

**Maine State Housing Authority**

Basic Financial Statements and  
Management's Discussion and Analysis

Year Ended December 31, 2013

MAINE STATE HOUSING AUTHORITY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

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**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 and each major fund of Maine State Housing Authority (MaineHousing), a component unit of the State of Maine, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of MaineHousing, as of December 31, 2013, 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.

***Emphasis of Matter***

As discussed in Note 2, MaineHousing adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013. Our opinion is not modified with respect to this matter.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014 on our consideration of the MaineHousing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MaineHousing's internal control over financial reporting and compliance.

Portland, Maine  
March 27, 2014

*Baker Newman & Noyes*  
Limited Liability Company

**Maine State Housing Authority  
Management's Discussion and Analysis  
December 31, 2013**

This discussion and analysis provides an overview of the Maine State Housing Authority's (MaineHousing) financial activities for the year ended December 31, 2013 and should be read in conjunction with the audited financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- MaineHousing's combined net position decreased by \$16.1 million to \$293 million, as a result of program operations and financing activities.
- The net position of the proprietary funds, which present MaineHousing's business-type activities, decreased \$13.4 million due primarily to the recognition of \$14.7 million of unrealized losses associated with a decrease in the fair value of investments. Excluding the impact of the reduction in the fair value of investment assets, the net position increased by \$1.3 million.
- Government Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* was implemented in 2013 and resulted in a \$9.7 million decrease to the beginning of the year net position. The financial information in this management's discussion and analysis has been restated for 2012 to reflect the change in generally accepted accounting principles.
- Mortgage loan prepayments remained at a high level in 2013 due to low market mortgage rates and totaled \$98 million. The high volume of prepayments and increase in loan foreclosures contributed to a \$37.7 million net reduction in mortgage receivables.
- Debt retirements totaled \$448.1 million, which contributed to an \$8.4 million reduction in interest expense.
- Total federal program revenues decreased by \$15.3 million or 10.1% to \$136 million due principally to the completion of programs associated with the American Recovery and Reinvestment Act and lower grant income for the Low Income Home Energy Assistance Program.

**OVERVIEW OF MAINEHOUSING**

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

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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Management's Discussion and Analysis  
December 31, 2013**

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

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

### **Agency-wide Statements**

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

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

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

### **Fund Financial Statements**

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

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

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Management's Discussion and Analysis  
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**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, 2013 and 2012 based on the information included in the financial statements.

On January 1, 2013, MaineHousing implemented Government Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which required the elimination of certain deferred assets, such as costs for loan origination and bond financing and certain liabilities, such as deferred loan fee income. The following financial information for 2012 has been restated to include the effect of the accounting changes required by GASB Statement No. 65 as if adopted on January 1, 2012. The restatement included the elimination of \$12.4 million of deferred expenses, \$2.3 million of deferred revenues and a net position reduction of \$10.1 million. The restatement also increased 2012 operating revenues by \$0.6 million and decreased operating expenses by \$0.2 million, which resulted in a \$0.8 million decrease in operating loss for the year.

In addition, MaineHousing's financial position includes changes in the presentation of deferred costs associated with debt refundings and deferred revenues for loan origination points and certain program grants. Beginning in 2013, these amounts are presented as a deferred outflow or inflow of resources as required by GASB Statement No. 65. The 2012 financial statements have also been restated to be comparative to how 2013 financial statements present certain forgivable loans and loans with no regular principal and interest payments until maturity, which is normally 30 years from origination.

Statement of Net Position  
*(in millions of dollars)*

	Business-type Activities		Governmental Activities		Total		Total Percentage Change
	2012 2013 (restated)	2012 2013 (restated)	2012 2013 (restated)	2012 2013 (restated)	2012 2013 (restated)	2012 2013 (restated)	
Cash and investments	\$276.5	\$323.3	\$56.3	\$61.2	\$332.8	\$384.5	(13.4%)
Mortgage and other notes receivable	1,192.3	1,231.8	23.5	21.7	1,215.8	1,253.5	(3.0%)
Other assets	23.1	16.9	11.2	12.6	34.3	29.5	16.3%
<b>Total Assets</b>	<b>1,491.9</b>	<b>1,572.0</b>	<b>91.0</b>	<b>95.5</b>	<b>1,582.9</b>	<b>1,667.5</b>	<b>(5.1%)</b>
<b>Total Deferred Outflows of Resources</b>	<b>21.5</b>	<b>33.8</b>	<b>0.0</b>	<b>0.0</b>	<b>21.5</b>	<b>33.8</b>	<b>(36.4%)</b>
Mortgage and other bonds payable	1,229.1	1,292.6	44.5	47.4	1,273.6	1,340.0	(5.0%)
Other liabilities	23.7	39.2	11.0	11.0	34.7	50.2	(30.9%)
<b>Total Liabilities</b>	<b>1,252.8</b>	<b>1,331.8</b>	<b>55.5</b>	<b>58.4</b>	<b>1,308.3</b>	<b>1,390.2</b>	<b>(5.9%)</b>
<b>Total Deferred Inflows of Resources</b>	<b>0.1</b>	<b>0.1</b>	<b>3.0</b>	<b>1.9</b>	<b>3.1</b>	<b>2.0</b>	<b>55.0%</b>
Investment in capital assets	1.3	1.6	0.2	0.7	1.5	2.3	(34.8%)
Restricted	234.9	248.0	32.3	34.5	267.2	282.5	(5.4%)
Unrestricted	24.3	24.3	0.0	0.0	24.3	24.3	(0.0%)
<b>Total Net Position</b>	<b>\$260.5</b>	<b>\$273.9</b>	<b>\$32.5</b>	<b>\$35.2</b>	<b>\$293.0</b>	<b>\$309.1</b>	<b>(5.2%)</b>

Total assets at December 31, 2013 were \$1.58 billion, a decrease of \$84.6 million or 5.1% from December 31, 2012. The change in assets consisted primarily of a \$51.7 million decrease in cash and investments, which were used principally to retire outstanding debt, and a \$37.7 million decrease in mortgage receivables as loan repayments and foreclosures outpaced new loan purchases and originations.

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Management's Discussion and Analysis  
December 31, 2013**

Other assets increased \$4.8 million due to higher balances in other real estate owned and receivables due from mortgage insurance providers. Total deferred outflows of resources, which consist of the accumulated decrease in the fair value of interest rate swaps and deferred amounts associated with debt refundings, decreased \$12.3 million primarily as a result of fair value increases with interest rate swaps.

Total liabilities at December 31, 2013 were \$1.31 billion, a decrease of \$81.9 million or 5.9% from December 31, 2012. The decrease in liabilities is due principally to the retirement of \$448.1 million of bonds, which contributed to a \$66.4 million net decrease in bonds payable. Other liabilities decreased \$15.5 million due primarily to decreases in the liabilities associated with interest rate swap derivative instruments. Total deferred inflows of resources, which represent deferred revenue amounts, increased \$1.1 million due to higher deferred federal grant income balances.

*Cash and Investments*

Total cash and investments decreased by \$51.7 million or 13.4% at December 31, 2013 compared to December 31, 2012. To manage the exposure associated with depressed short-term rates on non-mortgage investments and reduce interest expense paid on bonds, certain investments were used to retire outstanding debt in 2013. MaineHousing's investment portfolio is comprised of securities of the U.S. Government, certain Federal agencies, the State of Maine, or repurchase agreements that are secured by such securities. MaineHousing's investments are carried at fair value and unrealized gains and losses due to fluctuations in market values are recognized in revenues. In 2013, the fair value of investments decreased significantly and MaineHousing recognized \$14.7 million of unrealized losses compared with \$1.3 million of unrealized losses in 2012.

*Mortgage and Other Notes Receivable*

Total net mortgages and other notes receivable decreased \$37.7 million or 3% in 2013. Mortgage loan prepayments remained at a high level in 2013 and totaled \$98 million, an increase of \$6.4 million. The receipt of scheduled mortgage loan repayments of \$30.9 million increased slightly from the previous year level of \$30.8 million. Foreclosures totaled \$20.9 million in 2013, which is a \$9.7 million increase over 2012. Total mortgage purchases and originations of \$112 million were higher by \$62.5 million compared with 2012. The increase is due to higher single-family mortgage purchases and multi-family loan originations. MaineHousing's allowance for losses at December 31, 2013 amounted to \$11.4 million, which is an increase of \$0.2 million compared with 2012.

*Bonds Payable*

During the year, MaineHousing completed the issuance of bonds totaling \$380 million. In 2012, MaineHousing issued \$148.8 million in bonds. In recent years, MaineHousing has aggressively retired debt with higher interest rates. Debt retirements totaled \$448.1 million in 2013, which is an increase of \$175.7 million compared with the \$272.4 million retired in 2012. MaineHousing issues bonds or notes as capital is needed for program purposes and as opportunities for economic refunding occur. For additional details, see the Debt Activity section of the Management's Discussion and Analysis.

*Net Position*

MaineHousing's combined net position decreased 5.2% to \$293 million as result of operations for the year ended December 31, 2013. The net position was negatively impacted by the recognition of an unrealized loss due to a significant decrease in the fair value of investment assets in 2013.



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Management's Discussion and Analysis  
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The net position of MaineHousing's business activities decreased by \$13.4 million, while the net position of governmental activities decreased by \$2.7 million. MaineHousing's business activities are in the proprietary funds and are dissimilar from the activities in the governmental funds. The results of operations for both MaineHousing's proprietary and governmental funds are presented on the following table for the years ended December 31, 2013 and 2012:

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

	<u>2013</u>	<u>2012</u> <u>(restated)</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percentage</u>
<b>Revenues:</b>				
Interest from mortgages and notes	\$63.4	\$67.1	(\$3.7)	(5.5%)
Income from investments	3.7	4.7	(1.0)	(21.3%)
Net decrease in fair value of investments	(14.7)	(1.3)	(13.4)	1030.8%
Grants and subsidies	143.5	155.4	(11.9)	(7.7%)
Other	8.7	9.5	(0.8)	(8.4%)
Total revenues	204.6	235.4	(30.8)	(13.1%)
<b>Expenses:</b>				
Operating and other program expenses	24.4	23.1	1.3	5.6%
Provision for losses on loans and foreclosed real estate	2.1	0.7	1.4	200.0%
Interest expense	49.5	57.9	(8.4)	(14.5%)
Grants and subsidies	144.3	156.2	(11.9)	(7.6%)
Total expenses	220.3	237.9	(17.6)	(7.4%)
Decrease in net position	<u>(\$15.7)</u>	<u>(\$2.5)</u>	<u>(\$13.2)</u>	528.0%

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

**RESULTS OF OPERATIONS**

*Proprietary Funds Results*

The net position of MaineHousing's proprietary funds decreased by \$13.4 million to \$260.5 million at December 31, 2013. Operating revenues include an unrealized loss of \$14.7 million to reflect the net decrease in the market value of investment assets. Excluding the impact of the net reduction in the fair value of investments, the net position increased by \$1.3 million in 2013.

