>	<u>\$32,375</u>	2.50% - 5.00%	2018-2026	355	-	3,800
2010 Series 2 (Taxable)							
Serial Bonds	<u>9,630</u>	<u>0</u>	3.03%				
		32,375					
Plus: Net Unamortized Bond Premium		<u>221</u>					
Total Maine Energy, Housing & Recovery Fund Group	<u>49,600</u>	<u>32,596</u>					
Total Governmental Funds	<u>\$49,600</u>	<u>\$32,596</u>					

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

The following table summarizes the debt activity for the year ended December 31, 2017:

Fund	Outstanding at December 31, 2016	Issuance	Retirement	Outstanding at December 31, 2017
Mortgage Purchase Fund	\$1,266,555	\$392,780	(\$295,870)	\$1,363,465
Maine Energy, Housing & Economic Recovery Fund	35,445	0	(3,070)	32,375
Total	\$1,302,000	\$392,780	(\$298,940)	\$1,395,840

Interest on bonds 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 December 31, 2017 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 2022 and in five-year increments thereafter to maturity:

Year(s)	Mortgage Purchase Fund					Maine Energy, Housing & Economic Recovery Fund	
	Fixed/Variable Unswapped		Variable Swapped		Swaps	Fixed Unswapped	
	Principal	Interest	Principal	Interest	Net Interest	Principal	Interest
2018	\$42,300	\$37,127	\$3,225	\$2,764	\$1,564	\$3,160	\$1,114
2019	32,775	36,435	3,315	2,739	1,418	3,245	1,024
2020	27,760	35,805	3,310	2,687	1,199	3,340	921
2021	46,165	35,230	230	2,631	1,064	3,450	810
2022	52,055	34,014	255	2,628	1,056	3,565	696
2023-2027	215,375	151,545	1,540	13,068	3,471	15,615	1,342
2028-2032	239,185	112,958	13,855	12,629	2,771	0	0
2033-2037	199,780	73,003	56,760	10,430	1,388	0	0
2038-2042	154,685	40,687	9,455	6,557	0	0	0
2043-2047	160,440	14,503	41,880	5,102	0	0	0
2048-2052	30,000	1,700	29,120	1,062	0	0	0
Total	\$1,200,520	\$573,007	\$162,945	\$62,297	\$13,931	\$32,375	\$5,907

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.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

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 is authorized to have bonds outstanding for this program in an aggregate amount not to exceed \$2,150,000. Of that amount, \$1,363,465 was outstanding at December 31, 2017.

Notes Payable

At December 31, 2017, MaineHousing has a \$4,200 note payable to the Federal Home Loan Bank (FHLB) at a fixed rate of 0%, maturing December 28, 2021. The note, which is recorded in the General Administrative Fund, is collateralized with a \$4,980 Federal Farm Credit Bank debt security that is being held in trust under MaineHousing's name.

The proceeds of this note are to be used exclusively in accordance with FHLB's Helping to House New England program, which is designed to support affordable housing initiatives through the six New England Housing Finance Agencies.

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 \$29,935 outstanding at December 31, 2017. 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 December 31, 2017. 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 \$6,462 at December 31, 2017. During 2017, the fair value of the swaps increased by \$3,882. The fair value was estimated using a zero-coupon method and level 3 inputs. 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 December 31, 2017 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. Variable rate bonds outstanding at December 31, 2017 total \$292,530.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

