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Maine State Housing Authority

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

Year Ended December 31, 2016

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MAINE STATE HOUSING AUTHORITY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

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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, each major fund and the aggregate remaining fund information of Maine State Housing Authority (MaineHousing), a component unit of the State of Maine, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise MaineHousing's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Commissioners
Maine State Housing Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of MaineHousing, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Required Supplementary Information

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

Baker Newman & Noyes LLC

Portland, Maine
March 29, 2017

Maine State Housing Authority
Management's Discussion and Analysis
December 31, 2016

This discussion and analysis provides an overview of the Maine State Housing Authority's (MaineHousing) financial activities for the year ended December 31, 2016 and should be read in conjunction with the audited financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- As a result of program operations and financing activities, MaineHousing's net position increased by $4 million to $310.8 million.

- Net interest income from business-type activities increased by $0.9 million. Although interest income from mortgage and non-mortgage investments decreased by $1.2 million during the year, interest expense in bonds decreased by $2.1 million or 5.1% as a result of the retirement and refunding of outstanding bonds.

- Single-family mortgage loan purchases totaled $120.1 million for the year, which is an increase of $32.4 million or 37% compared to 2015.

- Single-family mortgage loan delinquency rates and loans in-foreclosure significantly decreased again in 2016. The rate for loan 60 days or more delinquent decreased from 8.18% to 5.34%. Loans in foreclosure decreased by $17.5 million or 56%; from $31.1 million to $13.6 million.

- Total governmental revenues increased by $10.1 million or 6.7% to $160.8 million due principally to higher income from the U.S. Department of Housing & Urban Development for Section 8 rental assistance programs and program income from the State of Maine for homeless shelters.

OVERVIEW OF MAINEHOUSING

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- Fund financial statements of MaineHousing include its major proprietary funds, which operate similarly to private-sector businesses, and governmental funds, which consist of activities that are funded from federal grants and state appropriations.

- The basic financial statements include notes to financial statements that provide additional information and explain some of the information in the agency-wide and fund financial statements.

- The financial statements also include required supplementary information regarding historical pension information.

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

Agency-wide Statements

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

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

- *Business-type activities* – MaineHousing's business-type activities consist of providing mortgage financing on single-family and multi-family residential properties. These activities are funded primarily through the issuance of bonds.

- *Governmental activities* – MaineHousing administers various state and federal housing and energy related programs. These activities are financed by grant and program agreements with the federal government and appropriations from the Maine State Legislature.

Fund Financial Statements

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

- *Proprietary funds* – MaineHousing's business-type activities are in its proprietary funds and they are accounted for in a manner similar to businesses operating in the private sector. Funding is primarily through the issuance of bonds, the proceeds of which are mainly used to make various types of loans to finance low and moderate-income housing. The net positions of these funds represent accumulated earnings since their inception and interest rate subsidy amounts contributed from governmental funds. Amounts in the funds are generally restricted for program purposes.

- *Governmental funds* – MaineHousing has four major and several other governmental funds. MaineHousing is the administrator of these funds, the revenues of which are appropriated to MaineHousing for making housing and energy related grants and loans. These fund statements focus on how cash and other financial assets flowing into the funds have been used. A substantial portion of the fund balances for these funds consist of investments reserved for grants or making mortgage loans.

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, 2016 and 2015 based on the information included in the financial statements.

Statement of Net Position
(in millions of dollars)

	Business-type Activities		Governmental Activities		Total		Total Percentage Change
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	
Cash and investments	$360.8	$317.5	$37.4	$38.5	$398.2	$356.0	11.9%
Mortgage and other notes receivable	1,194.6	1,190.6	28.6	26.3	1,223.2	1,216.9	0.5%
Other assets	16.7	17.8	5.9	11.5	22.6	29.3	(22.9%)
Total Assets	**1,572.1**	**1,525.9**	**71.9**	**76.3**	**1,644.0**	**1,602.2**	**2.6%**
Total Deferred Outflows of Resources	**18.1**	**21.4**	**0.6**	**0.3**	**18.7**	**21.7**	**(13.8%)**
Bonds and notes payable	1,274.3	1,236.4	35.7	38.7	1,310.0	1,275.1	2.7%
Other Liabilities	23.8	27.6	13.0	11.9	36.8	39.5	(6.8%)
Total Liabilities	**1,298.1**	**1,264.0**	**48.7**	**50.6**	**1,346.8**	**1,314.6**	**2.4%**
Total Deferred Inflows of Resources	**1.7**	**1.8**	**3.4**	**0.7**	**5.1**	**2.5**	**104.0%**
Investment in capital assets	0.7	0.7	0.0	0.0	0.7	0.7	0.0%
Restricted	257.1	254.5	20.4	25.3	277.5	279.8	(0.8%)
Unrestricted	32.6	26.3	0.0	0.0	32.6	26.3	24.0%
Total Net Position	**$290.4**	**$281.5**	**$20.4**	**$25.3**	**$310.8**	**$306.8**	**1.3%**

Total assets at December 31, 2016 were $1.64 billion, an increase of $41.8 million or 2.6% from December 31, 2015. The change in assets consisted primarily of a $42.2 million increase in cash and investments and a $6.3 million net increase to mortgage notes receivables. Other assets decreased by $6.7 million mainly due to a significant reduction in other real estate owned assets and lower outstanding receivable balances due from the federal government.

Total deferred outflows of resources, which consist of the accumulated decrease in the fair value of interest rate swaps and deferred amounts associated with debt refundings and pension expenses, decreased $3 million primarily due to improvements in fair values for interest rate swap contracts.

Total liabilities at December 31, 2016 were $1.35 billion, an increase of $32.2 million or 2.4% from December 31, 2015. The increase in liabilities is due principally to the issuance of $243 million of bonds and lower debt retirements in 2016, which contributed to a $34.9 million net increase in bonds payable. Other liabilities decreased $2.7 million or 6.8% as a result of the increase in the fair value of interest rate swaps contracts, which reduced the related liability.

Total deferred inflows of resources, which represent deferred amounts associated with grant income and pension credits increased $2.6 million due to the receipt of advanced payments from the federal government for the Section 8 Housing Choice Voucher program in 2016.

Cash and Investments

Total cash and investments increased by $42.2 million or 11.9% at December 31, 2016 compared to December 31, 2015. The increase is attributed primarily to higher unexpended bond proceeds at December 31, 2016. MaineHousing's investment portfolio is comprised of securities of the U.S. Government, certain Federal agencies, the State of Maine, or repurchase agreements and money market funds that are secured by such securities. Investments are carried at fair value and unrealized gains and losses due to fluctuations in market values are recognized in revenues. In 2016, the fair value of investments decreased and MaineHousing recognized $1.1 million of unrealized losses compared with $0.4 million of unrealized gains in 2015.

Mortgage and Other Notes Receivable

Total net mortgages and other notes receivable increased $6.3 million or 0.5% in 2016. MaineHousing's total mortgage purchases and originations of $171.1 million in 2016 were higher by $10.3 million compared with 2015. The receipt of $62.2 million in scheduled mortgage loan repayments increased from the previous year's level of $29.8 million. The increase in scheduled payments is due to more receipts from short-term multifamily loans in 2016. Mortgage loan prepayments increased during 2016 by $12.5 to a total of $82.9 million. Foreclosures totaled $20.9 million in 2016 and $22.6 million in 2015. MaineHousing's allowance for losses at December 31, 2016 amounted to $9.1 million, which is a decrease of $1 million compared with 2015.