**Maine State Housing Authority  
Management's Discussion and Analysis  
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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, 2013 and December 31, 2012:

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

	<u>2013</u>	<u>2012 (restated)</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percentage</u>
<b>Operating revenues:</b>				
Interest from mortgages and notes	\$63.4	\$67.1	(\$3.7)	(5.5%)
Income from investments	3.7	4.6	(0.9)	(19.6%)
Net decrease in the fair value				
of investments	(14.7)	(1.3)	(13.4)	1030.8%
Fee income	0.8	1.1	(0.3)	(27.3%)
Other revenue	0.6	0.9	(0.3)	(33.3%)
Total revenues	53.8	72.4	(18.6)	(25.7%)
<b>Operating expenses:</b>				
Operating expenses	9.0	9.4	(0.4)	(4.3%)
Other program administrative expenses	6.3	4.4	1.9	43.2%
Mortgage servicing fees	1.8	2.0	(0.2)	(10.0%)
Provision for losses on loans	1.6	0.6	1.0	166.7%
Losses on foreclosed real estate	0.5	0.1	0.4	400.0%
Interest expense	48.0	56.3	(8.3)	(14.7%)
Loss on bond redemption	0.7	0.5	0.2	40.0%
Excess arbitrage	(0.4)	(0.8)	0.4	(50.0%)
Total expenses	67.5	72.5	(5.0)	(6.9%)
Operating loss	(13.7)	(0.1)	(13.6)	13600.0%
Transfers in (out)	0.3	0.7	(0.4)	(57.1%)
Change in net position	(13.4)	0.6	(14.0)	(2333.3%)
Net position at beginning of year	273.9	273.3	0.6	0.2%
Net position at end of year	<u>\$260.5</u>	<u>\$273.9</u>	<u>(\$13.4)</u>	(4.9%)

Operating revenues of MaineHousing's business-type activities are generated principally from earnings on mortgages and investments. Operating revenues from business-type activities total \$53.8 million, which is a decrease of \$18.6 million, and include a \$14.7 million reduction in the fair value of investments. Excluding the decrease in the fair value of investments, revenues total \$68.5 million; of which \$67.1 million or 98% is from interest earned from mortgages, other notes and non-mortgage investments. Operating expenses of MaineHousing's business-type activities consist primarily of interest expense on debt incurred to fund its various lending programs. The expenses for business-type activities totaled \$67.5 million, of which \$48 million or 71.1% was interest expense.

The 2013 financial results of MaineHousing's proprietary funds were significantly affected by the following:

- Interest earned on mortgages and notes decreased by \$3.7 million or 5.5% due to lower loan amounts outstanding and lower average yields.

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- Income from investments decreased by \$0.9 million or 19.6% due to lower investment balances and low short-term earnings rates.
- An unrealized loss on investments of \$14.7 million was recorded as a result of higher long-term interest rates in 2013. This loss is \$13.4 million larger than the unrealized loss of \$1.3 million recognized in 2012.
- Other program administrative expenses increased by \$1.9 million as a result of higher foreclosure, real estate owned, loan origination and bond issuance expenses caused by increased activities in these areas and higher liquidity facilities costs associated with variable rate notes due to market conditions.
- Interest expense decreased by \$8.3 million or 14.7% as a result of lower average rates on debt issues and lower average debt balances outstanding during the year.

*Governmental Fund Results*

The net position of MaineHousing's governmental funds decreased \$2.3 million to \$32.3 million at December 31, 2013. Capital assets are reported as expenditures in the governmental funds and as assets in the Agency-wide Statement of Net Position, which results in a reconciling difference of \$0.2 million at December 31, 2013. 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, 2013 and December 31, 2012:

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

	2013	2012 (restated)	Increase/(Decrease)	
			Amount	Percentage
<b>Revenues:</b>				
Income from investments	0.0	0.1	(0.1)	(100.0%)
Fee income	7.3	7.5	(0.2)	(2.7%)
Grant income	39.1	53.8	(14.7)	(27.3%)
Income from the State	13.2	9.6	3.6	37.5%
Federal rent subsidy income	91.2	92.0	(0.8)	(0.9%)
Total revenues	150.8	163.0	(12.2)	(7.5%)
<b>Expenditures:</b>				
Program administrative	7.0	7.6	(0.6)	(7.9%)
Interest	1.5	1.6	(0.1)	(6.3%)
Grants	51.7	64.6	(12.9)	(20.0%)
Federal rent subsidy	92.6	91.6	1.0	1.1%
Total expenditures	152.8	165.4	(12.6)	(7.6%)
Revenues less than expenditures	(2.0)	(2.4)	0.4	(16.7%)
Transfers in (out)	(0.3)	(0.7)	0.4	(57.1%)
Change in fund balances	(2.3)	(3.1)	0.8	(25.8%)
Fund balances at beginning of year	34.6	37.7	(3.1)	(8.2%)
Fund balances at end of year	<u>\$32.3</u>	<u>\$34.6</u>	<u>(\$2.3)</u>	<u>(6.6%)</u>

MaineHousing's total revenues from governmental activities are generated primarily from federal grants and rent subsidy income. Revenues from governmental activities decreased in 2013 by \$12.2 million or 7.5% to \$150.8 million. MaineHousing's governmental activities expenditures consist primarily of federal grants and rent subsidies. Total expenditures decreased \$12.6 million or 7.6% to \$152.8 million for 2013.

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MaineHousing earns fees for administering various federal programs. Typically fees earned provide MaineHousing with a revenue source adequate to recover direct and indirect costs of delivering related services. Fee income for administering federal programs amounted to \$7.3 million in 2013, which is a decrease of \$0.2 million or 2.7% compared with 2012.

The 2013 financial results of MaineHousing's governmental funds were significantly affected by the following:

- Total grant income decreased by \$14.7 million or 27.3% due to the completion of federal grants from The American Recovery & Reinvestment Act (ARRA) and lower grant income for certain energy and weatherization programs. Grant income from ARRA programs decreased by \$8.6 million in 2013. In addition, federal grants received from the U.S. Department of Health and Human Services for the Low Income Home Energy Assistance Program (LIHEAP) decreased by \$4.8 million or 13%.
- Total grant expenditures decreased by \$12.9 million or 20% due to lower available federal grant receipts.
- Income from the State, which consists of real estate transfer tax deposits to the HOME Fund, increased \$3.6 million or 37.5% due primarily to higher real estate sales.

#### **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 \$1.27 billion in bonds outstanding at December 31, 2013, which is a decrease of \$66.4 million or 5% from 2012.

MaineHousing's debt issuances for 2013 totaled \$380 million. Principal payments on bonds totaled \$448.1 million in 2013. MaineHousing redeemed prior to maturity \$435.1 million of its outstanding bonds in 2013 from reserve funds, mortgage prepayments, surplus revenues, and the proceeds from refunding bonds. Scheduled principal payments on bonds totaled \$13 million in 2013.

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, 2013, the total amount of variable rate debt outstanding was \$311.1 million and represented 24.4% of the \$1.27 billion total debt portfolio. Fourteen interest rate swap agreements have been executed with two counterparties in connection with \$205.5 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 2013. For additional information about MaineHousing's mortgage bonds and notes payables, see Notes 5, 6, 8, 13, and 15 to the financial statements.

#### **ADDITIONAL INFORMATION**

The purpose of this financial report is to provide information needed to understand MaineHousing's financial position and results of operations for the year ended December 31, 2013. Inquiries for additional information may be directed to the Director of Finance at Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330, at (207) 626-4600 or at [www.mainehousing.org](http://www.mainehousing.org).

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Business-type Activities</b>	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Current Assets:			
Cash, principally time deposits (note 3)	\$300	\$1,007	\$1,307
Investments (notes 3, 8, and 10)	172,722	55,267	227,989
Accounts receivable - Federal	0	3,959	3,959
Other assets	14,450	3,577	18,027
Mortgage notes receivable, net (note 4)	30,893	27	30,920
Other notes receivable, net (note 4)	8	0	8
Interfund (note 12)	571	3,473	4,044
Total Current Assets	<u>218,944</u>	<u>67,310</u>	<u>286,254</u>
Noncurrent Assets:			
Investments (notes 3, 8, and 10)	103,490	0	103,490
Other assets (note 11)	1,062	0	1,062
Mortgage notes receivable, net (note 4)	1,161,371	23,479	1,184,850
Other notes receivable, net (note 4)	76	10	86
Land, equipment and improvements, net	1,297	195	1,492
Other real estate owned	5,640	0	5,640
Total Noncurrent Assets	<u>1,272,936</u>	<u>23,684</u>	<u>1,296,620</u>
Total Assets	<u>1,491,880</u>	<u>90,994</u>	<u>1,582,874</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Accumulated decrease in fair value of hedging derivatives (note 6)	15,152	0	15,152
Deferred amount on debt refundings	6,348	0	6,348
Total Deferred Outflows of Resources	<u>21,500</u>	<u>0</u>	<u>21,500</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accrued interest payable	5,410	67	5,477
Accounts payable - Federal	0	391	391
Accounts payable and accrued liabilities	2,223	6,200	8,423
Unearned income	0	1,181	1,181
Interfund (note 12)	916	3,128	4,044
Mortgage and other bonds payable, current (notes 5, 8, 13, and 15)	26,540	2,820	29,360
Total Current Liabilities	<u>35,089</u>	<u>13,787</u>	<u>48,876</u>
Noncurrent Liabilities:			
Derivative instrument - interest rate swaps (note 6)	15,152	0	15,152
Mortgage and other bonds payable, net (notes 5, 8, 13, and 15)	1,202,520	41,748	1,244,268
Total Noncurrent Liabilities	<u>1,217,672</u>	<u>41,748</u>	<u>1,259,420</u>
Total Liabilities	<u>1,252,761</u>	<u>55,535</u>	<u>1,308,296</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred grant income	0	2,984	2,984
Deferred loan origination points	66	0	66
Total Deferred Inflows of Resources	<u>66</u>	<u>2,984</u>	<u>3,050</u>
<b>NET POSITION:</b>			
Net investment in capital assets	1,297	195	1,492
Restricted for bond resolutions	234,956	0	234,956
Restricted for grants and programs	0	32,280	32,280
Unrestricted	24,300	0	24,300
Total Net Position	<u>\$260,553</u>	<u>\$32,475</u>	<u>\$293,028</u>

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
*(IN THOUSANDS OF DOLLARS)*

<b>Functions/Programs</b>	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	\$65,332	\$63,306	(\$11,027)	\$0	(\$13,053)	\$0	(\$13,053)
Bondholder Reserve Fund	47	0	8	0	(39)	0	(39)
General Administrative Fund	2,053	1,463	0	0	(590)	0	(590)
Total business-type activities	67,432	64,769	(11,019)	0	(13,682)	0	(13,682)
Governmental activities:							
HOME Fund	5,032	48	5	9,193	0	4,214	4,214
Section 8 Housing Programs	97,226	4,538	3	91,214	0	(1,471)	(1,471)
Low Income Housing Energy Assistance Program	28,902	793	0	28,088	0	(21)	(21)
Maine Energy, Housing, Economic Recovery Program	9,419	8	37	4,319	0	(5,055)	(5,055)
Other Federal and State Programs	12,696	1,943	5	10,614	0	(134)	(134)
Total governmental activities	153,275	7,330	50	143,428	0	(2,467)	(2,467)
Total MaineHousing	\$220,707	\$72,099	(\$10,969)	\$143,428	(13,682)	(2,467)	(16,149)
General Revenues:							
Unrestricted investment income					17	0	17
Transfers					262	(262)	0
Total general revenues and transfers					279	(262)	17
Change in Net Position					(13,403)	(2,729)	(16,132)
Net Position at beginning of year					283,549	35,360	318,909
Cumulative effect of change in accounting principle					(9,593)	(156)	(9,749)
Net Position at end of year					\$260,553	\$32,475	\$293,028