The following table contains the terms, fair values, and credit ratings of the swaps as of December 31, 2017. 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	\$9,230	11/17/2015	1.41%	100 % of 90 day LIBOR	\$101	11/15/2020	A1/AA-
2005 Series G	20,715	2/1/2006	3.59%	65% of 30 day LIBOR plus .20%	(5,175)	11/15/2037	Aa3/A+
2015 Series E-3	20,000	11/15/2015	1.60%	67% of 30 day LIBOR	(201)	11/15/2025	A1/A
2015 Series E-3	5,000	3/14/2006	3.67%	65% of 90 day LIBOR plus .20%	(214)	11/15/2019	Aa2/AA-
2015 Series E-3	5,000	11/15/2016	1.15%	70% of 30 day LIBOR	140	11/15/2025	A1/AA-
2016 Series B-2	8,000	5/15/2017	1.62%	70% of 30 day LIBOR	172	11/15/2031 ¹	A1/AA-
2016 Series B-2	20,000	11/15/2017	1.66%	70% of 30 day LIBOR	347	11/15/2031 ¹	A1/AA-
2017 Series D-2	2,500	4/22/2008	3.25%	67% of 30 day LIBOR	(53)	11/15/2018	Aa2/AA-
2017 Series D-2	2,500	12/23/2003	3.25%	67% of 30 day LIBOR	(53)	11/15/2018	Aa3/A+
2017 Series D-2	15,000	1/29/2008	3.71%	100% of SIFMA plus .06%	(1,556)	5/15/2023	Aa3/A+
2017 Series G-1	25,000	12/26/2014	1.94%	100 % of 90 day LIBOR	15	11/15/2019	A1/A
2017 Series G-1	30,000	12/31/2014	2.05%	100 % of 90 day LIBOR	15	11/15/2020	A1/A
Totals	<u>\$162,945</u>				<u>(\$6,462)</u>		

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 December 31, 2017. MaineHousing is not exposed to credit risk for the swaps that have negative fair values. MaineHousing is exposed to credit risk on swaps that have a positive fair value. At December 31, 2017, there are six swaps that have positive fair values totaling \$790. This amount represents MaineHousing's credit exposure to the related counterparties and the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. Fair value is only a factor upon termination.

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 and 2015 Series E-3, which are adjusted on a quarterly basis. MaineHousing's floating rate bonds will have rates adjusted weekly. MaineHousing's bonds are expected to track with the SIFMA Index, which differs from the LIBOR index. If the floating rate tax exempt bonds, which should correspond to the SIFMA index, trade at a value significantly different than their historical relationship to LIBOR, the net cost to MaineHousing could increase or decrease. As of December 31, 2017, the thirty day LIBOR rate and the ninety day LIBOR rate were 1.56% and 1.69%, respectively and the SIFMA rate was 1.71%.

Termination Risk – In addition to the optional terminations embedded in some of MaineHousing's swap agreements, 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.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

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 3.4% 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 7.1% of annual salary. The employer match contribution is made to the 401(a) plan.

For the year ended December 31, 2017, employee contributions totaled \$581 and MaineHousing recognized expense of \$368. 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 (MainePERS) PLD Consolidated Retirement Plan 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 2.45%.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

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 December 31, 2017, the established MainePERS employer and employee contribution rates are 9.6% and 8.0%, respectively. MaineHousing pays on behalf of its employees 0.90% of the MainePERS employee contribution rate. Total employer contributions were \$513 for the year ended December 31, 2017.

Actuarial Methods and Assumptions

The total pension liability was determined using the following methods and assumptions, applied to all periods included in the measurement:

Cost Method – The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each member. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his/her expected future salary. The normal cost for each member is the product of his/her pay and his/her normal cost rate. The normal cost for the group is the sum of the normal costs for all members. Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method – The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization – The net pension liability is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gains or losses for that year.

Actuarial Assumptions: The actuarial valuation as of June 30, 2017 and June 30, 2016 used the following actuarial assumptions:

Investment Rate of Return – 6.875% per annum, compounded annually.

Inflation Rate – 2.75%.

Annual Salary Increases, including Inflation – 2.75% to 9.00%.

Cost of Living Benefit Increases – 2.20%.

Mortality Rates – RP 2014 Total Dataset Healthy Annuitant Mortality Table for males and females.

The actuarial assumptions used in the June 30, 2017 and June 30, 2016 valuations were based on the results of an actuarial experience study for the period June 30, 2012 to June 30, 2015.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate: The discount rate used to measure the collective total pension liability was 6.875%. 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 December 31, 2017, MaineHousing has a liability of \$3,712 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2016 through June 30, 2017, relative to the total employer contributions received from all participating entities. At December 31, 2017, MaineHousing's proportion is 0.906494%. The proportion was 0.922203% at December 31, 2016.