Bonds and Notes Payable

Bonds and notes payable increased $34.9 million or 2.7% in 2016. During the year, MaineHousing completed the issuance of bonds totaling $243 million. In 2015, $363.2 million bonds were issued. Debt retirements totaled $214.7 million in 2016 and $311.2 million in 2015. MaineHousing issues bonds or notes as capital is needed for program purposes and as opportunities for economic refunding occur. For additional details, see the Debt Activity section of the Management's Discussion and Analysis.

Net Position

As a result of program operations and financing activities, MaineHousing's net position increased by $4 million or 1.3% to $310.8 million at December 31, 2016. The net position of the proprietary funds, which present MaineHousing's business-type activities, increased $8.9 million to $290.4 million and the net position for governmental activities decreased by $4.9 million to $20.4 million.

MaineHousing's business activities are in the proprietary funds and are dissimilar to the activities in the governmental funds. The results of operations for both MaineHousing's proprietary and governmental funds are presented on the following table for the years ended December 31, 2016 and 2015:

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

	2016	2015	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Revenues:				
Interest from mortgages and notes	$58.2	$58.9	($0.7)	(1.2%)
Income from investments	3.1	3.5	(0.4)	(11.4%)
Net (decrease) increase in fair value of investments	(1.1)	0.4	(1.5)	(375.0%)
Grants and subsidies	152.9	143.3	9.6	6.7%
Other	9.8	10.0	(0.2)	(2.0%)
Total revenues	222.9	216.1	6.8	3.1%
Expenses:				
Operating and other program expenses	26.9	25.9	1.0	3.9%
Provision for losses on loans and foreclosed real estate	0.8	0.1	0.7	700.0%
Interest expense	39.9	42.1	(2.2)	(5.2%)
Grants and subsidies	151.3	141.5	9.8	6.9%
Total expenses	218.9	209.6	9.3	4.4%
Increase in net position	4.0	6.5	(2.5)	(38.5%)
Net position at beginning of year	306.8	300.3	6.5	2.2%
Net position at end of year	$310.8	$306.8	$4.0	1.3%

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 increased by $8.9 million or 3.2% to $290.4 million at December 31, 2016. 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, 2016 and December 31, 2015:

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

	2016	2015	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Operating revenues:				
Interest from mortgages and notes	$58.1	$58.8	($0.7)	(1.2%)
Income from investments	3.0	3.5	(0.5)	(14.3%)
Net (decrease) increase in fair value of investments	(1.1)	0.4	(1.5)	(375.0%)
Fee income	1.7	2.0	(0.3)	(15.0%)
Other revenue	0.4	0.6	(0.2)	(33.3%)
Total revenues	62.1	65.3	(3.2)	(4.9%)
Operating expenses:				
Operating expenses	9.8	9.7	0.1	1.0%
Other program administrative expenses	8.1	7.7	0.4	5.2%
Mortgage servicing fees	2.3	1.8	0.5	27.8%
Provision for losses on loans	0.2	(0.5)	0.7	(140.0%)
Losses on foreclosed real estate	0.4	0.4	0.0	0.0%
Interest expense	38.7	40.8	(2.1)	(5.1%)
Loss on bond redemption	0.2	0.4	(0.2)	(50.0%)
Excess arbitrage	(0.1)	(0.4)	0.3	(75.0%)
Total expenses	59.6	59.9	(0.3)	(0.5%)
Net Operating income	2.5	5.4	(2.9)	(53.7%)
Transfers in	6.4	0.6	5.8	966.7%
Change in net position	8.9	6.0	2.9	48.3%
Net position at beginning of year	281.5	275.5	6.0	2.2%
Net position at end of year	$290.4	$281.5	$8.9	3.2%

Operating revenues of MaineHousing's business-type activities are generated principally from earnings on mortgages and investments. Operating revenues from business-type activities totaled $62.1 million for 2016. Of this total, $61.1 million or 98.4% was from interest earned from mortgages, other notes and non-mortgage investments.

Operating expenses of MaineHousing's business-type activities consist primarily of interest expense on debt incurred to fund its various lending programs. The expenses for business-type activities totaled $59.6 million, of which $38.7 million or 64.9% was interest expense. The 2016 financial results and net position of MaineHousing's proprietary funds were significantly affected by the following:

- The $2.9 million reduction in net operating income is attributed in part to a net decrease in the fair value of investments. Interest rate changes during the year generated an unrealized loss of $1.1 million. This represents a decrease of $1.5 million compared with the unrealized gain of $0.4 million that was recognized in 2015.

- Interest earned on mortgages and notes decreased by $0.7 million or 1.2% due to lower average outstanding loan balances during the year and lower average yields.

- Interest expense decreased by $2.1 million or 5.1% as a result of bond refunding activities, which lowered average interest rates on outstanding bonds.

- Program administrative expenses for single-family loan originations increased by $0.6 million due to higher loan production in 2016.

- Net loan charge-offs increased by $0.3 million to $1.2 million, which contributed to the provision for loan losses increase of $0.7 million in 2016

- Transfers from the governmental funds largely contributed to the increase in net position. Accumulated administrative fees of $6.3 million earned from the Section 8 Performance Based Contract program were transferred to the General Administrative Fund.

Governmental Fund Results

The net position of MaineHousing's governmental funds decreased $4.9 million to $20.4 million at December 31, 2016. 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, 2016 and December 31, 2015:

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

			Increase/(Decrease)	
	2016	**2015**	**Amount**	**Percentage**
Revenues:				
Income from mortgages and notes	$0.1	$0.1	$0.0	0.0%
Income from investments	0.1	0.0	0.1	n/a
Fee income	7.7	7.3	0.4	5.5%
Grant income	41.7	39.0	2.7	6.9%
Income from the State	14.7	12.4	2.3	18.5%
Federal rent subsidy income	96.5	91.9	4.6	5.0%
Total revenues	160.8	150.7	10.1	6.7%
Expenditures:				
Program administrative expenditures	6.6	6.6	0.0	0.0%
Provision for losses on loans	0.2	0.2	0.0	0.0%
Interest expense	1.2	1.3	(0.1)	(7.7%)
Grant expense	55.0	49.5	5.5	11.1%
Federal rent subsidy expense	96.3	92.0	4.3	4.7%
Total expenditures	159.3	149.6	9.7	6.5%
Revenues in excess of expenditures	1.5	1.1	0.4	36.4%
Transfers out	(6.4)	(0.6)	(5.8)	(966.7%)
Change in fund balances	(4.9)	0.5	(5.4)	(1,080%)
Fund balances at beginning of year	25.3	24.8	0.5	2.0%
Fund balances at end of year	$20.4	$25.3	($4.9)	(19.4%)

MaineHousing's total revenues from governmental activities are generated primarily from federal grants and rent subsidy income. MaineHousing also receives program revenues from the State of Maine. Revenues from governmental activities total $160.8 million in 2016, which is an increase of $10.1 million or 6.7%.

MaineHousing's governmental activities expenditures consist primarily of federal grants and rent subsidies payments. Total expenditures increased $9.7 million or 6.5% to $159.3 million for 2016.

MaineHousing earns fees for administering federal programs. Typically fees earned provide MaineHousing with a revenue source adequate to recover direct and indirect costs of delivering related services. Fee income for administering federal programs amounted to $7.7 million in 2016, which is an increase of $0.4 million or 5.5% compared with 2015.

The 2016 financial results and net position of MaineHousing's governmental funds were significantly affected by the following:

- Federal rent subsidy income, which consists of funding from four U.S. Department of Housing & Urban Development Section 8 programs, increased by $4.6 million or 5%. Income for the Section 8 Voucher Program increased $2 million or 8% and the Section 8 Performance Based Contract Administration income increased by $2.4 million or 5%.