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2013**  
*(IN THOUSANDS OF DOLLARS)*

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	Total
<b>ASSETS:</b>				
Current Assets:				
Cash, principally time deposits (note 3)	\$ 90	\$ 7	\$ 203	\$ 300
Investments (notes 3, 8, and 10)	145,841	7,979	18,902	172,722
Other assets	14,390	21	39	14,450
Mortgage notes receivable, net (note 4)	30,293	0	600	30,893
Other notes receivable, net (note 4)	0	0	8	8
Interfund (note 12)	0	0	571	571
Total Current Assets	<u>190,614</u>	<u>8,007</u>	<u>20,323</u>	<u>218,944</u>
Noncurrent Assets:				
Investments (notes 3, 8, and 10)	103,490	0	0	103,490
Other assets (note 11)	1,039	0	23	1,062
Mortgage notes receivable, net (note 4)	1,155,731	0	5,640	1,161,371
Other notes receivable, net (note 4)	0	0	76	76
Land, equipment and improvements, net	22	0	1,275	1,297
Other real estate owned	5,640	0	0	5,640
Total Noncurrent Assets	<u>1,265,922</u>	<u>0</u>	<u>7,014</u>	<u>1,272,936</u>
Total Assets	<u>\$1,456,536</u>	<u>\$8,007</u>	<u>\$27,337</u>	<u>\$1,491,880</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Accumulated decrease in fair value of hedging derivatives (note 6)	15,152	0	0	15,152
Deferred amount on debt refundings	6,348	0	0	6,348
Total Deferred Outflows of Resources	<u>21,500</u>	<u>0</u>	<u>0</u>	<u>21,500</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accrued interest payable	\$5,410	\$0	\$0	\$5,410
Accounts payable and accrued liabilities	445	16	1,762	2,223
Interfund (note 12)	897	19	0	916
Mortgage and other bonds payable, current (notes 5, 8, 13, and 15)	26,540	0	0	26,540
Total Current Liabilities	<u>33,292</u>	<u>35</u>	<u>1,762</u>	<u>35,089</u>
Noncurrent Liabilities:				
Derivative instrument - interest rate swaps (note 6)	15,152	0	0	15,152
Mortgage and other bonds payable, net (notes 5, 8, 13, and 15)	1,202,520	0	0	1,202,520
Total Noncurrent Liabilities	<u>1,217,672</u>	<u>0</u>	<u>0</u>	<u>1,217,672</u>
Total Liabilities	<u>1,250,964</u>	<u>35</u>	<u>1,762</u>	<u>1,252,761</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred loan origination points	66	0	0	66
<b>NET POSITION:</b>				
Net investment in capital assets	22	0	1,275	1,297
Restricted for bond resolutions	226,984	7,972	0	234,956
Unrestricted	0	0	24,300	24,300
Total Net Position	<u>\$227,006</u>	<u>\$7,972</u>	<u>\$25,575</u>	<u>\$260,553</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, 2013**  
*(IN THOUSANDS OF DOLLARS)*

	<b>Mortgage Purchase Fund</b>	<b>Bondholder Reserve Fund</b>	<b>General Administrative Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>				
Interest from mortgages and notes	\$62,848	\$0	\$567	\$63,415
Income from investments	3,689	8	17	3,714
Net decrease in the fair value of investments	(14,716)	0	0	(14,716)
Fee income	380	0	438	818
Other revenue	78	0	458	536
<b>Total Revenues</b>	<b>52,279</b>	<b>8</b>	<b>1,480</b>	<b>53,767</b>
<b>OPERATING EXPENSES:</b>				
Operating expenses	7,617	43	1,337	8,997
Other program administrative expenses	6,179	4	93	6,276
Mortgage servicing fees	1,728	0	73	1,801
Provision for losses on loans (note 4)	1,075	0	550	1,625
Losses on foreclosed real estate	480	0	0	480
Interest expense	47,968	0	0	47,968
Loss on bond redemption (note 13)	720	0	0	720
Excess arbitrage (note 11)	(435)	0	0	(435)
<b>Total Expenses</b>	<b>65,332</b>	<b>47</b>	<b>2,053</b>	<b>67,432</b>
Operating Loss	(13,053)	(39)	(573)	(13,665)
Transfers between funds, net (note 12)	(42)	0	304	262
Change in Net Position	(13,095)	(39)	(269)	(13,403)
Net Position at beginning of year	249,658	8,011	25,880	283,549
Cumulative effect of change in accounting principle (note 2)	(9,557)	0	(36)	(9,593)
Net Position at end of year	<u>\$227,006</u>	<u>\$7,972</u>	<u>\$25,575</u>	<u>\$260,553</u>

*See accompanying notes to the financial statements*



**MAINE STATE HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
*(IN THOUSANDS OF DOLLARS)*

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Interest receipts from borrowers	\$63,387	\$0	\$565	\$63,952
Principal receipts on mortgages and notes - scheduled	30,293	0	608	30,901
Principal receipts on mortgages and notes - prepayments	97,543	0	454	97,997
Payments for operating expenses	(15,525)	(47)	(3,519)	(19,091)
Payments received for operating expenses	0	0	13,985	13,985
Payments to employees	0	0	(11,803)	(11,803)
Investment in mortgages and other notes	(111,429)	0	(542)	(111,971)
Other	156	(11)	(1,929)	(1,784)
Net cash provided by (used for) operating activities	<u>64,425</u>	<u>(58)</u>	<u>(2,181)</u>	<u>62,186</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Proceeds from sale of bonds and notes	380,406	0	0	380,406
Principal payments on bonds	(445,380)	0	0	(445,380)
Interest payments on bonds	(47,724)	0	0	(47,724)
Payments (to) from other funds	160	19	564	743
Net cash provided by (used for) non-capital financing activities	<u>(112,538)</u>	<u>19</u>	<u>564</u>	<u>(111,955)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from disposition of foreclosed real estate	13,986	0	76	14,062
(Purchase) maturity of investments	(84,796)	37	1,529	(83,230)
Sales and maturity of investments	115,396	0	0	115,396
Interest received on investments	3,611	8	17	3,636
Net cash provided by investing activities	<u>48,197</u>	<u>45</u>	<u>1,622</u>	<u>49,864</u>
Net increase in cash	84	6	5	95
Cash at beginning of year	6	1	198	205
Cash at end of year	<u>\$90</u>	<u>\$7</u>	<u>\$203</u>	<u>\$300</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>				
Operating loss	(\$13,053)	(\$39)	(\$573)	(\$13,665)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,187	0	642	1,829
Interest on bonds	46,781	0	0	46,781
Provision for losses on loans	1,075	0	550	1,625
Losses on foreclosed real estate	480	0	0	480
Loss on bond redemption	720	0	0	720
Interest income on investments	(3,689)	(8)	(17)	(3,714)
Net decrease in fair value of investments	14,716	0	0	14,716
Changes in operating assets and liabilities:				
Other assets	(572)	0	(181)	(753)
Mortgage note interest receivable	539	0	(2)	537
Accounts payable and accrued liabilities	(138)	(11)	(2,888)	(3,037)
Unearned income and other liabilities	(28)	0	(232)	(260)
Investment in mortgage and other notes	(111,429)	0	(542)	(111,971)
Mortgage & other note principal repayments	127,836	0	1,062	128,898
Net cash provided by (used for) operating activities	<u>\$64,425</u>	<u>(\$58)</u>	<u>(\$2,181)</u>	<u>\$62,186</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:</b>				
Transfer from mortgage notes receivable to mortgage insurance claims receivable and other real estate owned	\$20,850	\$0	\$27	\$20,877
Transfer of equipment	\$0	\$0	\$282	\$282

See accompanying notes to the financial statements

**MAINE STATE HOUSING AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013  
(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
<b>ASSETS:</b>						
Current Assets:						
Cash, principally time deposits (note 3)	\$ 0	\$ 91	\$ 0	\$ 0	\$ 916	\$ 1,007
Investments (notes 3, 8, and 10)	7,627	8,206	114	30,765	8,555	55,267
Accounts receivable - Federal	0	206	515	0	3,238	3,959
Other assets	2,477	94	489	9	508	3,577
Mortgage notes receivable, net (note 4)	27	0	0	0	0	27
Interfund (note 12)	0	3,140	200	133	0	3,473
Total Current Assets	<u>10,131</u>	<u>11,737</u>	<u>1,318</u>	<u>30,907</u>	<u>13,217</u>	<u>67,310</u>
Noncurrent Assets:						
Mortgage notes receivable, net (note 4)	21,205	0	0	2,274	0	23,479
Other notes receivable, net (note 4)	0	0	0	0	10	10
Total Noncurrent Assets	<u>21,205</u>	<u>0</u>	<u>0</u>	<u>2,274</u>	<u>10</u>	<u>23,489</u>
Total Assets	<u>\$31,336</u>	<u>\$11,737</u>	<u>\$1,318</u>	<u>\$33,181</u>	<u>\$13,227</u>	<u>\$90,799</u>
<b>LIABILITIES:</b>						
Current Liabilities:						
Accrued interest payable	\$0	\$0	\$0	\$67	\$0	\$67
Accounts payable - Federal	0	361	0	0	30	391
Accounts payable and accrued liabilities	0	81	547	137	5,435	6,200
Unearned income	365	0	179	0	637	1,181
Interfund (note 12)	299	0	0	0	2,829	3,128
Bonds payable, net (note 5 and 8)	0	0	0	2,820	0	2,820
Total Current Liabilities	<u>664</u>	<u>442</u>	<u>726</u>	<u>3,024</u>	<u>8,931</u>	<u>13,787</u>
Noncurrent Liabilities:						
Bonds payable, net (note 5 and 8)	0	0	0	41,748	0	41,748
Total Non Current Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,748</u>	<u>0</u>	<u>41,748</u>
Total Liabilities	<u>664</u>	<u>442</u>	<u>726</u>	<u>44,772</u>	<u>8,931</u>	<u>55,535</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Deferred grant income	0	2,029	489	0	466	2,984
<b>FUND BALANCES:</b>						
Restricted by program requirements	30,672	9,266	103	0	3,830	43,871
Unassigned	0	0	0	(11,591)	0	(11,591)
Total Fund Balances	<u>30,672</u>	<u>9,266</u>	<u>103</u>	<u>(11,591)</u>	<u>3,830</u>	<u>32,280</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$31,336</u>	<u>\$11,737</u>	<u>\$1,318</u>	<u>\$33,181</u>	<u>\$13,227</u>	<u>\$90,799</u>