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 6.875%, 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 or 1% higher than the current rate.

1% Decrease	Current Discount Rate	1% Increase
<u>@ 5.875%</u>	<u>@ 6.875%</u>	<u>@ 7.875%</u>
\$7,447	\$3,712	\$900

Changes in net pension liability are recognized in pension expense for the year ended December 31, 2017 with the following exceptions:

Differences between expected and actual experience – The difference between expected and actual experience with regard to economic or demographic factors was recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2017 this was three years. Prior to 2017 it was four years.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

Differences Between Projected and Actual Investment Earnings – Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Assumptions – Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. The actuarial assumptions for the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no changes in assumptions for 2017.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions – Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer’s proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. Differences between total employer contributions and the employer’s proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended December 31, 2017, MaineHousing recognized pension expense of \$17 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	\$0	\$178
Employer contributions subsequent to the measurement date	234	0
Net difference between projected and actual earnings on pension plan investments	1,279	1,381
Changes in proportion and differences between employer contributions and proportionate share of contributions	36	664
Changes of assumptions	316	0
Total	<u>\$1,865</u>	<u>\$2,223</u>

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 for the year ended December 31, 2017. 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, 2021 as follows:

Year ended December 31:	Pension Expense Amount
2018	(\$476)
2019	\$112
2020	\$25
2021	(\$253)

Payables to the Pension Plan: At December 31, 2017, MaineHousing’s total payable to MainePERS for unremitted contributions is \$17.

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.mainebers.org.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

(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 F (M/F)	\$3,922
2016 Series B (S/F)	12,125
2017 Series D (M/F)	7,751
2017 Series F (S/F)	16,063
2017 Series G-2 (M/F)	3,524
2017 Series H (S/F)	42,178
	<u>\$85,563</u>

MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND

The following bond proceeds are invested in accordance with the Maine Energy, Housing and Recovery General Indenture and are available for program activities at December 31, 2017:

2010 Series 1	\$1,307
2010 Series 2	1,682
	<u>\$2,989</u>

(9.) COMMITMENTS

MORTGAGE COMMITMENTS

Mortgage commitments are agreements to loan money provided there is no violation of any term or condition established in the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as MaineHousing deems necessary. At December 31, 2017, MaineHousing had outstanding commitments in several funds to originate multi-family mortgage loans of approximately \$81,475. MaineHousing, under its single-family program, enters into purchase agreements with lenders to purchase mortgage loans. At December 31, 2017, single-family loans being processed by lenders for MaineHousing totaled approximately \$44,102.

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 \$735 for the year ended December 31, 2017. In January of 2018, MaineHousing acquired property in Augusta, Maine for development and to relocate its office at or near the expiration of the current lease. The project is in the initial phases and the total cost is currently estimated at approximately \$14,600.

(10.) RESERVE FUNDS

MORTGAGE PURCHASE FUND – HOUSING RESERVE FUND

On or before December 1 of each year, MaineHousing is required to value the Housing Reserve Fund and verify to the Governor of the State of Maine that the sum of money in the fund equals or exceeds the Housing Reserve Fund Minimum Requirement. The Housing Reserve Fund Minimum Requirement equals the amount of principal and interest maturing and coming due in the next succeeding calendar year on bonds outstanding. The Housing Reserve Fund Minimum Requirement as of December 31, 2017 was \$111,486. When issuing bonds MaineHousing must also meet the Housing Reserve Fund Maximum Requirement. The Housing Reserve Fund Maximum Requirement equals the maximum debt service required in any subsequent calendar year. The Housing Reserve Fund Maximum Requirement as of December 31, 2017 was \$118,194.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

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, 2017, 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 \$141,245.

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

MaineHousing is required to maintain a Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement established under the General Indenture. The Capital Reserve Fund Requirement equals the greatest amount of principal and interest maturing and becoming due in the current or any succeeding bond year. The Capital Reserve Requirement as of December 31, 2017 was \$4,320. This requirement may be satisfied by the deposit of money or by the deposit of a Credit Facility or an insurance policy for the benefit of the bondholders.