- Grant income increased $2.7 million or 6.9% in 2016 primarily as a result of higher funding from the State for the Shelter Operating Subsidy program. This is a pass-through program that provides operating subsidies to the homeless shelters in Maine.

- Income from the State, which consists of real estate transfer tax deposits to the HOME Fund, increased $2.3 million or 18.5% as a result of higher real estate sales and deposits from the State.

- Grant and federal rent subsidy expenditures increased by a combined total of $9.8 million or 6.9% due to higher available income.

- The net position decrease is attributed to transfers to the proprietary funds. Accumulated administrative fees of $6.3 million earned from the Section 8 Performance Based Contract program were transferred to the General Administrative Fund.

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 $1.31 billion in bonds and notes outstanding at December 31, 2016, which is an increase of $34.9 million or 2.7% from 2015.

MaineHousing's bond issuances for 2016 totaled $243 million. Principal payments on bonds totaled $214.7 million in 2016. MaineHousing redeemed prior to maturity $200.6 million of its outstanding bonds in 2016 from reserve funds, mortgage prepayments, surplus revenues, and the proceeds from refunding bonds. Scheduled principal payments on bonds totaled $14.1 million in 2016.

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, 2016, the total amount of variable rate debt outstanding was $296.6 million and represented 22.6% of the $1.31 billion total debt portfolio. Twelve interest rate swap agreements have been executed with four counterparties in connection with $171.1 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 2016. 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, 2016. Inquiries for additional information may be directed to the Director of Finance at Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330, at (207) 626-4600 or at www.mainehousing.org.

MAINE STATE HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2016
(IN THOUSANDS OF DOLLARS)

	Business-type Activities	Governmental Activities	Total
ASSETS:			
Current Assets:			
Cash, principally time deposits (note 3)	$107	$886	$993
Investments (notes 3, 8, and 10)	269,162	36,461	305,623
Accounts receivable - Federal	0	3,780	3,780
Other assets	12,197	2,066	14,263
Mortgage notes receivable, net (note 4)	32,032	19	32,051
Other notes receivable, net (note 4)	35	0	35
Internal balances	3	(3)	0
Total Current Assets	313,536	43,209	356,745
Noncurrent Assets:			
Investments (notes 3, 8, and 10)	91,454	0	91,454
Other assets (note 11)	1,572	0	1,572
Mortgage notes receivable, net (note 4)	1,162,300	28,634	1,190,934
Other notes receivable, net (note 4)	321	9	330
Land, equipment and leasehold improvements, net	652	0	652
Other real estate owned	2,244	0	2,244
Total Noncurrent Assets	1,258,543	28,643	1,287,186
Total Assets	1,572,079	71,852	1,643,931
DEFERRED OUTFLOWS OF RESOURCES:			
Accumulated decrease in fair value of hedging derivatives (note 6)	10,344	0	10,344
Deferred pension expense (note 7)	2,147	560	2,707
Deferred amount on debt refundings	5,614	0	5,614
Total Deferred Outflows of Resources	18,105	560	18,665
LIABILITIES:			
Current Liabilities:			
Accrued interest payable	4,609	55	4,664
Accounts payable - Federal	0	303	303
Accounts payable and accrued liabilities	5,525	7,501	13,026
Unearned income	0	3,571	3,571
Bonds and notes payable (notes 5, 8, 13, and 15)	42,080	3,070	45,150
Total Current Liabilities	52,214	14,500	66,714
Noncurrent Liabilities:			
Pension liability (note 7)	3,336	1,563	4,899
Derivative instrument - interest rate swaps (note 6)	10,344	0	10,344
Bonds and notes payable (notes 5, 8, 13, and 15)	1,232,178	32,645	1,264,823
Total Noncurrent Liabilities	1,245,858	34,208	1,280,066
Total Liabilities	1,298,072	48,708	1,346,780
DEFERRED INFLOWS OF RESOURCES:			
Deferred grant income	0	2,647	2,647
Deferred loan origination points	41	0	41
Deferred pension credit (note 7)	1,616	710	2,326
Total Deferred Inflows of Resources	1,657	3,357	5,014
NET POSITION:			
Net investment in capital assets	652	0	652
Restricted for bond resolutions	257,166	0	257,166
Restricted for grants and programs	0	20,347	20,347
Unrestricted	32,637	0	32,637
Total Net Position	$290,455	$20,347	$310,802

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(IN THOUSANDS OF DOLLARS)

		Program Revenues			Net Revenue (Expense) and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Investment Income	Grants and Contributions	Business-type Activities	Governmental Activities	Total
Business-type activities:							
Mortgage Purchase Fund	$57,868	$58,707	$1,833	$0	$2,672	$0	$2,672
Bondholder Reserve Fund	48	0	21	0	(27)	0	(27)
General Administrative Fund	1,698	1,541	0	0	(157)	0	(157)
Total business-type activities	59,614	60,248	1,854	0	2,488	0	2,488
Governmental activities:							
HOME Fund	11,276	50	36	13,947	0	2,757	2,757
Section 8 Housing Programs	100,644	5,401	1	96,516	0	1,274	1,274
Low Income Home Energy Assistance Program	25,886	688	0	25,185	0	(13)	(13)
Maine Energy, Housing and Economic Recovery Program	6,912	37	23	4,320	0	(2,532)	(2,532)
Other Federal and State Programs	14,618	1,637	8	12,970	0	(3)	(3)
Total governmental activities	159,336	7,813	68	152,938	0	1,483	1,483
Total MaineHousing	$218,950	$68,061	$1,922	$152,938	2,488	1,483	3,971
General Revenues:							
Unrestricted investment income					51	0	51
Transfers					6,404	(6,404)	0
Total general revenues and transfers					6,455	(6,404)	51
Change in Net Position					8,943	(4,921)	4,022
Net Position at beginning of year					281,512	25,268	306,780
Net Position at end of year					$290,455	$20,347	$310,802

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016
(IN THOUSANDS OF DOLLARS)

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	Total
ASSETS:				
Current Assets:				
Cash, principally time deposits (note 3)	$ 0	$ 2	$ 105	$ 107
Investments (notes 3, 8, and 10)	236,777	7,874	24,511	269,162
Other assets	12,106	1	90	12,197
Mortgage notes receivable, net (note 4)	31,589	0	443	32,032
Other notes receivable, net (note 4)	0	0	35	35
Interfund (note 12)	207	0	5,393	5,600
Total Current Assets	280,679	7,877	30,577	319,133
Noncurrent Assets:				
Investments (notes 3, 5, 8, and 10)	86,454	0	5,000	91,454
Other assets (note 11)	1,572	0	0	1,572
Mortgage notes receivable, net (note 4)	1,155,772	0	6,528	1,162,300
Other notes receivable, net (note 4)	0	0	321	321
Land, equipment and leasehold improvements, net	22	0	630	652
Other real estate owned	2,244	0	0	2,244
Total Noncurrent Assets	1,246,064	0	12,479	1,258,543
Total Assets	1,526,743	7,877	43,056	1,577,676
DEFERRED OUTFLOWS OF RESOURCES:				
Accumulated decrease in fair value of hedging derivatives (note 6)	10,344	0	0	10,344
Deferred pension expense (note 7)	1,516	6	625	2,147
Deferred amount on debt refundings	5,614	0	0	5,614
Total Deferred Outflows of Resources	17,474	6	625	18,105
LIABILITIES:				
Current Liabilities:				
Accrued interest payable	4,609	0	0	4,609
Accounts payable and accrued liabilities	960	3	4,562	5,525
Interfund (note 12)	4,672	6	919	5,597
Bonds and notes payable (notes 5, 8, 13, and 15)	42,080	0	0	42,080
Total Current Liabilities	52,321	9	5,481	57,811
Noncurrent Liabilities:				
Pension liability (note 7)	2,817	17	502	3,336
Derivative instrument - interest rate swaps (note 6)	10,344	0	0	10,344
Bonds and notes payable (notes 5, 8, 13, and 15)	1,227,978	0	4,200	1,232,178
Total Noncurrent Liabilities	1,241,139	17	4,702	1,245,858
Total Liabilities	1,293,460	26	10,183	1,303,669
DEFERRED INFLOWS OF RESOURCES:				
Deferred loan origination points	41	0	0	41
Deferred pension credit (note 7)	1,377	8	231	1,616
Total Deferred Inflows of Resources	1,418	8	231	1,657
NET POSITION:				
Net investment in capital assets	22	0	630	652
Restricted for bond resolutions	249,317	7,849	0	257,166
Unrestricted	0	0	32,637	32,637
Total Net Position	$249,339	$7,849	$33,267	$290,455