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

Total fund balances in governmental funds	\$ 32,280
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources & therefore are not reported in the fund financial statements.	<u>195</u>
Net Position of governmental activities	<u>\$32,475</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, 2013**  
*(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
<b>REVENUES:</b>						
Interest from mortgages and notes	\$48	\$0	\$0	\$8	\$0	\$56
Income from investments	5	3	0	37	5	50
Fee income	0	4,532	793	0	1,934	7,259
Other Revenue	0	6	0	0	9	15
Grant income	360	0	28,088	0	10,614	39,062
Income from State	8,833	0	0	4,319	0	13,152
Federal rent subsidy income	0	91,214	0	0	0	91,214
Total Revenues	<u>9,246</u>	<u>95,755</u>	<u>28,881</u>	<u>4,364</u>	<u>12,562</u>	<u>150,808</u>
<b>EXPENDITURES:</b>						
Operating expenditures	0	3,977	702	0	1,646	6,325
Other program administrative expenditures	0	563	6	2	129	700
Grants	5,032	0	28,088	7,938	10,615	51,673
Federal rent subsidy	0	92,643	0	0	0	92,643
Interest	0	0	0	1,479	0	1,479
Total Expenditures	<u>5,032</u>	<u>97,183</u>	<u>28,796</u>	<u>9,419</u>	<u>12,390</u>	<u>152,820</u>
Revenues in Excess of (Less Than) Expenditures	4,214	(1,428)	85	(5,055)	172	(2,012)
Transfers between funds, net (note 12)	0	(92)	(85)	0	(85)	(262)
Change in Fund Balances	4,214	(1,520)	0	(5,055)	87	(2,274)
Fund Balances at beginning of year	26,458	10,786	103	(6,380)	3,743	34,710
Cumulative effect of change in accounting principle (note 2)	0	0	0	(156)	0	(156)
Fund Balances at end of year	<u>\$30,672</u>	<u>\$9,266</u>	<u>\$103</u>	<u>(\$11,591)</u>	<u>\$3,830</u>	<u>\$32,280</u>

**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 (\$2,274)

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

Governmental funds report capital outlays as expenditures in the year acquired. In the Statement of Activities, the costs of those assets are capitalized and allocated over their useful lives as depreciation expense. This is the total depreciation expenses for the year ended December 31, 2013. (455)

Change in Net Position - total governmental funds (\$2,729)

*See accompanying notes to the financial statements*

**MAINE STATE HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2013**  
(IN THOUSANDS OF DOLLARS)

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

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

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

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

**Basis of Presentation**

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

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

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

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

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.

**Fund Structure**

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

*MORTGAGE PURCHASE FUND*

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

*BONDHOLDER RESERVE FUND*

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

*GENERAL ADMINISTRATIVE FUND*

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

**MAINE STATE HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2013**  
(IN THOUSANDS OF DOLLARS)

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

*HOME FUND*

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

*SECTION 8 HOUSING PROGRAMS*

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

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

*LOW INCOME HOME ENERGY ASSISTANCE PROGRAM*

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

*MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND*

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

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

*OTHER FEDERAL AND STATE PROGRAMS*

MaineHousing administers various other federal and state housing and energy related programs and grants. This fund group records the activity and reflects the consolidation of these programs and grants. Program administration is governed by the appropriate federal regulations or state laws. The annual program and grant funding levels are set by the appropriate federal or state government. MaineHousing receives annual fees for the program administration for most of the federal programs and grants. Prior to 2013, the American Recovery and Reinvestment Act programs were presented in a separate major fund. That activity is no longer significant and the programs are now included in the Other Federal and State Programs Fund and beginning fund balances reflect that change in presentation for each fund. Federal and state programs consist of the following:

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

- Emergency Solutions Grant Program
- HOME Investment Partnership Program
- Lead Based Paint Hazard Control Program
- Homeless Management Information Strategies
- McKinney Act - Financing Adjustment Factor
- Housing Counseling Program
- National Foreclosure Mitigation Counseling Program
- Family Self-Sufficiency Program
- Tax Credit Assistance Program – American Recovery & Reinvestment Act

**U.S. Department of Energy**

- Weatherization Program
- Weatherization Assistance Program Training Centers and Programs – American Recovery & Reinvestment Act

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

Weatherization / Central Heating Improvement Program

**State of Maine**

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

**Private**

Robert Wood Johnson Foundation  
Low Income Assistance Plan  
Verified Emission Reduction Purchase Agreement

**Net Position**

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

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

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

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

**Fund Balances**

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

**Cash and Cash Equivalents**

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

**Investments**

Investments are comprised of short-term investments that mature in one year or less and long-term investments with maturities in excess of one year. Investments are reported at fair value based on quoted market prices. Unrealized gains and losses due to fluctuations in market values and gains and losses realized upon sale are reported as net increases or decreases in the fair value of investments. Interest received that is required by federal programs to be spent on program activities is deferred and recorded as a payable to the federal government.

**Mortgage Notes Receivable**

Mortgage notes receivable are carried at their uncollected principal balance less allowances for loan losses. The recording of interest income on problem loans ceases when collectability within a reasonable period of time becomes doubtful. Program income received for revolving loan programs are deferred and recorded as liabilities. Mortgage notes receivable made in these programs are reflected in the financial statements net of the deferred liability.

**Allowances For Losses On Loans**

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

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

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**Capital Assets**

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

**Other Real Estate Owned**

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

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

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

**Loan Origination Fees and Costs**

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

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

**Revenues, Expenses and Expenditures**

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

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

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

**Derivatives and Hedging Instruments**

MaineHousing enters into various interest rate swap agreements in order to manage risks associated with interest on its variable rate bond portfolio. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, MaineHousing recognizes the fair value of swap agreements as either an asset or liability on its Statement of Net Position with the offsetting gains or losses as either deferred inflows or outflows of resources, if deemed an effective hedge. If swap agreements are not effective hedges, interest expense is increased or decreased by the change in the fair value. Hedge effectiveness is determined by using the synthetic instrument method. MaineHousing's swap agreements constitute an effective hedge of a portion of the variable rate bond portfolio at December 31, 2013.

Effective January 1, 2013, MaineHousing changed to a "macro-hedge" policy to measure the effectiveness of its interest rate swap agreements. The swaps in total are now used to hedge interest expense on variable rate bonds. This change had no effect on the financial statements upon adoption. This change results in a better representation of MaineHousing's objectives in entering into the interest rate swap agreements.

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**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 period. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for losses on loans. Actual results could differ from estimates.

**New Accounting Standards**

Effective January 1, 2013 MaineHousing implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It requires the reclassification of amounts previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or to expenses or revenues. The cumulative effect of this accounting change resulted in a decrease to the beginning net positions of the proprietary and governmental funds by \$9,593 and \$156, respectively. The net position reductions result primarily from the change in accounting of deferred bond issuance costs and certain deferred loan costs and fees that are no longer reported as assets.

**Future Accounting Standards**

GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* are effective for the year ending December 31, 2014, and GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* are effective for the year ending December 31, 2015. MaineHousing has not yet adopted these standards and is evaluating the impact they may have on its financial statements.

**(3.) CASH AND INVESTMENTS**

At December 31, 2013, the carrying amount of MaineHousing’s bank deposits was \$1,307 and the bank balance was \$1,644. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the bank balance, \$291 was covered by federal depository insurance and \$1,353 was collateralized by repurchase agreements for which the securities are held by the bank’s trustee in MaineHousing’s name.

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 and repurchase agreements, which are collateralized by permitted investments.

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

MaineHousing’s investment balances and stated maturities as of December 31, 2013 are presented in the following table. Actual maturities may differ due to investments being called by the issuer.

Investment	Carrying Amount	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
<b>PROPRIETARY FUNDS</b>					
<b>MORTGAGE PURCHASE FUND</b>					
Repurchase Agreements	\$105,841	\$105,841	\$0	\$0	\$0
U.S. Government-sponsored enterprise obligations (Rated AAA/Aaa)	103,490	0	0	0	103,490
U.S. Treasuries	40,000	40,000	0	0	0
<b>Total - Mortgage Purchase Fund</b>	<b>249,331</b>	<b>145,841</b>	<b>0</b>	<b>0</b>	<b>103,490</b>
<b>BONDHOLDERS RESERVE FUND</b>					
Repurchase Agreements	7,979	7,979	0	0	0
<b>GENERAL ADMINISTRATIVE FUND</b>					
Repurchase Agreements	18,902	18,902	0	0	0
<b>Total - Proprietary Funds</b>	<b>\$276,212</b>	<b>\$172,722</b>	<b>\$0</b>	<b>\$0</b>	<b>\$103,490</b>



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Investment	Carrying Amount	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
<b>GOVERNMENTAL FUNDS</b>					
HOME FUND					
Repurchase Agreements	\$7,627	\$7,627	\$0	\$0	\$0
SECTION 8 HOUSING PROGRAM					
Repurchase Agreements	8,206	8,206	0	0	0
LOW INCOME HOME ENERGY ASSISTANCE PROGRAM					
Repurchase Agreements	114	114	0	0	0
MAINE ENERGY, HOUSING & ECONOMIC RECOVERY PROGRAM					
Repurchase Agreements	30,765	30,765	0	0	0
OTHER FEDERAL AND STATE PROGRAMS					
Repurchase Agreements	8,555	8,555	0	0	0
Total - Governmental Funds	\$55,267	\$55,267	\$0	\$0	\$0

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

On December 31, 2013, approximately \$187,989 was invested in short-term repurchase agreements having maturity dates of less than one year, at rates ranging from 0.04% to 0.12%. Investments other than repurchase agreements are registered in MaineHousing's name. Investments issued by Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), and Federal Home Loan Bank (FHLB) make up 11%, 9%, 9%, and 12% of total investments, respectively, in the Mortgage Purchase Fund.