Between July 1 and July 15 of each year, MaineHousing must certify to the Treasurer of the State the amount necessary and sufficient to meet MaineHousing's debt service obligation, including amounts necessary to replenish the Capital Reserve Fund to the Capital Reserve Requirement. At December 31, 2017, 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 regulations that limit the amount of income that can be earned with non-mortgage investments to an amount not greater than the amount that would have been earned had the funds been invested at the yield on the bonds. Excess earnings must be rebated every five years. At December 31, 2017, 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 a receivable in other assets. MaineHousing has recorded receivables in the amount of \$184 in the Mortgage Purchase Fund at December 31, 2017.

(12.) FUND TRANSFERS AND INTERFUND BALANCES

MaineHousing records transfers between funds for various purposes including program subsidies, fees and capital asset transfers. Transfers for the year ended December 31, 2017 consisted of the following:

	Mortgage Purchase Fund	General Administrative Fund	HOME Fund	Section 8 Housing Programs	Other Federal And State Programs
Capital Assets	\$0	\$100	\$0	(\$50)	(\$50)
Program Subsidies	800	16	(800)	0	(16)
Residual Equity	0	0	4,130	0	(4,130)
Program Administrative Fees	0	727	0	(727)	0
	<u>\$800</u>	<u>\$843</u>	<u>\$3,330</u>	<u>(\$777)</u>	<u>(\$4,196)</u>

In 2017, a statutory change was made that impacted how funds generated from state General Obligation bonds for revolving loan programs and administered by MaineHousing for a period of longer than ten years could be used. Funds recorded as unearned in prior years were recognized as program income and transferred from the Other Federal and State Programs to the HOME Fund. The residual equity transfer reflects the transfer of the related funds.

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.

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

Interfund accounts receivable (payable) balances at December 31, 2017 consisted of the following:

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	HOME Fund	Section 8 Housing Programs	Low Income Home Energy Assistance Program	Maine Energy, Housing & Economic Recovery Program	Other Federal And State Programs
Receivable due from:								
Mortgage Purchase Fund	\$0	\$0	\$3,040	\$0	\$0	\$0	\$0	\$0
General Administrative Fund	0	0	0	64	0	0	0	43
Other Federal And State Programs	209	0	560	0	0	0	0	0
Collectively, all other funds	0	0	10	0	0	0	0	0
	209	0	3,610	64	0	0	0	43
Payables	(3,040)	(8)	(107)	0	(652)	(117)	(2)	0
	<u>(\$2,831)</u>	<u>(\$8)</u>	<u>\$3,503</u>	<u>\$64</u>	<u>(\$652)</u>	<u>(\$117)</u>	<u>(\$2)</u>	<u>\$43</u>

The interfund accounts receivable of the General Administrative Fund consist primarily of operating expenses owed from the Mortgage Purchase Fund, Section 8 Housing Programs, Low Income Home Energy Assistance Program and Other Federal and State Programs.

(13.) REDEMPTION OF BONDS

For the year ended December 31, 2017, MaineHousing redeemed prior to maturity \$285,920 of its Mortgage Purchase Fund bonds from recoveries of principal, surplus revenues and the proceeds of refunding bonds. Losses of \$54 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
2007 Series C Term Bonds	5.15%	11/15/2032	\$100	100%
2009 Series C Serial Bonds	3.30%	11/15/2017	1,200	100%
2010 Series A Serial Bonds	3.05%	11/15/2017	1,545	100%
2010 Series C Serial Bonds	3.30%	11/15/2017	1,445	100%
2011 Series A Serial Bonds	2.60%	11/15/2017	915	100%
2011 Series A Serial Bonds	2.90%	11/15/2018	945	100%
2011 Series B-1 Serial Bonds	3.00%	11/15/2018	\$570	100%
2011 Series B-1 Serial Bonds	2.70%	11/15/2017	1,650	100%
2011 Series B-1 Serial Bonds	3.75%	11/15/2021	3,425	100%
2011 Series C-1 Serial Bonds	2.38%	11/15/2017	5,715	100%
2011 Series C-1 Serial Bonds	3.38%	11/15/2021	1,285	100%
2011 Series D Serial Bonds	2.15%	11/15/2017	1,290	100%
2011 Series D Term Bonds	4.00%	11/15/2026	3,935	100%
2012 Series A-1 Serial Bonds	2.20%	11/15/2017	3,150	100%
2012 Series A-1 Serial Bonds	3.45%	11/15/2022	2,000	100%
2012 Series A-1 Term Bonds	4.00%	11/15/2024	2,430	100%
2012 Series A-1 Term Bonds	4.50%	11/15/2028	1,180	100%
2012 Series A-1 Term Bonds	4.50%	11/15/2028	1,230	100%