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, 2016
(IN THOUSANDS OF DOLLARS)

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	Total
OPERATING REVENUES:				
Interest from mortgages and notes	$57,692	$0	$413	$58,105
Income from investments	2,957	21	36	3,014
Net (decrease) increase in the fair value of investments	(1,124)	0	15	(1,109)
Fee income	903	0	835	1,738
Other revenue	112	0	293	405
Total Revenues	60,540	21	1,592	62,153
OPERATING EXPENSES:				
Operating expenses	8,079	48	1,646	9,773
Other program administrative expenses	8,098	0	0	8,098
Mortgage servicing fees	2,234	0	42	2,276
Provision for losses on loans (note 4)	200	0	10	210
Losses on foreclosed real estate	350	0	0	350
Interest expense	38,735	0	0	38,735
Loss on bond redemption (note 13)	254	0	0	254
Excess arbitrage (note 11)	(82)	0	0	(82)
Total Expenses	57,868	48	1,698	59,614
Operating Income (Loss)	2,672	(27)	(106)	2,539
Transfers between funds, net (note 12)	0	0	6,404	6,404
Change in Net Position	2,672	(27)	6,298	8,943
Net Position at beginning of year	246,667	7,876	26,969	281,512
Net Position at end of year	$249,339	$7,849	$33,267	$290,455

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(IN THOUSANDS OF DOLLARS)

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Interest receipts from borrowers	$58,000	$0	$387	$58,387
Principal receipts on mortgages and notes - scheduled	61,748	0	477	62,225
Principal receipts on mortgages and notes - prepayments	82,678	0	219	82,897
Payments for operating expenses	(11,589)	(8)	(400)	(11,997)
Payments for personnel expenses	(6,740)	(39)	(1,246)	(8,025)
Investment in mortgages and other notes	(168,715)	0	(2,363)	(171,078)
Other	(2,511)	0	1,352	(1,159)
Net cash provided by (used for) operating activities	12,871	(47)	(1,574)	11,250
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	244,940	0	4,200	249,140
Principal payments on bonds	(211,695)	0	0	(211,695)
Interest payments on bonds	(38,012)	0	0	(38,012)
Payments (to) from other funds	2,731	1	(600)	2,132
Net cash provided by (used for) non-capital financing activities	(2,036)	1	3,600	1,565
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from disposition of foreclosed real estate	28,169	0	80	28,249
Purchase of investments	(1,040,787)	0	(4,985)	(1,045,772)
Sales and maturity of investments	998,934	26	2,841	1,001,801
Interest received on investments	2,849	21	32	2,902
Net cash provided by (used for) investing activities	(10,835)	47	(2,032)	(12,820)
Net increase (decrease) in cash	0	1	(6)	(5)
Cash at beginning of year	0	1	111	112
Cash at end of year	$0	$2	$105	$107
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$2,672	($27)	($106)	$2,539
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	704	0	313	1,017
Interest on bonds	38,031	0	0	38,031
Provision for losses on loans	200	0	10	210
Losses on foreclosed real estate	350	0	0	350
Loss on bond redemption	254	0	0	254
Pension expense	164	1	33	198
Interest income on investments	(2,957)	(21)	(36)	(3,014)
Net (increase) decrease in fair value of investments	1,124	0	(15)	1,109
Changes in operating assets and liabilities:				
Other assets	(2,088)	0	(299)	(2,387)
Pension contributions	(390)	0	(116)	(506)
Mortgage note interest receivable	308	0	(26)	282
Accounts payable and accrued liabilities	(1,201)	0	335	(866)
Unearned income	(11)	0	0	(11)
Investment in mortgage and other notes	(168,715)	0	(2,363)	(171,078)
Mortgage & other note principal repayments	144,426	0	696	145,122
Net cash provided by (used for) operating activities	$12,871	($47)	($1,574)	$11,250
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:				
Transfer from mortgage notes receivable to other assets and other real estate owned	$20,883	$0	$61	$20,944
Other	$0	$0	$217	$217
Transfer of program administrative fees	$0	$0	$6,300	$6,300

See accompanying notes to the financial statements

MAINE STATE HOUSING AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016
(IN THOUSANDS OF DOLLARS)

	HOME Fund	Section 8 Housing Programs	Low Income Home Energy Assistance Program	Maine Energy, Housing & Economic Recovery Fund	Other Federal and State Programs	Total
ASSETS:						
Current Assets:						
Cash, principally time deposits (note 3)	$0	$81	$0	$0	$805	$886
Investments (notes 3, 8, and 10)	13,574	7,932	345	7,637	6,973	36,461
Accounts receivable - Federal	0	234	725	0	2,821	3,780
Other assets	1,817	124	0	34	91	2,066
Mortgage notes receivable, net (note 4)	19	0	0	0	0	19
Interfund (note 12)	919	0	0	0	0	919
Total Current Assets	16,329	8,371	1,070	7,671	10,690	44,131
Noncurrent Assets:						
Mortgage notes receivable, net (note 4)	20,802	0	0	7,832	0	28,634
Other notes receivable, net (note 4)	0	0	0	0	9	9
Total Noncurrent Assets	20,802	0	0	7,832	9	28,643
Total Assets	$37,131	$8,371	$1,070	$15,503	$10,699	$72,774
LIABILITIES:						
Current Liabilities:						
Accrued interest payable	$0	$0	$0	$55	$0	$55
Accounts payable - Federal	0	277	0	0	26	303
Accounts payable and accrued liabilities	1,302	79	548	0	5,572	7,501
Unearned income	0	0	340	0	3,231	3,571
Interfund (note 12)	0	425	79	0	418	922
Bonds payable, net (note 5 and 8)	0	0	0	3,070	0	3,070
Total Current Liabilities	1,302	781	967	3,125	9,247	15,422
Noncurrent Liabilities:						
Bonds payable, net (note 5 and 8)	0	0	0	32,645	0	32,645
Total Non Current Liabilities	0	0	0	32,645	0	32,645
Total Liabilities	1,302	781	967	35,770	9,247	48,067
DEFERRED INFLOWS OF RESOURCES:						
Deferred grant income	0	2,647	0	0	0	2,647
FUND BALANCES:						
Restricted by program requirements	35,829	4,943	103	0	1,452	42,327
Nonspendable in current form	0	0	0	7,832	0	7,832
Unassigned	0	0	0	(28,099)	0	(28,099)
Total Fund Balances	35,829	4,943	103	(20,267)	1,452	22,060
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$37,131	$8,371	$1,070	$15,503	$10,699	$72,774