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

For financial statement presentation the allowance for losses on loans has been netted against the non-current portion of mortgage notes receivable and other notes receivable. However, where there is no non-current portion for other notes receivable, the allowance is netted against the current amount. A summary of mortgage notes receivable at December 31, 2013 is as follows:

	Number Notes	Principal Balance	Percent of Portfolio
<b>PROPRIETARY FUNDS</b>			
MORTGAGE PURCHASE FUND - SINGLE-FAMILY:			
VA guaranteed	559	\$44,079	5.2%
FHA insured	2,355	201,733	23.9%
USDA/RD guaranteed	3,938	376,718	44.6%
Privately insured	1,070	82,950	9.8%
Non-insured	2,876	139,040	16.5%
Total Mortgage Purchase Fund - single-family	<u>10,798</u>	<u>844,520</u>	<u>100.0%</u>
MORTGAGE PURCHASE FUND - MULTI-FAMILY:			
Section 8	159	106,617	30.3%
Conventional	219	217,146	61.8%
Supportive Housing	196	27,636	7.9%
Total Mortgage Purchase Fund - multi-family	574	351,399	<u>100.0%</u>
Less: Allowance for losses on loans		(9,895)	
Total Mortgage Purchase Fund	<u>11,372</u>	<u>1,186,024</u>	
GENERAL ADMINISTRATIVE FUND - SINGLE-FAMILY:			
Non-insured	138	4,632	95.2%
Privately insured	16	234	4.8%
Total General Administrative Fund-Single Family	154	4,866	<u>100.0%</u>
GENERAL ADMINISTRATIVE FUND - MULTI-FAMILY:			
Conventional	1	500	<u>100.0%</u>

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	Number Notes	Principal Balance	Percent of Portfolio
<b>GENERAL ADMINISTRATIVE FUND- HOME IMPROVEMENT LOANS:</b>			
Non-insured	376	1,961	<u>100.0%</u>
Less: Allowance for losses on loans		(1,087)	
Total General Administrative Fund	<u>531</u>	<u>6,240</u>	
Total Proprietary Funds mortgage notes receivable	<u>11,903</u>	<u>\$1,192,264</u>	
<b>GOVERNMENTAL FUNDS</b>			
<b>HOME FUND - SINGLE-FAMILY:</b>			
Non-insured	372	\$3,056	<u>100.0%</u>
<b>HOME FUND - MULTI-FAMILY:</b>			
Non-insured	63	18,606	<u>100.0%</u>
Total HOME Fund	<u>435</u>	<u>21,662</u>	
Less: Allowance for losses on loans		(430)	
Total HOME Fund	<u>435</u>	<u>21,232</u>	
<b>MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY PROGRAM - MULTI-FAMILY</b>			
Non-insured	6	2,274	<u>100.0%</u>
Total Governmental Funds mortgage notes receivable	<u>441</u>	<u>\$23,506</u>	

A summary of other notes receivable at December 31, 2013 is as follows:

	Number of Notes	Principal Balance	Percent of Portfolio
<b>PROPRIETARY FUNDS</b>			
<b>GENERAL ADMINISTRATIVE FUND</b>			
Non-insured	4	\$84	<u>100.0%</u>
Total Proprietary Funds other notes receivable	<u>4</u>	<u>\$84</u>	
<b>GOVERNMENTAL FUNDS</b>			
<b>OTHER FEDERAL AND STATE PROGRAMS:</b>			
Non-insured	2	37	<u>100.0%</u>
Less: Allowance for losses on loans		(27)	
Total Governmental Funds other notes receivable	<u>2</u>	<u>\$10</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, 2012	\$9,822	\$698	\$682	\$27
Provision	1,075	550	0	0
Loans charged off	(1,277)	(173)	(348)	0
Transfer	0	0	0	0
Recoveries	275	12	96	0
Balance – December 31, 2013	<u>\$9,895</u>	<u>\$1,087</u>	<u>\$430</u>	<u>\$27</u>

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As of December 31, 2013, MaineHousing reclassified liabilities 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.

**(5.) MORTGAGE BONDS PAYABLE**

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

The interest rates presented in the table below for variable rate bonds represent the rate at December 31, 2013. The Single-Family (S/F) and Multi-Family (M/F) Mortgage Bonds Payable outstanding at December 31, 2013 are as follows:

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
<b>PROPRIETARY FUNDS</b>							
<b>MORTGAGE PURCHASE FUND</b>							
<b>2004 SERIES B BONDS (S/F):</b>							
<b>2004 Series B-1 (Non-AMT)</b>							
Serial Bonds	10,000	0	4.00%				
<b>2004 Series B-2 (AMT)</b>							
Term Bonds	15,000	11,955	5.20%	2029-2035	25	-	2,565
<b>2004 Series B-3 (AMT)</b>							
Term Bonds	11,000	11,000	Variable-.09%	2015-2027	425	-	1,505
Term Bonds	9,000	9,000	Variable-.09%	2028-2035	730	-	1,620
Term Bonds	5,000	5,000	Variable-.09%	2036-2038	1,480	-	1,860
	<u>50,000</u>	<u>36,955</u>					
<b>2004 SERIES C BONDS (S/F):</b>							
<b>2004 Series C-1 (Non-AMT)</b>							
Serial Bonds	8,000	0	3.75%				
<b>2004 Series C-2 (AMT)</b>							
Term Bonds	5,000	2,945	4.80%	2023-2024	1,235	-	1,710
Term Bonds	15,000	14,070	5.00%	2029-2034	1,910	-	2,705
<b>2004 Series C-3 (AMT)</b>							
Term Bonds	15,000	15,000	Variable -.06%	2035-2038		3,750	
	<u>43,000</u>	<u>32,015</u>					
<b>2004 SERIES D BONDS (S/F):</b>							
<b>2004 Series D-1 (Non-AMT)</b>							
Serial Bonds	7,145	0	3.80%				
Term Bonds	1,855	1,535	4.00%	2014-2015	730	-	805
<b>2004 Series D-2 (AMT)</b>							
Term Bonds	6,000	2,380	4.70%	2023-2024	330	-	2,050
Term Bonds	10,000	9,605	4.90%	2029-2034	1,420	-	1,800
<b>2004 Series D-3 (AMT)</b>							
Term Bonds	15,000	15,000	Variable -.09%	2035-2039		3,000	
	<u>40,000</u>	<u>28,520</u>					
<b>2005 SERIES A BONDS (M/F):</b>							
<b>2005 Series A-1 (Non-AMT)</b>							
Serial Bonds	5,785	1,575	4.15%-4.40%	2015-2017	515	-	530
Term Bonds	5,425	5,100	4.90%	2028-2032	920	-	1,160
<b>2005 Series A-2 (AMT)</b>							
Term Bonds	9,715	2,260	4.95%	2025-2027	25	-	1,120
	<u>20,925</u>	<u>8,935</u>					
<b>2005 SERIES B BONDS (M/F):</b>							
<b>2005 Series B (Federally Taxable)</b>							
Term Bonds	15,000	15,000	Variable-.42%	2016-2020	2,840	-	3,115
<b>2005 SERIES C BONDS (M/F):</b>							
<b>2005 Series C (AMT)</b>							
Term Bonds	11,125	11,125	Variable-.06%	2036-2039	2,780	-	2,785

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	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2005 SERIES D BONDS (S/F):							
2005 Series D-1 (Non-AMT)							
Serial Bonds	3,000	0	3.90%				
2005 Series D-2 (AMT)							
Term Bonds	15,000	14,895	4.80%	2026-2036	1,075	-	1,520
2005 Series D-3 (AMT)							
Term Bonds	20,000	20,000	Variable-.09%	2028-2038	1,485	-	2,190
	<u>38,000</u>	<u>34,895</u>					
2005 SERIES E BONDS (S/F):							
2005 Series E-1 (Non-AMT)							
Serial Bonds	6,330	0	4.20%-4.25%				
2005 Series E-2 (AMT)							
Term Bonds	9,765	0	4.90%				
Term Bonds	6,965	6,965	4.95%	2027-2031	1,260	-	1,530
Term Bonds	6,940	5,685	5.10%	2032-2035	610	-	1,775
	<u>30,000</u>	<u>12,650</u>					
2005 SERIES G BONDS (M/F):							
2005 Series G (AMT)							
Term Bonds	22,300	21,400	Variable-.09%	2014-2037	160	-	4,385
2006 Series A-2 (AMT)							
Term Bonds	16,000	15,250	4.65%	2018-2025	930	-	2,360
Term Bonds	7,320	7,015	4.85%	2026-2036	515	-	800
	<u>23,320</u>	<u>22,265</u>					
2006 SERIES B BONDS (S/F):							
2006 Series B (AMT)							
Term Bonds	5,000	5,000	Variable-.06%	2026-2036	350	-	580
2006 SERIES D BONDS (S/F):							
2006 Series D-1 (Non-AMT)							
Serial Bonds	6,970	0	4.05%				
2006 Series D-2 (AMT)							
Term Bonds	7,170	0	4.75%				
Term Bonds	10,915	4,675	4.85%	2025-2026	2,280	-	2,395
Term Bonds	7,075	6,855	4.95%	2027-2031	1,280	-	1,485
Term Bonds	12,870	12,870	4.90%	2032-2036	2,130	-	3,690
2006 Series D-3 (AMT)							
Term Bonds	5,000	5,000	Variable-.09%	2027-2035	455	-	670
	<u>50,000</u>	<u>29,400</u>					
2006 SERIES E BONDS (S/F):							
2006 Series E-1 (Non-AMT)							
Serial Bonds	6,895	0	4.00%				
2006 Series E-2 (AMT)							
Term Bonds	5,535	0	4.75%				
Term Bonds	7,365	7,365	4.80%	2022-2026	1,360	-	1,590
Term Bonds	9,040	9,040	4.90%	2027-2031	1,665	-	1,960
Term Bonds	11,165	11,165	4.95%	2032-2036	2,045	-	2,430
	<u>40,000</u>	<u>27,570</u>					
2006 SERIES G BONDS (S/F):							
2006 SERIES G (AMT)							
Serial Bonds	6,170	0	4.15%-4.20%				
Term Bonds	15,295	13,600	4.55%	2019-2026	910	-	2,350
Term Bonds	7,250	7,250	4.63%	2027-2031	1,320	-	1,590
Term Bonds	11,285	11,285	4.70%	2032-2037	1,665	-	2,115
	<u>40,000</u>	<u>32,135</u>					
2006 SERIES I BONDS (M/F):							
2006 Series I-1 (Non-AMT)							
Term Bonds	2,500	2,450	4.40%	2022-2026	450	-	500
2006 Series I-2 (AMT)							
Term Bonds	9,000	8,800	4.75%	2032-2036	1,600	-	1,800
2006 Series I-3 (AMT)							
Term Bonds	7,500	0					
	<u>19,000</u>	<u>11,250</u>					