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
2013 Series A Serial Bonds	1.44%	11/15/2017	1,560	100%
2013 Series B Term Bonds	4.00%	11/15/2043	1,595	100%
2013 Series B Term Bonds	4.00%	11/15/2043	1,635	100%
2013 Series C Serial Bonds	1.41%	11/15/2017	4,000	100%
2013 Series C Term Bonds	3.84%	11/15/2027	7,615	100%
2013 Series C Term Bonds	4.32%	11/15/2030	2,860	100%
2013 Series D-1 Serial Bonds	2.00%	11/15/2017	1,760	100%
2013 Series E Serial Bonds	1.70%	11/15/2017	1,255	100%
2013 Series F Term Bonds	1.20%	11/15/2032	39,585	100%
2013 Series G Term Bonds	1.19%	11/15/2041	60,000	100%
2014 Series A-1 Serial Bonds	1.55%	11/15/2017	845	100%
2014 Series A-1 Serial Bonds	3.20%	11/15/2021	200	100%
2014 Series A-1 Term Bonds	3.25%	11/15/2043	805	100%
2014 Series A-1 Term Bonds	3.25%	11/15/2043	1,160	100%
2014 Series A-2 Serial Bonds	2.75%	11/15/2021	1,800	100%
2014 Series B Term Bonds	1.28%	11/15/2037	50,965	100%
2014 Series C-1 Serial Bonds	2.25%	11/15/2020	730	100%
2014 Series C-1 Term Bonds	3.50%	11/15/2044	1,115	100%
2014 Series C-1 Term Bonds	3.50%	11/15/2044	1,160	100%
2014 Series D Term Bonds	Variable	11/15/2039	55,000	100%
2015 Series A-3 Term Bonds	0.90%	11/15/2017	3,255	100%
2015 Series B Term Bonds	3.50%	11/15/2040	340	100%
2015 Series B Term Bonds	3.50%	11/15/2040	115	100%
2015 Series D Term Bonds	4.00%	11/15/2045	230	100%
2015 Series D Term Bonds	4.00%	11/15/2045	305	100%
2015 Series E-1 Serial Bonds	1.20%	11/15/2017	2,545	100%
2015 Series E-1 Serial Bonds	2.30%	11/15/2020	2,560	100%
2015 Series E-1 Term Bonds	3.50%	11/15/2035	1,645	100%
2015 Series E-1 Term Bonds	3.50%	11/15/2035	1,690	100%
2015 Series G Term Bonds	3.50%	11/15/2045	210	100%
2015 Series G Term Bonds	3.50%	11/15/2045	520	100%
2016 Series A Term Bonds	4.00%	11/15/2045	600	100%
2016 Series B-1 Term Bonds	3.50%	11/15/2046	895	100%
2016 Series B-1 Term Bonds	3.50%	11/15/2046	1,095	100%
2016 Series C Term Bonds	3.50%	11/15/2046	185	100%
2016 Series E Term Bonds	4.00%	11/15/2046	75	100%
			<u>\$285,920</u>	

(14.) CONTINGENCIES

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

Maine State Housing Authority
Notes to Financial Statements – December 31, 2017
(IN THOUSANDS OF DOLLARS)