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

Total fund balances in governmental funds	$22,060
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Pension expense deferrals reported as deferred outflows of resources in governmental activities are not financial resources and therefore are not reported in the governmental funds.	560
Net pension liabiltiies reported in governmental activities are not due and payable in the current period and therefore not reported in the governmental funds.	(1,563)
Pension credit deferrals reported as deferred inflows of resources in governmental activities are not available to pay for current period expenditures and therefore are not reported in the governmental funds.	(710)
Net Position of governmental activities	$20,347

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, 2016
(IN THOUSANDS OF DOLLARS)

	HOME Fund	Section 8 Housing Programs	Low Income Home Energy Assistance Program	Maine Energy, Housing & Economic Recovery Fund	Other Federal and State Programs	Total
REVENUES:						
Interest from mortgages and notes	$50	$0	$0	$37	$0	$87
Income from investments	36	1	0	23	8	68
Fee income	0	5,400	688	0	1,603	7,691
Other revenue	0	1	0	0	34	35
Grant income	3,582	0	25,185	0	12,970	41,737
Income from State	10,365	0	0	4,320	0	14,685
Federal rent subsidy income	0	96,516	0	0	0	96,516
Total Revenues	14,033	101,918	25,873	4,380	14,615	160,819
EXPENDITURES:						
Operating expenditures	0	3,775	687	0	1,275	5,737
Other program administrative expenditures	0	548	1	0	275	824
Provision for losses on loans (note 4)	154	0	0	0	0	154
Grant expenditures	11,122	0	25,185	5,675	13,044	55,026
Federal rent subsidy	0	96,250	0	0	0	96,250
Interest	0	0	0	1,237	0	1,237
Total Expenditures	11,276	100,573	25,873	6,912	14,594	159,228
Revenues in Excess of (Less Than) Expenditures	2,757	1,345	0	(2,532)	21	1,591
Transfers between funds, net (note 12)	0	(6,344)	0	0	(60)	(6,404)
Change in Fund Balances	2,757	(4,999)	0	(2,532)	(39)	(4,813)
Fund Balances at beginning of year	33,072	9,942	103	(17,735)	1,491	26,873
Fund Balances at end of year	$35,829	$4,943	$103	($20,267)	$1,452	$22,060

Total governmental funds Change in Fund Balances	($4,813)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Expenses reported in the Statement of Activities include pension expenditures, which do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds.	(108)
Total governmental activities Change in Net Position	($4,921)

See accompanying notes to the financial statements

(1.) ORGANIZATION AND NATURE OF OPERATIONS

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

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

(2.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

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

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

Fund Structure

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

MORTGAGE PURCHASE FUND

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

BONDHOLDER RESERVE FUND

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

GENERAL ADMINISTRATIVE FUND

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

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

HOME FUND

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

SECTION 8 HOUSING PROGRAMS

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

Moderate Rehabilitation
New Construction
Section 811 Project Rental Assistance
Housing Choice Voucher
Performance Based Contract Administration

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments
Money market funds and repurchase agreements that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Investments not reported at amortized cost are reported at fair value.

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

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

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

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

Capital Assets
Capital assets consisting of land, equipment and leasehold improvements are stated at cost less accumulated depreciation and are reported in the agency-wide and proprietary funds financial statements. MaineHousing capitalizes assets with an initial cost of one thousand dollars or more. Depreciation 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. Bond issuance costs are expensed in the year issued.

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

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

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

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

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

Derivatives and Hedging Instruments
MaineHousing enters into various interest rate swap agreements in order to manage risks associated with interest on its variable rate bond portfolio. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, MaineHousing recognizes the fair value of swap agreements as either an asset or liability on its Statement of Net Position with the offsetting gains or losses as either deferred inflows or outflows of resources, if deemed an effective hedge. If swap agreements are not effective hedges, interest expense is increased or decreased by the change in the fair value. MaineHousing measures the effectiveness of its interest rate swap agreements in total whereby all the swaps are used to hedge interest expense on a portion of the total variable rate bonds equal to the notional amount of the swaps. Hedge effectiveness is determined by using the regression analysis and synthetic instrument methods. MaineHousing's swap agreements constitute an effective hedge of the hedged portion of the variable rate bond portfolio at December 31, 2016.

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

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

New Accounting Standards
Mainehousing adopted the following accounting standards during the year:

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

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

MaineHousing's assets and liabilities carried at fair value are interest rate swaps and investments. As a result of adopting GASB 72, the fair market valuation of MaineHousing's interest rate swap agreements changed from a mid-market approach to one that more closely provides an achievable market valuation. This change did not significantly impact the related liability and deferred outflows of resources amounts in the Statement of Net Position. There was no change in the market approach used in determining the fair value of investments. See notes 3 and 6 for the fair value levels.

MaineHousing also applied GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which had no significant impact on the financial statements.

GASB standards that are under evaluation include:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* is effective for the year ending December 31, 2017, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective for the year ending December 31, 2018 and GASB Statement No. 83, *Certain Asset Retirement Obligations* is effective for the year ending December 31, 2019. MaineHousing has not adopted these standards and is evaluating the impact they may have on its financial statements.

(3.) CASH AND INVESTMENTS

At December 31, 2016, the carrying amount of MaineHousing's bank deposits was $993 and the bank balance was $2,292. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the bank balance, $272 was covered by federal depository insurance and $2,020 was collateralized by money market funds for which the securities are held in the bank's name at the Federal Reserve Bank.

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

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

MaineHousing's investment balances and stated maturities as of December 31, 2016 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
PROPRIETARY FUNDS					
MORTGAGE PURCHASE FUND					
Repurchase Agreements	$85,162	$85,162	$0	$0	$0
Money Market Funds	21,135	21,135	0	0	0
U.S. Government-sponsored enterprise obligations (Rated AAA/Aaa)	216,934	130,480	0	17,293	69,161
Total - Mortgage Purchase Fund	323,231	236,777	0	17,293	69,161
BONDHOLDERS RESERVE FUND					
Repurchase Agreements	7,874	7,874	0	0	0
GENERAL ADMINISTRATIVE FUND					
Repurchase Agreements	10,320	10,320	0	0	0
Money Market Funds	14,191	14,191	0	0	0
U.S. Government-sponsored enterprise obligations (Rated AAA/Aaa)	5,000	0	0	5,000	0
Total - General Administrative Fund	29,511	24,511	0	5,000	0
Total - Proprietary Funds	$360,616	$269,162	$0	$22,293	$69,161
GOVERNMENTAL FUNDS					
HOME FUND					
Repurchase Agreements	$13,574	$13,574	$0	$0	$0
SECTION 8 HOUSING PROGRAM					
Money Market Funds	7,932	7,932	0	0	0
LOW INCOME HOME ENERGY ASSISTANCE PROGRAM					
Money Market Funds	345	345	0	0	0
MAINE ENERGY, HOUSING & ECONOMIC RECOVERY PROGRAM					
Repurchase Agreements	7,637	7,637	0	0	0
OTHER FEDERAL AND STATE PROGRAMS					
Repurchase Agreements	6,973	6,973	0	0	0
Total - Governmental Funds	$36,461	$36,461	$0	$0	$0

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

For investments carried at fair value, in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, a market approach is used to determine fair value using Level 2 inputs. Prices and other relevant information are generated by market transactions involving identical or comparable investments.