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<b>2007 SERIES A BONDS (S/F):</b>							
<b>2007 Series A (AMT)</b>							
Serial Bonds	4,840	0	4.35%-4.45%				
Term Bonds	4,855	0	4.70%				
Term Bonds	7,240	7,240	4.75%	2023-2027	1,305	-	1,605
Term Bonds	8,065	8,065	4.75%	2028-2032	1,450	-	1,780
	<u>25,000</u>	<u>15,305</u>					
<b>2007 SERIES C BONDS (S/F):</b>							
<b>2007 Series C (AMT)</b>							
Term Bonds	5,000	0	5.05%				
Term Bonds	8,000	1,900	5.13%	2027		1,900	
Term Bonds	12,000	12,000	5.15%	2028-2032	2,200	-	2,600
	<u>25,000</u>	<u>13,900</u>					
<b>2007 SERIES E BONDS (S/F):</b>							
<b>2007 Series E-1 (AMT)</b>							
Serial Bonds	2,885	0	4.65%				
Term Bonds	1,405	0	4.80%				
Term Bonds	2,700	0	5.15%				
Term Bonds	10,010	0	5.30%				
<b>2007 Series E-2 (AMT)</b>							
Term Bonds	8,000	8,000	Variable-.06%	2032-2041		800	
	<u>25,000</u>	<u>8,000</u>					
<b>2008 SERIES C BONDS (S/F):</b>							
<b>2008 Series C-1 (Non-AMT)</b>							
Serial Bonds	12,260	3,065	4.00%	2016		3,065	
<b>2008 Series C-2 (AMT)</b>							
Term Bonds	1,740	0	5.00%				
	<u>14,000</u>	<u>3,065</u>					
<b>2008 SERIES D BONDS (S/F):</b>							
<b>2008 Series D (AMT)</b>							
Term Bonds	20,000	20,000	Variable-.09%	2028-2042	905	-	1,870
<b>2008 SERIES E BONDS (S/F – M/F):</b>							
<b>2008 Series E-1 (Non-AMT)</b>							
Term Bonds	9,585	0	Variable				
Term Bonds	30,000	0	Variable				
<b>2008 Series E-2 (AMT)</b>							
Term Bonds	25,415	25,415	Variable-.08%	2024-2030	1,415	-	4,000
Term Bonds	25,550	25,550	Variable-.08%	2033-2037	2,135	-	6,415
	<u>90,550</u>	<u>50,965</u>					
<b>2008 SERIES F BONDS (S/F):</b>							
<b>2008 Series F-1 (Non-AMT)</b>							
Serial Bonds	9,585	2,860	4.05%-4.30%	2016-2018	930	-	980
<b>2008 Series F-2 (Non-AMT)</b>							
Term Bonds	5,580	0	4.95%				
Term Bonds	7,100	0	5.15%				
Term Bonds	2,735	0	5.30%				
	<u>25,000</u>	<u>2,860</u>					
<b>2009 SERIES A BONDS (S/F):</b>							
<b>2009 Series A-1 (Non-AMT)</b>							
Serial Bonds	9,595	0	3.10%				
<b>2009 Series A-2 (Non-AMT)</b>							
Serial Bonds	10,405	9,730	3.40%-4.13%	2015-2019	880	-	4,405
Term Bonds	5,000	4,495	4.90%	2021-2024	605	-	2,020
	<u>25,000</u>	<u>14,225</u>					
<b>2009 SERIES B BONDS (S/F):</b>							
<b>2009 Series B (Non-AMT)</b>							
Serial Bonds	11,150	5,710	2.65%-3.45%	2014-2017	1,260	-	1,520
Term Bonds	5,365	5,365	4.65%	2020-2024	975	-	1,170
Term Bonds	13,485	13,485	5.00%	2025-2029	2,440	-	2,975
	<u>30,000</u>	<u>24,560</u>					

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<b>2009 SERIES C BONDS (S/F):</b>							
<b>2009 Series C (Non-AMT)</b>							
Serial Bonds	8,000	4,800	2.55%-3.30%	2014-2017	1,000	-	1,400
Term Bonds	2,885	2,020	4.50%	2022-2024	645	-	700
Term Bonds	<u>11,795</u>	<u>11,795</u>	5.00%	2025-2029	2,155	-	2,570
	<u>22,680</u>	<u>18,615</u>					
<b>2009 SERIES D BONDS (S/F):</b>							
<b>2009 Series D (Non-AMT)</b>							
Serial Bonds	23,010	16,080	2.30%-4.10%	2014-2021	1,575	-	2,705
Term Bonds	1,560	1,025	4.38%	2023-2024	485	-	540
Term Bonds	<u>3,430</u>	<u>3,430</u>	4.70%	2025-2027	1,090	-	1,195
	<u>28,000</u>	<u>20,535</u>					
<b>2010 SERIES A BONDS (S/F):</b>							
<b>2010 Series A (Non-AMT)</b>							
Serial Bonds	20,405	18,120	1.90%-4.10%	2014-2024	975	-	1,905
Term Bonds	<u>3,595</u>	<u>3,595</u>	4.25%	2025-2027	1,140	-	1,255
	<u>24,000</u>	<u>21,715</u>					
<b>2010 SERIES B BONDS (S/F):</b>							
<b>2010 Series B-1 (Non-AMT)</b>							
Serial Bonds	8,750	8,250	1.60%-2.60%	2014-2017	1,185	-	3,070
<b>2010 Series B-2 (Non-AMT)</b>							
Term Bonds	9,495	8,080	4.10%	2022-2025	820	-	2,515
<b>2010 Series B-3 (Non-AMT)</b>							
Serial Bonds	<u>33,435</u>	<u>27,705</u>	2.65%-4.50%	2014-2020	1,750	-	5,740
	<u>51,680</u>	<u>44,035</u>					
<b>2010 SERIES C BONDS (S/F):</b>							
<b>2010 Series C (Non-AMT)</b>							
Serial Bonds	13,020	11,170	2.10%-4.25%	2014-2021	865	-	1,620
Term Bonds	<u>980</u>	<u>980</u>	4.75%	2022-2026	180	-	210
	<u>14,000</u>	<u>12,150</u>					
<b>2010 SERIES D BONDS (M/F):</b>							
<b>2010 Series D-1 (Non-AMT)</b>							
Serial Bonds	8,415	6,085	2.25%-4.05%	2014-2019	405	-	2,305
<b>2010 Series D-2 (Non-AMT)</b>							
Serial Bonds	9,785	4,590	2.25%-4.20%	2014-2020	240	-	2,010
Term Bonds	8,460	0	5.05%				
Term Bonds	<u>2,280</u>	<u>2,280</u>	5.55%	2029-2040	45	-	265
	<u>28,940</u>	<u>12,955</u>					
<b>2011 SERIES A BONDS (S/F):</b>							
<b>2011 Series A (Non-AMT)</b>							
Serial Bonds	12,650	10,955	1.63%-4.25%	2014-2025	860	-	1,195
Term Bonds	<u>3,350</u>	<u>3,350</u>	4.63%	2026-2028	790	-	1,310
	<u>16,000</u>	<u>14,305</u>					
<b>2011 SERIES B BONDS (M/F):</b>							
<b>2011 Series B-1 (Non-AMT)</b>							
Serial Bonds	20,490	20,490	2.70%-3.75%	2017-2021	3,425	-	4,735
Term Bonds	4,085	3,485	4.00%	2022-2023	500	-	2,985
<b>2011 Series B-2 (Non-AMT)</b>							
Term Bonds	<u>4,750</u>	<u>4,750</u>	4.38%	2024-2025	2,000	-	2,750
	<u>29,325</u>	<u>28,725</u>					
<b>2011 SERIES C BONDS (M/F):</b>							
<b>2011 Series C-1 (Non-AMT)</b>							
Serial Bonds	27,320	27,215	2.00%-3.75%	2016-2023	920	-	5,715
<b>2011 Series C-2 (Non-AMT)</b>							
Serial Bonds	<u>6,000</u>	<u>6,000</u>	3.88%-4.88%	2024-2041	530	-	3,470
	<u>33,320</u>	<u>33,215</u>					

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2011 SERIES D BONDS (S/F):							
2011 Series D (Non-AMT)							
Serial Bonds	10,615	10,615	1.40%-3.30%	2015-2022	625	-	2,210
Term Bonds	7,385	7,385	4.00%	2023-2026	1,650	-	2,010
	<u>18,000</u>	<u>18,000</u>					
2011 SERIES E BONDS (M/F):							
2011 Series E (Non-AMT)							
Serial Bonds	10,440	6,960	1.35%-1.70%	2014-2015		3,480	
Term Bonds	2,810	2,810	4.38%	2028-2031	700	-	705
	<u>13,250</u>	<u>9,770</u>					
2012 SERIES A BONDS (S/F):							
2012 Series A-1 (AMT)							
Serial Bonds	42,610	39,395	1.25%-3.45%	2014-2022	2,425	-	8,115
Term Bonds	21,885	18,785	4.00%	2023-2024	1,870	-	16,915
Term Bonds	22,575	18,250	4.50%	2026-2028	3,435	-	7,765
2012 Series A-2 (Non-AMT)							
Term Bonds	11,800	11,800	3.60%	2024-2026	2,350	-	5,250
2012 Series A-3 (AMT)							
Serial Bonds	5,000	5,000	2.00%-2.85%	2018-2022		1,000	
Term Bonds	20,000	20,000	3.85%	2026-2029	1,265	-	7,165
	<u>123,870</u>	<u>113,230</u>					
2012 SERIES B BONDS (M/F):							
2012 Series B-1 (AMT)							
Serial Bonds	4,210	4,210	2.50%-3.75%	2018-2024	380	-	720
Term Bonds	14,720	14,720	4.25%	2025-2027	4,720	-	5,000
2012 Series B-2 (Non-AMT)							
Serial Bonds	1,735	1,735	1.95%-2.95%	2018-2023	175	-	350
Term Bonds	1,220	1,220	3.50%	2023-2027	55	-	325
2012 Series B-3 (AMT)							
Term Bonds	3,000	3,000	3.88%	2028-2031		750	
	<u>24,885</u>	<u>24,885</u>					
2013 SERIES A BONDS (S/F):							
2013 Series A (Federally Taxable)							
Serial Bonds	9,000	9,000	.86%-2.37%	2015-2020	1,140	-	1,615
	<u>9,000</u>	<u>9,000</u>					
2013 SERIES B BONDS (S/F):							
2013 Series B (Non-AMT)							
Serial Bonds	7,540	7,540	2.13%-2.75%	2020-2024	510	-	1,835
Term Bonds	3,890	3,890	3.00%	2025-2027	985	-	1,890
Term Bonds	38,690	38,690	3.45%	2028-2032	7,215	-	8,280
Term Bonds	28,880	28,880	3.60%	2033-2036	2,230	-	9,205
Term Bonds	27,000	24,370	4.00%	2036-2042	905	-	9,875
	<u>106,000</u>	<u>103,370</u>					
2013 SERIES C BONDS (S/F - M/F):							
2013 Series C (Federally Taxable)							
Serial Bonds	61,900	61,900	.70%-3.09%	2014-2023	3,000	-	9,000
Term Bonds	24,910	24,910	3.84%	2024-2027	5,765	-	7,615
Term Bonds	8,560	8,560	4.32%	2028-2030	2,840	-	2,860
	<u>95,370</u>	<u>95,370</u>					
2013 SERIES D BONDS (S/F):							
2013 Series D-1 (AMT)							
Serial Bonds	15,000	15,000	1.63%-3.65%	2016-2023	1,735	-	2,060
2013 Series D-2 (Non-AMT)							
Term Bonds	12,990	12,990	4.00%	2024-2028	925	-	5,565
Term Bonds	12,010	12,010	4.50%	2033-2037	2,205	-	2,610
	<u>40,000</u>	<u>40,000</u>					
2013 SERIES E BONDS (S/F):							
2013 Series E (Non-AMT)							
Serial Bonds	20,000	20,000	.80%-4.45%	2015-2025	850	-	3,420
Term Bonds	10,000	10,000	4.95%	2026-2028	3,175	-	3,495
	<u>30,000</u>	<u>30,000</u>					