(15.) SUBSEQUENT EVENTS

On March 12, 2018 MaineHousing redeemed at par, \$59,495 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
2011 Series C-1 Serial Bonds	3.60%	11/15/2022	\$2,700	100%
2011 Series C-1 Serial Bonds	3.75%	11/15/2023	780	100%
2011 Series C-2 Serial Bonds	3.88%	11/15/2024	530	100%
2012 Series A-1 Serial Bonds	3.30%	11/15/2021	8,115	100%
2012 Series A-1 Serial Bonds	3.45%	11/15/2022	5,265	100%
2012 Series A-2 Term Bonds	3.60%	11/15/2026	2,350	100%
2012 Series A-3 Term Bonds	3.85%	11/15/2029	1,265	100%
2012 Series B-1 Serial Bonds	3.25%	11/15/2021	625	100%
2012 Series B-1 Serial Bonds	3.38%	11/15/2022	660	100%
2012 Series B-1 Serial Bonds	3.50%	11/15/2023	675	100%
2012 Series B-1 Serial Bonds	3.75%	11/15/2024	720	100%
2012 Series B-2 Term Bonds	3.50%	11/15/2027	350	100%
2013 Series D-1 Serial Bonds	3.25%	11/15/2021	1,935	100%
2013 Series D-1 Serial Bonds	3.50%	11/15/2022	1,995	100%
2013 Series D-1 Serial Bonds	3.65%	11/15/2023	2,060	100%
2013 series D-2 Term Bonds	4.00%	11/15/2028	7,800	100%
2013 series D-2 Term Bonds	4.50%	11/15/2037	2,205	100%
2013 Series E Serial Bonds	3.55%	11/15/2021	2,620	100%
2013 Series E Serial Bonds	3.85%	11/15/2022	2,590	100%
2014 Series A-2 Serial Bonds	3.40%	11/15/2023	3,080	100%
2014 Series A-2 Serial Bonds	3.55%	11/15/2024	1,120	100%
2014 Series A-2 Term Bonds	4.50%	11/15/2034	5,865	100%
2014 Series C-1 Term Bonds	3.63%	11/15/2029	1,500	100%
2015 Series B Term Bonds	3.50%	11/15/2040	455	100%
2015 Series D Term Bonds	4.00%	11/15/2045	505	100%
2015 Series E-1 Term Bonds	4.00%	11/15/2030	820	100%
2016 Seires B-1 Serial Bonds	0.90%	11/15/2018	680	100%
2016 Series E Term Bonds	4.00%	11/15/2046	230	100%
			<u>\$59,495</u>	

**MAINE STATE HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF SELECTED PENSION INFORMATION - UNAUDITED
PRESENTED FOR YEARS INFORMATION IS AVAILABLE
FOR THE YEAR ENDED DECEMBER 31, 2017
(IN THOUSANDS OF DOLLARS)**

**Schedule of MaineHousing's Proportionate Share of Net Pension Liability
Last Ten Fiscal Years
As of Measurement Date of June 30:**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability	0.906494%	0.922203%	1.181151%	1.420739%
Employer's Proportionate Share of the Net Pension Liability	\$3,712	\$4,899	\$3,768	\$2,186
Employer's Covered-Employee Payroll	\$4,892	\$4,810	\$4,598	\$4,691
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	75.9%	101.9%	81.9%	46.6%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	86.4%	81.6%	88.3%	94.1%

**Schedule of MaineHousing's Pension Contributions
Last Ten Fiscal Years
As of Measurement Date of June 30:**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$513	\$505	\$483	\$492
Contributions in Relation to Contractually Required Contribution	\$513	\$505	\$483	\$492
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
Employer's Covered Employee Payroll	\$4,892	\$4,810	\$4,598	\$4,691
Contributions as a Percentage of Covered Employee Payroll	10.5%	10.5%	10.5%	10.5%

The above schedules are intended to show information for 10 years.
Information will be presented each year until 10 years of such information is available.

Notes to Required Supplementary Information

Changes of Benefit Terms:

There were no changes of benefit terms for the measurement period ended of June 30, 2017.

Changes of Assumptions:

There were no changes of assumptions for the measurement period ended of June 30, 2017.