On December 31, 2016, $305,623 was invested in short-term repurchase agreements, money market funds and government sponsored enterprises having maturity dates of less than one year, at rates up to 0.48%. Investments other than repurchase agreements and money market funds are registered in MaineHousing's name. Investments issued by Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), and Federal Home Loan Bank (FHLB) make up 21%, 3%, 11%, and 32% of total investments, respectively, in the Mortgage Purchase Fund. Investments issued by FFCB make up 17% of total investments in the General Administrative Fund.

(4.) MORTGAGE AND OTHER NOTES RECEIVABLE:

For financial statement presentation, the allowance for losses on loans has been netted against the noncurrent portion of mortgage notes receivable and other notes receivable. However, where there is no noncurrent portion for other notes receivable, the allowance is netted against the current amount. A summary of mortgage notes receivable at December 31, 2016 is as follows:

	Number Notes	Principal Balance	Percent of Portfolio
PROPRIETARY FUNDS			
MORTGAGE PURCHASE FUND - SINGLE-FAMILY:			
VA guaranteed	480	$40,757	5.1%
FHA insured	1,898	154,400	19.4%
USDA/RD guaranteed	4,258	414,408	52.0%
Privately insured	437	30,246	3.8%
Non-insured	2,929	156,653	19.7%
Total Mortgage Purchase Fund - single-family	10,002	796,464	100.0%
MORTGAGE PURCHASE FUND - MULTI-FAMILY:			
Section 8	179	153,890	38.6%
Conventional	237	220,734	55.4%
Supportive Housing	186	23,759	6.0%
Total Mortgage Purchase Fund - multi-family	602	398,383	100.0%
Less: Allowance for losses on loans		(7,486)	
Total Mortgage Purchase Fund	10,604	1,187,361	
GENERAL ADMINISTRATIVE FUND - SINGLE-FAMILY:			
Non-insured	92	3,002	97.0%
Privately insured	3	92	3.0%
Total General Administrative Fund-Single Family	95	3,094	100.0%
GENERAL ADMINISTRATIVE FUND - MULTI-FAMILY:			
Conventional	5	3,805	100.0%
GENERAL ADMINISTRATIVE FUND- HOME IMPROVEMENT LOANS:			
Non-insured	167	743	100.0%
Less: Allowance for losses on loans		(671)	
Total General Administrative Fund	267	6,971	
Total Proprietary Funds	10,871	$1,194,332	

	Number Notes	Principal Balance	Percent of Portfolio
GOVERNMENTAL FUNDS			
HOME FUND - SINGLE-FAMILY:			
Non-insured	376	$3,509	100.0%
HOME FUND - MULTI-FAMILY:			
Non-insured	66	18,246	100.0%
Total HOME Fund	442	21,755	
Less: Allowance for losses on loans		(934)	
Total HOME Fund	442	20,821	
MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY PROGRAM - MULTI-FAMILY			
Non-insured	13	7,832	100.0%
Total Governmental Funds	455	$28,653	

A summary of other notes receivable at December 31, 2016 is as follows:

	Number Notes	Principal Balance	Percent of Portfolio
PROPRIETARY FUNDS			
GENERAL ADMINISTRATIVE FUND			
Non-insured	5	$356	100.0%
Total Proprietary Funds	5	$356	
GOVERNMENTAL FUNDS			
OTHER FEDERAL AND STATE PROGRAMS:			
Non-insured	1	$15	100.0%
Less: Allowance for losses on loans		(6)	
Total Governmental Funds	1	$9	

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

	PROPRIETARY FUNDS		**GOVERNMENTAL FUNDS**	
	Mortgage Purchase Fund	General Administrative Fund	HOME Fund	Other Federal and State Programs
Balance – December 31, 2015	$8,475	$714	$910	$29
Provision	200	10	154	0
Loans charged off	(2,010)	(61)	(130)	(23)
Recoveries	821	8	0	0
Balance – December 31, 2016	$7,486	$671	$934	$6

(5.) BONDS AND NOTES PAYABLE

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

The interest rates presented in the table below for variable rate bonds represent the rate at December 31, 2016. The Single-Family (S/F), Multi-Family (M/F) Mortgage Bonds Payable and Notes Payable outstanding at December 31, 2016 are as follows:

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
PROPRIETARY FUNDS							
MORTGAGE PURCHASE FUND							
2005 SERIES B BONDS (M/F):							
2005 Series B (Federally Taxable)							
Term Bonds	$15,000	$12,160	Variable - 1.09%	2017-2020	2,930	-	3,115
2005 SERIES G BONDS (M/F):							
2005 Series G (AMT)							
Term Bonds	22,300	20,900	Variable - .78%	2017-2037	185	-	4,385
2007 SERIES C BONDS (S/F):							
2007 Series C (AMT)							
Term Bonds	5,000	0	5.05%				
Term Bonds	8,000	0	5.13%				
Term Bonds	12,000	100	5.15%	2032		100	
	25,000	100					
2009 SERIES C BONDS (S/F):							
2009 Series C (Non-AMT)							
Serial Bonds	8,000	1,200	3.30%	2017		1,200	
Term Bonds	2,885	0	4.50%				
Term Bonds	11,795	0	5.00%				
	22,680	1,200					
2010 SERIES A BONDS (S/F):							
2010 Series A (Non-AMT)							
Serial Bonds	20,405	1,545	3.05%	2017		1,545	
Term Bonds	3,595	0	4.25%				
	24,000	1,545					
2010 SERIES C BONDS (S/F):							
2010 Series C (Non-AMT)							
Serial Bonds	13,020	1,445	3.30%	2017		1,445	
Term Bonds	980	0	4.75%				
	14,000	1,445					
2011 SERIES A BONDS (S/F):							
2011 Series A (Non-AMT)							
Serial Bonds	12,650	1,860	2.6% - 2.9%	2017-2018	915	-	945
Term Bonds	3,350	0	4.63%				
	16,000	1,860					
2011 SERIES B BONDS (M/F):							
2011 Series B-1 (Non-AMT)							
Serial Bonds	20,490	9,340	2.70% - 3.75%	2017-2021	1,650	-	4,265
Term Bonds	4,085	0	4.00%				
2011 Series B-2 (Non-AMT)							
Term Bonds	4,750	0	4.38%				
	29,325	9,340					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2011 SERIES C BONDS (M/F):							
2011 Series C-1 (Non-AMT)							
Serial Bonds	27,320	14,480	2.38% - 3.75%	2017-2023	780	-	5,715
2011 Series C-2 (Non-AMT)							
Serial Bonds	6,000	2,530	3.88% - 4.88%	2024-2041	530	-	2,000
	33,320	17,010					
2011 SERIES D BONDS (S/F):							
2011 Series D (Non-AMT)							
Serial Bonds	10,615	9,280	2.15% - 3.30%	2017-2022	1,155	-	2,210
Term Bonds	7,385	3,935	4.00%	2025-2026	1,925	-	2,010
	18,000	13,215					
2011 SERIES E BONDS (M/F):							
2011 Series E (Non-AMT)							
Serial Bonds	10,440	0	1.70%				
Term Bonds	2,810	705	4.38%	2031		705	
	13,250	705					
2012 SERIES A BONDS (S/F):							
2012 Series A-1 (AMT)							
Serial Bonds	42,610	21,840	2.20% - 3.45%	2017-2022	3,150	-	8,115
Term Bonds	21,885	2,430	4.00%	2024		2,430	
Term Bonds	22,575	10,005	4.50%	2026-2027	4,390	-	5,615
2012 Series A-2 (Non-AMT)							
Term Bonds	11,800	11,800	3.60%	2024-2026	2,350	-	5,250
2012 Series A-3 (Non-AMT)							
Serial Bonds	5,000	5,000	2.00% - 2.85%	2018-2022		1,000	
Term Bonds	20,000	20,000	3.85%	2026-2029	1,265	-	7,165
	123,870	71,075					
2012 SERIES B BONDS (M/F):							
2012 Series B-1 (AMT)							
Serial Bonds	4,210	3,610	2.50% - 3.75%	2018-2024	380	-	720
Term Bonds	14,720	0	4.25%				
2012 Series B-2 (Non-AMT)							
Serial Bonds	1,735	1,735	1.95% - 2.95%	2018-2023	175	-	350
Term Bonds	1,220	1,220	3.50%	2023-2027	55	-	325
2012 Series B-3 (Non-AMT)							
Term Bonds	3,000	3,000	3.88%	2028-2031		750	
	24,885	9,565					
2013 SERIES A BONDS (S/F):							
2013 Series A (Federally Taxable)							
Serial Bonds	9,000	5,910	1.44% - 2.37%	2017-2020	1,140	-	1,615
	9,000	5,910					
2013 SERIES B BONDS (S/F):							
2013 Series B (Non-AMT)							
Serial Bonds	7,540	7,030	2.20% - 2.75%	2021-2024	1,685	-	1,835
Term Bonds	3,890	2,000	3.00%	2026-2027	985	-	1,015
Term Bonds	38,690	38,690	3.45%	2028-2032	7,215	-	8,280
Term Bonds	28,880	28,880	3.60%	2033-2036	2,230	-	9,205
Term Bonds	27,000	14,490	4.00%	2036-2037	5,635	-	8,855
	106,000	91,090					
2013 SERIES C BONDS (S/F - M/F):							
2013 Series C (Federally Taxable)							
Serial Bonds	61,900	52,150	1.41% - 3.09%	2017-2023	4,000	-	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
	95,370	85,620					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2013 SERIES D BONDS (S/F):							
2013 Series D-1 (AMT)							
Serial Bonds	15,000	11,385	2.00% - 3.65%	2017-2023	1,760	-	2,060
2013 Series D-2 (Non-AMT)							
Term Bonds	12,990	7,800	4.00%	2027-2028	2,235	-	5,565
Term Bonds	12,010	12,010	4.50%	2033-2037	2,205	-	2,610
	40,000	31,195					
2013 SERIES E BONDS (S/F):							
2013 Series E (Non-AMT)							
Serial Bonds	20,000	9,870	1.70% - 3.85%	2017-2022	1,255	-	2,620
Term Bonds	10,000	0	4.95%				
	30,000	9,870					
2013 SERIES F BONDS (S/F -M/F):							
2013 Series F (Federally Taxable)							
Term Bonds	39,585	39,585	Variable - 0.77%	2024-2032	1,400	-	5,400
	39,585	39,585					
2013 SERIES G BONDS (S/F):							
2013 Series G (Federally Taxable)							
Term Bonds	60,000	60,000	Variable - 0.83%	2028-2041	1,660	-	5,350
	60,000	60,000					
2014 SERIES A BONDS (S/F):							
2014 Series A-1 (AMT)							
Serial Bonds	5,595	3,810	1.55% - 3.20%	2017-2021	200	-	960
Term Bonds	4,445	0	4.45%				
Term Bonds	11,545	8,125	3.25%	2038-2042	1,330	-	1,865
2014 Series A-2 (Non-AMT)							
Serial Bonds	9,045	9,045	2.75% - 3.55%	2021-2024	1,120	-	3,080
Term Bonds	9,865	0	4.00%				
Term Bonds	11,090	7,845	4.50%	2031-2034	1,890	-	2,025
	51,585	28,825					
2014 SERIES B BONDS (M/F):							
2014 Series B (AMT)							
Term Bonds	50,965	50,965	Variable - 0.99%	2024-2037	1,415	-	6,415
	50,965	50,965					
2014 SERIES C BONDS (S/F):							
2014 Series C-1 (AMT)							
Serial Bonds	14,860	13,455	1.10% - 3.10%	2017-2024	705	-	3,105
Term Bonds	2,000	1,500	3.63%	2026-2029	300	-	400
Term Bonds	7,620	7,620	4.00%	2030-2034	400	-	1,810
Term Bonds	17,465	12,960	3.50%	2034-2042	515	-	2,900
2014 Series C-2 (Non-AMT)							
Term Bonds	29,000	29,000	3.75%	2030-2034	3,485	-	8,065
	70,945	64,535					
2014 SERIES D BONDS (S/F):							
2014 Series D (Federally Taxable)							
Term Bonds	55,000	55,000	Variable - 0.78%	2028-2039	730	-	11,370
	55,000	55,000					
2015 SERIES A BONDS (M/F)							
2015 Series A-1 (AMT)							
Serial Bonds	13,485	13,485	1.55% - 3.05%	2018-2025	1,550	-	1,855
2015 Series A-2 (Non-AMT)							
Term Bonds	6,555	6,360	3.25%	2026-2029	600	-	2,675
2015 Series A-3 (Non-AMT)							
Serial Bonds	8,050	4,795	0.90% - 1.20%	2017-2018	1,540	-	3,255
Term Bonds	11,220	11,220	3.50%	2030-2034	2,085	-	2,410
Term Bonds	13,505	13,505	3.63%	2035-2039	2,505	-	2,905
Term Bonds	16,225	16,225	3.75%	2040-2044	2,995	-	3,500
	69,040	65,590					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2015 SERIES B BONDS (S/F)							
2015 Series B (Non-AMT)							
Serial Bonds	9,750	9,750	0.80% - 2.60%	2017-2025	1,020	-	1,175
Term Bonds	10,750	10,750	3.20%	2026-2030	2,015	-	2,285
Term Bonds	1,610	1,610	3.45%	2031-2034	380	-	425
Term Bonds	9,890	9,605	3.50%	2035-2040	1,505	-	1,735
	32,000	31,715					
2015 SERIES C BONDS (M/F)							
2015 Series C (Federally Taxable)							
Serial Bonds	9,480	9,480	1.46% - 3.04%	2018-2025	390	-	1,410
Term Bonds	18,000	18,000	3.59%	2026-2030	3,190	-	4,100
Term Bonds	12,520	12,520	3.95%	2036-2040	2,315	-	2,700
	40,000	40,000					
2015 SERIES D BONDS (S/F)							
2015 Series D (Non-AMT)							
Serial Bonds	7,105	7,105	1.65% - 3.30%	2019-2026	780	-	1,000
Term Bonds	3,340	3,340	3.75%	2027-2030	540	-	1,130
Term Bonds	4,890	4,890	4.00%	2031-2035	660	-	1,300
Term Bonds	7,585	7,585	4.25%	2036-2040	1,165	-	1,880
Term Bonds	7,080	7,000	4.00%	2041-2045	1,020	-	1,720
	30,000	29,920					
2015 SERIES E BONDS (S/F)							
2015 Series E-1 (AMT)							
Serial Bonds	30,115	27,280	1.20% - 3.60%	2017-2026	2,545	-	4,155
Term Bonds	26,690	21,690	4.00%	2027-2030	820	-	9,575
Term Bonds	26,325	21,645	3.50%	2031-2034	4,100	-	6,910
2015 Series E-2 (Non-AMT)							
Term Bonds	2,105	2,105	3.80%	2031-2033	650	-	755
Term Bonds	8,360	8,360	4.05%	2039-2040	4,085	-	4,275
Term Bonds	14,535	14,535	4.15%	2041-2045	2,515	-	3,285
2015 Series E-3 (AMT)							
Term Bonds	30,000	30,000	Variable - 0.73%	2035-2038	5,455	-	8,975
	138,130	125,615					
2015 SERIES F BONDS (M/F)							
2015 Series F-1 (AMT)							
Serial Bonds	8,800	8,800	1.3% - 2.20%	2018-2021		2,200	
2015 Series F-2 (Non-AMT)							
Serial Bonds	2,450	2,450	2.05% - 2.85%	2022-2026	450	-	500
2015 Series F-3 (Non-AMT)							
Serial Bonds	15,005	10,220	.85% - 1.10%	2017-2018		5,110	
Term Bonds	6,340	6,340	3.40%	2027-2030	1,185	-	1,785
Term Bonds	9,565	9,565	3.85%	2031-2035	1,310	-	2,195
Term Bonds	11,840	11,840	3.95%	2036-2040	1,635	-	2,720
	54,000	49,215					
2015 SERIES G BONDS (S/F)							
2015 Series G (Non-AMT)							
Serial Bonds	8,185	8,185	2.00% - 3.00%	2021-2027	630	-	2,095
Term Bonds	1,730	1,730	3.35%	2028-2030	535	-	615
Term Bonds	2,125	2,125	3.65%	2031-2035	325	-	525
Term Bonds	12,060	12,060	3.85%	2036-2040	2,295	-	2,535
Term Bonds	5,900	5,730	3.50%	2041-2045	1,095	-	1,220
	30,000	29,830					