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	<u>Original Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate(s)</u>	<u>Maturities/ Sinking Fund Installments on Bonds Outstanding</u>	<u>Range of Required Annual Principal Payments on Bonds</u>		
2013 SERIES F BONDS (S/F):							
2013 Series F (Federally Taxable)							
Serial Bonds	39,585	39,585	Variable-0.14%	2024-2032	1,400	-	5,400
	<u>39,585</u>	<u>39,585</u>					
2013 SERIES G BONDS (S/F):							
2013 Series G (Federally Taxable)							
Serial Bonds	60,000	60,000	Variable-0.12%	2028-2041	1,660	-	5,350
	<u>60,000</u>	<u>60,000</u>					
		1,231,455					
Less: Unamortized Bond Discount		<u>(2,395)</u>					
Total Mortgage Purchase Fund bonds payable	<u>1,535,125</u>	<u>1,229,060</u>					
Total Proprietary Funds bonds payable	<u>\$1,535,125</u>	<u>\$1,229,060</u>					
<b>GOVERNMENTAL FUNDS</b>							
MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND							
2010 Series 1(Non-AMT)							
Serial Bonds	\$39,970	\$39,970	2.50%-5.00%	2015-2026	355	-	3,800
2010 Series 2(Taxable)							
Serial Bonds	9,630	4,165	2.58%-3.03%	2014-2015	1,345	-	2,820
		44,135					
Plus: Net Unamortized Bond Premium		433					
Total Maine Energy, Housing & Recovery Fund Group bonds payable	<u>49,600</u>	<u>44,568</u>					
Total Governmental Funds bonds payable	<u>\$49,600</u>	<u>\$44,568</u>					

The following table summarizes the debt activity for the year ended December 31, 2013:

<u>Fund</u>	<u>Outstanding at December 31, 2012</u>	<u>Issuance</u>	<u>Retirement</u>	<u>Outstanding at December 31, 2013</u>
Mortgage Purchase Fund	\$1,296,880	\$379,955	(\$445,380)	\$1,231,455
Maine Energy, Housing & Economic Recovery Fund	<u>46,890</u>	<u>0</u>	<u>(2,755)</u>	<u>44,135</u>
Total	<u>\$1,343,770</u>	<u>\$379,955</u>	<u>(\$448,135)</u>	<u>\$1,275,590</u>

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



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The interest calculations shown in the table below are based on the variable rate in effect at December 31, 2013 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 2018 and in five-year increments thereafter to maturity:

Year(s)	Mortgage Purchase Fund					Maine Energy, Housing & Economic Recovery Fund	
	Fixed/Variable Unswapped		Variable Swapped		Interest Swaps, Net	Fixed Unswapped	
	Principal	Interest	Principal	Interest		Principal	Interest
2014	\$26,375	\$35,141	\$165	\$222	\$6,985	\$2,820	\$1,463
2015	32,310	34,647	765	219	6,716	2,890	1,383
2016	35,810	33,944	3,695	218	5,620	2,980	1,294
2017	44,265	33,071	3,880	205	4,918	3,070	1,204
2018	40,455	31,831	4,075	192	4,510	3,160	1,114
2019-2023	216,105	138,586	13,460	785	16,316	17,280	4,030
2024-2028	281,300	92,640	29,065	684	7,685	11,935	763
2029-2033	204,119	43,560	39,351	543	4,308	0	0
2034-2038	121,311	11,286	98,974	272	1,485	0	0
2039-2043	23,880	908	12,095	16	0	0	0
Total	<u>\$1,025,930</u>	<u>\$455,614</u>	<u>\$205,525</u>	<u>\$3,356</u>	<u>\$58,543</u>	<u>\$44,135</u>	<u>\$11,251</u>

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

*Moral Obligation Debt*

The reserve funds of the Mortgage Purchase Fund are secured by a non-binding obligation (moral obligation) from the State of Maine to replenish by appropriation any deficiency in such reserve funds. MaineHousing was authorized to have bonds outstanding for this program in an aggregate amount not to exceed \$2,150,000 as of December 31, 2013. Of that amount, \$1,275,590 was outstanding at December 31, 2013.

*Other Debt*

MaineHousing had \$24,000 of conduit debt outstanding at December 31, 2013. The conduit debt relates to revenue bonds issued by MaineHousing on behalf of a developer that will be paid solely from the revenues of the project, other assets of the developer, or an irrevocable direct pay letter of credit held by the Trustee. Therefore, these bonds are not a liability of MaineHousing and are not recognized in the accompanying financial statements

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

MaineHousing has fourteen interest rate swap agreements (swaps) with two counterparties as of December 31, 2013. 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 \$15,152 at December 31, 2013. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the current yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

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The swaps have been determined to constitute an effective hedge of a portion of the variable rate bond portfolio at December 31, 2013 by using the synthetic instrument method. The aggregate fair value is classified as a derivative instrument liability and a deferred outflow of resources, which represents the accumulated decrease in fair value. Total variable rate bonds outstanding at December 31, 2013 total \$311,075.

The following table contains the terms, fair values, and credit ratings of the swaps as of December 31, 2013. 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
2004 Series B-3	\$20,000	8/24/2004	3.76%	63% of 30 day LIBOR plus .20%	(\$683)	11/15/2023 <sup>1</sup>	Aa3/A+
2004 Series C-3	15,000	10/26/2004	3.44%	63% of 30 day LIBOR plus .20%	(465)	11/15/2021 <sup>1</sup>	Aa2/AA-
2004 Series D-3	15,000	1/18/2005	3.59%	65% of 30 day LIBOR plus .20%	(486)	11/15/2021 <sup>1</sup>	Aa3/A+
2005 Series B	15,000	4/26/2005	4.85%	100 % of 90 day LIBOR	(1,317)	11/15/2015	Aa2/AA-
2005 Series C	11,125	8/23/2005	3.83%	65% of 90 day LIBOR plus .10%	(672)	11/15/2032 <sup>2</sup>	Aa2/AA-
2005 Series D-3	20,000	8/2/2005	3.63%	65% of 30 day LIBOR plus .20%	(1,153)	11/15/2036 <sup>3</sup>	Aa3/A+
2005 Series G	21,400	2/1/2006	3.59%	65% of 30 day LIBOR plus .20%	(3,031)	11/15/2037	Aa3/A+
2006 Series B	5,000	3/14/2006	3.67%	65% of 90 day LIBOR plus .20%	(611)	11/15/2019	Aa2/AA-
2006 Series D-3	5,000	7/11/2006	3.92%	65% of 90 day LIBOR plus .20%	(478)	11/15/2016	Aa3/A+
2007 Series E-2	8,000	9/12/2007	4.05%	65% of 90 day LIBOR plus .20%	(742)	11/15/2027 <sup>4</sup>	Aa2/AA-
2008 Series D	20,000	4/8/2008	3.40%	70% of 90 day LIBOR plus .20%	(1,380)	11/15/2022 <sup>5</sup>	Aa2/AA-
2008 Series E-2	17,500	4/22/2008	3.25%	67% of 30 day LIBOR	(1,250)	11/15/2018	Aa2/AA-
2008 Series E-2	17,500	12/23/2003	3.25%	67% of 30 day LIBOR	(1,250)	11/15/2018	Aa3/A+
2008 Series E-2	15,000	1/29/2008	3.71%	100% of SIFMA plus .06%	(1,634)	5/15/2023	Aa3/A+
Totals	<u>\$205,525</u>				<u>(\$15,152)</u>		

- 1 MaineHousing has the option of termination, with no Termination Payment on November 15, 2014 and on each May 15 and November 15 thereafter.
- 2 MaineHousing has the option of termination, with no Termination Payment on May 15, 2015 and on each May 15 and November 15 thereafter.
- 3 MaineHousing has the option of termination, with no Termination Payment on November 15, 2015 and on each May 15 and November 15 thereafter.
- 4 MaineHousing has the option of termination, with no Termination Payment on May 15, 2017 and on each May 15 and November 15 thereafter.
- 5 MaineHousing has the option of termination, with no Termination Payment on November 15, 2017 and on each May 15 and November 15 thereafter.

**Credit Risk** – As of December 31, 2013, MaineHousing is not exposed to credit risk because all outstanding swaps have negative fair values. A positive fair value of the swaps would represent MaineHousing's credit exposure to the two counterparties. The swaps contain varying collateral agreements with the counterparties in order to mitigate the potential for credit risk. These requirements are met as of December 31, 2013.

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

As of December 31, 2013, the thirty day LIBOR rate and the ninety day LIBOR rate were .17% and .24%, respectively and the SIFMA rate was 0.06%.

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

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

**(7.) EMPLOYEE BENEFITS PLANS**

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

The defined contribution plan consists of a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and a separate plan created under the provisions of the Internal Revenue Code Section 401(a). MaineHousing makes direct contributions on behalf of participants to the 401(a) plan. Additionally, if a participant makes contributions to the 457 plan, a portion of the contribution is matched by MaineHousing. The employer match contribution is made to the 401(a) plan. Total expense under the defined contribution plan was \$326 for the year ended December 31, 2013.

MaineHousing is also a participating local district member of the Maine Public Employees Retirement System (MainePERS) and its employees may participate in a defined benefit plan offered by MainePERS. All employees that do not participate in MaineHousing’s defined contribution plan are eligible. As such, MaineHousing’s employer contributions on behalf of its employees were \$440, \$421 and \$363 for 2013, 2012, and 2011, respectively. As of December 31, 2013, MaineHousing’s plan has a surplus balance with MainePERS of approximately \$382. This surplus will reduce or eliminate future employer costs. In 2013, 2012 and 2011 MaineHousing utilized \$75, \$70 and \$73 respectively of the surplus.

**(8.) AVAILABLE BONDS PROCEEDS**

**MORTGAGE PURCHASE FUND**

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

2011 Series C-2 (M/F)	\$885
2011 Series D/2009F-4 (S/F)	508
2011 Series E (M/F)	4,034
2012 Series A (S/F)	12,020
2012 Series B (M/F)	683
2013 Series D (S/F)	3,001
2013 Series E (S/F)	5,581
	<u>\$26,712</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, 2013:

2010 Series 1	\$20,074
2010 Series 2	7,117
	<u>\$27,191</u>

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**(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, 2013, MaineHousing had outstanding commitments in several funds to originate multi-family mortgage loans of approximately \$23,987. MaineHousing, under its single-family program, enters into purchase agreements with lenders to purchase mortgage loans. At December 31, 2013, single-family loans being processed by lenders for MaineHousing totaled approximately \$18,096.

**LEASE COMMITMENT**

MaineHousing has committed to a lease agreement for approximately 39,000 square feet of office space that expires on December 31, 2019. Annual rent under this lease agreement increases at a rate of 3% per year and rental expense amounted to \$653 for the year ended December 31, 2013.

**(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, 2013 was \$93,827.

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, 2013 was \$120,750.

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, 2013, 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 \$139,171.

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

MaineHousing is required to maintain a Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement established under the General Indenture. The Capital Reserve Fund Requirement equals the greatest amount of principal and interest maturing and becoming due in the current or any succeeding bond year. The Capital Reserve Requirement as of December 31, 2013 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, 2013, valuation of the Capital Reserve Fund insurance policy in the Capital Reserve Fund was \$4,320.

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

Tax-exempt bonds issued by MaineHousing are subject to Internal Revenue Service (IRS) regulations that limit the amount of income that can be earned with non-mortgage investments to an amount not greater than the amount that would have been earned had the funds been invested at the yield on the bonds. Excess earnings must be rebated every five years. At December 31, 2013, there are no arbitrage liabilities to be rebated.

Prior rebate payments made by MaineHousing that are eligible for refund from the United States Treasury, based on estimated arbitrage rebate calculations, are recorded as an asset. MaineHousing has recorded assets, which are included in other assets, in the amount of \$1,039 and \$23 in the Mortgage Purchase Fund and General Administrative Fund, respectively.

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

During the year ended December 31, 2013, MaineHousing made operating and other transfers between funds. The following is a summary of transfers in (out):

	Mortgage Purchase Fund	General Administrative Fund	Section 8 Housing Programs	Low Income Housing Energy Assistance Program	Other Federal and State Programs
Capital Assets	\$0	\$282	(\$28)	(\$85)	(\$169)
Other	(42)	22	(64)	0	84
	<u>(\$42)</u>	<u>\$304</u>	<u>(\$92)</u>	<u>(\$85)</u>	<u>(\$85)</u>

At December 31, 2013, MaineHousing has outstanding balances between funds. The following is a summary of outstanding payables (receivables) between funds:

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	HOME Fund	Section 8 Housing Programs	Low Income Housing Energy Assistance Program	Maine Energy, Housing & Economic Recovery Program	Other Federal and State Programs
Operating expenses	\$2,172	\$31	(\$4,889)	\$0	\$264	\$339	\$2	\$2,081
Funds for loan closings	34	(12)	82	(13)	0	0	0	(91)
Program revenues and fees	(1,309)	0	4,236	312	(3,404)	(539)	(135)	839
	<u>\$897</u>	<u>\$19</u>	<u>(\$571)</u>	<u>\$299</u>	<u>(\$3,140)</u>	<u>(\$200)</u>	<u>(\$133)</u>	<u>\$2,829</u>

**(13.) REDEMPTION OF BONDS**

For the year ended December 31, 2013, MaineHousing redeemed prior to maturity \$435,090 of its Mortgage Purchase Fund bonds from recoveries of principal, reserve funds, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of \$720 were attributed to the recognition of bond discount with the redeemed bonds. The following is a summary of bonds redeemed:

	Interest Rate	Original Maturity	Amount	Redemption Price
<b>Mortgage Purchase Fund</b>				
1999 Series B-2 Term Bonds	5.30%	2032	\$8,060	100%
2003 Series C-1 Serial Bonds	4.63%	2015	70	100%
2003 Series C-1 Serial Bonds	4.70%	2016	850	100%
2003 Series C-2 Term Bonds	5.45%	2032	2,890	100%
2003 Series D-1 Serial Bonds	4.15%	2014	1,100	100%
2003 Series D-1 Serial Bonds	4.30%	2015	1,885	100%
2003 Series D-1 Serial Bonds	4.40%	2016	1,975	100%
2003 Series D-1 Serial Bonds	4.50%	2017	2,055	100%
2003 Series D-2 Term Bonds	4.90%	2022	3,525	100%
2003 Series D-2 Term Bonds	4.90%	2023	5,240	100%
2003 Series D-2 Term Bonds	5.00%	2031	5,555	100%

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	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
2003 Series F Serial Bonds	4.00%	2014	4,000	100%
2003 Series F Term Bonds	4.80%	2023	23,205	100%
2003 Series F Term Bonds	4.80%	2024	21,970	100%
2004 Series A-1 Serial Bonds	3.90%	2014	1,800	100%
2004 Series A-1 Serial Bonds	4.00%	2015	1,875	100%
2004 Series A-2 Term Bonds	5.00%	2021	530	100%
2004 Series A-2 Term Bonds	4.75%	2023	5,605	100%
2004 Series A-2 Term Bonds	4.75%	2024	5,060	100%
2004 Series A-2 Term Bonds	4.80%	2028	2,180	100%
2004 Series B-1 Serial Bonds	4.00%	2014	920	100%
2004 Series B-2 Term Bonds	5.20%	2035	350	100%
2004 Series C-2 Term Bonds	4.80%	2024	1,880	100%
2004 Series D-2 Term Bonds	4.70%	2024	3,620	100%
2005 Series A-2 Term Bonds	4.95%	2027	3,965	100%
2005 Series D-1 Serial Bonds	3.80%	2014	255	100%
2005 Series D-1 Serial Bonds	3.90%	2015	380	100%
2005 Series E-1 Serial Bonds	4.20%	2015	375	100%
2005 Series E-1 Serial Bonds	4.25%	2016	745	100%
2005 Series E-2 Term Bonds	4.90%	2026	9,765	100%
2005 Series E-2 Term Bonds	5.10%	2035	1,000	100%
2006 Series A-1 Serial Bonds	3.95%	2015	520	100%
2006 Series A-1 Serial Bonds	4.00%	2016	705	100%
2006 Series A-1 Serial Bonds	4.05%	2017	735	100%
2006 Series A-2 Term Bonds	4.65%	2025	750	100%
2006 Series D-1 Serial Bonds	4.05%	2015	815	100%
2006 Series D-2 Term Bonds	4.75%	2021	7,170	100%
2006 Series D-2 Term Bonds	4.85%	2026	6,240	100%
2006 Series E-1 Serial Bonds	4.00%	2015	815	100%
2006 Series E-2 Term Bonds	4.75%	2021	5,365	100%
2006 Series G Serial Bonds	4.15%	2015	760	100%
2006 Series G Serial Bonds	4.20%	2016	790	100%
2006 Series G Term Bonds	4.55%	2026	1,695	100%
2007 Series A Serial Bonds	4.35%	2015	970	100%
2007 Series A Serial Bonds	4.40%	2016	1,005	100%
2007 Series A Serial Bonds	4.45%	2017	1,050	100%
2007 Series Term Bonds	4.70%	2022	4,855	100%
2008 Series A-1 Serial Bonds	3.55%	2015	1,475	100%
2008 Series A-1 Serial Bonds	3.65%	2016	1,760	100%
2008 Series A-2 Term Bonds	4.85%	2022	10,020	100%
2008 Series A-2 Term Bonds	5.05%	2027	2,290	100%
2008 Series A-2 Term Bonds	5.20%	2032	7,520	100%
2008 Series B Term Bonds	Variable	2041	15,000	100%
2008 Series C-1 Serial Bonds	3.80%	2015	4,835	100%
2008 Series C-1 Serial Bonds	4.00%	2016	1,320	100%
2008 Series E-1 Term Bonds	Variable	2030	9,585	100%
2008 Series E-1 Term Bonds	Variable	2032	30,000	100%
2008 Series F-1 Serial Bonds	3.90%	2015	535	100%
2008 Series F-2 Term Bonds	5.15%	2028	2,765	100%
2008 Series F-2 Term Bonds	5.30%	2033	2,650	100%
2008 Series H Term Bonds	Variable	2040	23,000	100%
2009 Series A-1 Serial Bonds	3.10%	2014	1,785	100%

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	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
2009 Series A-2 Serial Bonds	3.40%	2015	675	100%
2009 Series B Serial Bonds	3.70%	2018	565	100%
2009 Series B Serial Bonds	3.85%	2019	585	100%
2009 Series C Serial Bonds	3.55%	2018	360	100%
2009 Series C Serial Bonds	3.70%	2019	365	100%
2009 Series C Serial Bonds	4.50%	2024	865	100%
2009 Series D Term Bonds	4.38%	2024	535	100%
2009 Series E Term Bonds	3.96%	2041	38,980	100%
2009 Series F-1 Term Bonds	3.96%	2041	34,910	100%
2009 Series F-2 Term Bonds	3.16%	2041	20,640	100%
2009 Series F-3 Term Bonds	3.70%	2041	23,510	100%
2009 Series F-4 Term Bonds	2.47%	2041	21,730	100%
2010 Series B-2 Term Bonds	4.10%	2025	1,415	100%
2010 Series B-3 Serial Bonds	3.40%	2016	1,400	100%
2010 Series D-2 Term Bonds	5.05%	2025	8,460	100%
2011 Series B-1 Term Bonds	4.00%	2023	100	100%
2011 Series C-1 Serial Bonds	3.75%	2023	105	100%
2012 Series A-1 Serial Bonds	0.90%	2013	1,210	100%
2012 Series A-1 Term Bonds	4.00%	2024	2,090	100%
2012 Series A-1 Term Bonds	4.50%	2028	2,495	100%
2013 Series B Term Bonds	4.00%	2043	2,630	100%
			<u>\$435,090</u>	

**(14.) CONTINGENCIES**

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

**(15.) SUBSEQUENT EVENTS**

Subsequent to December 31, 2013, MaineHousing redeemed and issued bonds. The following is a summary of subsequent event transactions.

On March 10, 2014, MaineHousing redeemed at par \$22,790 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>
2004 Series B-2 Term Bonds	5.20%	2035	\$11,955	100%
2004 Series C-2 Term Bonds	4.80%	2024	2,945	100%
2004 Series C-2 Term Bonds	5.00%	2034	7,890	100%
			<u>\$22,790</u>	

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On March 20, 2014, MaineHousing redeemed at par \$42,455 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>
2004 Series D-1 Term Bonds	4.00%	2015	\$730	100%
2005 Series D-2 Term Bonds	4.80%	2036	745	100%
2005 Series E-2 Term Bonds	4.95%	2031	375	100%
	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Redemption Price</u>
2006 Series A-2 Term Bonds	4.65%	2025	15,250	100%
2006 Series D-2 Term Bonds	4.85%	2026	1,200	100%
2006 Series E-2 Term Bonds	4.80%	2026	1,065	100%
2007 Series A Term Bonds	4.75%	2027	7,240	100%
2008 Series C-1 Serial Bonds	4.00%	2016	1,210	100%
2008 Series F-1 Serial Bonds	4.05%	2016	980	100%
2009 Series A-2 Serial Bonds	3.40%	2015	920	100%
2009 Series A-2 Term Bonds	4.90%	2024	4,495	100%
2009 Series B Serial Bonds	2.65%	2014	1,445	100%
2009 Series C Serial Bonds	2.55%	2014	1,400	100%
2009 Series D Serial Bonds	2.30%	2014	2,355	100%
2010 Series B-3 Serial Bonds	2.65%	2014	1,065	100%
2012 Series A-Term Bonds	4.00%	2024	1,980	100%
			<u>\$42,455</u>	

On February 27, 2014, MaineHousing issued, at par, \$51,585 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Issued Price</u>
2014 Series A-1 Serial Bonds	.45%-3.20%	2014-2021	\$5,595	100%
2014 Series A-1 Term Bonds	4.45%	2030	4,445	100%
2014 Series A-1 Term Bonds	3.25%	2043	11,545	100%
2014 Series A-2 Serial Bonds	2.75%-3.55%	2021-2024	9,045	100%
2014 Series A-2 Term Bonds	4.00%	2028	9,865	100%
2014 Series A-2 Term Bonds	4.50%	2034	11,090	100%
			<u>\$51,585</u>	