	Original Amount Issued	Amount Outstanding	Interest Rate(s)	Maturities/ Sinking Fund Installments on Bonds Outstanding	Range of Required Annual Principal Payments on Bonds		
2016 SERIES A BONDS (S/F)							
2016 Series A (Non-AMT)							
Serial Bonds	6,065	6,065	1.13% - 2.45%	2019-2026	670	-	855
Term Bonds	6,520	6,520	2.90%	2027-2030	1,545	-	1,720
Term Bonds	4,630	4,630	3.30%	2031-2035	865	-	990
Term Bonds	10,900	10,900	3.55%	2036-2040	1,960	-	2,355
Term Bonds	6,885	6,805	4.00%	2041-2045	1,305	-	1,420
	35,000	34,920					
2016 SERIES B BONDS (S/F)							
2016 Series B-1 (Non-AMT)							
Serial Bonds	19,260	19,260	.90% - 2.55%	2018-2027	680	-	2,410
Term Bonds	3,885	3,885	2.70%	2028-2029	1,675	-	2,210
Term Bonds	18,855	17,890	3.50%	2040-2046	1,945	-	2,805
2016 Series B-2 (AMT)							
Term Bonds	28,000	28,000	Variable - 0.73%	2029-2037	2,720	-	3,420
	70,000	69,035					
2016 SERIES C BONDS (S/F)							
2016 Series C (Non-AMT)							
Serial Bonds	13,620	13,620	1.10% - 2.50%	2020-2028	890	-	3,475
Term Bonds	5,670	5,670	2.75%	2029-2031	1,185	-	2,285
Term Bonds	8,975	8,975	3.00%	2032-2036	1,305	-	2,510
Term Bonds	3,355	3,355	3.15%	2037-2041	625	-	720
Term Bonds	8,380	8,380	3.50%	2042-2046	1,565	-	1,795
	40,000	40,000					
2016 SERIES D BONDS (M/F)							
2016 Series D (Federally Taxable)							
Serial Bonds	32,000	32,000	2.24% - 2.99%	2023-2029	825	-	8,185
Term Bonds	8,000	8,000	3.29%	2030-2031		4,000	
	40,000	40,000					
2016 SERIES E BONDS (S/F)							
2016 Series E (Non-AMT)							
Serial Bonds	6,250	6,250	1.45% - 3.15%	2019-2027	600	-	800
Term Bonds	3,050	3,050	3.63%	2028-2031	720	-	800
Term Bonds	10,385	10,385	3.90%	2032-2036	1,940	-	2,230
Term Bonds	8,315	8,315	4.00%	2037-2046	705	-	970
	28,000	28,000					
		1,266,555					
Plus: Net Unamortized Bond Premium		3,503					
Total Mortgage Purchase Fund bonds payable	1,596,250	1,270,058					
Total Proprietary Funds bonds payable	$1,596,250	$1,270,058					
GOVERNMENTAL FUNDS							
MAINE ENERGY, HOUSING AND ECONOMIC RECOVERY FUND							
2010 Series 1 (Non-AMT)							
Serial Bonds	$39,970	$35,445	2.50% - 5.00%	2017-2026	355	-	3,800
2010 Series 2 (Taxable)							
Serial Bonds	9,630	0	3.03%				
		35,445					
Plus: Net Unamortized Bond Premium		270					
Total Maine Energy, Housing & Recovery Fund Group bonds payable	49,600	35,715					
Total Governmental Funds bonds payable	$49,600	$35,715					

The following table summarizes the debt activity for the year ended December 31, 2016:

Fund	Outstanding at December 31, 2015	Issuance	Retirement	Outstanding at December 31, 2016
Mortgage Purchase Fund	$1,235,250	$243,000	($211,695)	$1,266,555
Maine Energy, Housing & Economic Recovery Fund	38,425	0	(2,980)	35,445
Total	$1,273,675	$243,000	($214,675)	$1,302,000

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

The interest calculations shown in the table below are based on the variable rate in effect at December 31, 2016 and may not be indicative of actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary. The following table provides a summary of MaineHousing's debt service requirements and net interest rate swap payments through 2021 and in five-year increments thereafter to maturity:

	Mortgage Purchase Fund					Maine Energy, Housing & Economic Recovery Fund	
	Fixed/Variable Unswapped		Variable Swapped		Swaps	Fixed Unswapped	
Year(s)	Principal	Interest	Principal	Interest	Net Interest	Principal	Interest
2017	$38,965	$32,544	$3,115	$1,383	$3,124	$3,070	$1,204
2018	42,815	31,979	3,225	1,367	2,954	3,160	1,114
2019	29,915	31,133	3,315	1,332	2,795	3,245	1,024
2020	27,780	30,535	3,310	1,298	2,385	3,340	921
2021	50,640	29,931	230	1,261	2,042	3,450	810
2022-2026	222,054	130,036	7,351	6,215	5,957	19,180	2,038
2026-2031	266,290	93,614	20,666	5,631	2,853	0	0
2032-2036	205,424	55,320	87,246	4,167	2,032	0	0
2037-2041	145,847	26,202	42,602	480	129	0	0
2042-2046	65,765	6,469	0	0	0	0	0
Total	$1,095,495	$467,763	$171,060	$23,134	$24,271	$35,445	$7,111

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, 2016. Of that amount, $1,266,555 was outstanding at December 31, 2016.

Notes Payable
At December 31, 2016, MaineHousing has a $4,200 note payable to the Federal Home Loan Bank (FHLB) at a fixed rate of 0%, maturing December 28, 2021. The note, which is recorded in the General Administrative Fund, is collateralized with a $5,000 Federal Farm Credit Bank debt security that is being held in trust under MaineHousing's name.

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

Other Debt
MaineHousing uses its tax-exempt debt issuing authority to provide financial assistance to private sector developers for the acquisition and rehabilitation, or the construction of multi-family housing projects serving low-to-moderate income households. The debt, which is referred to as conduit debt, is collateralized by revenues generated by the properties financed and is repayable solely from payments received on the underlying mortgage loans and any specific third-party credit enhancement associated with the individual financings. MaineHousing has a total of $51,861 outstanding in two series at December 31, 2016. The debt does not constitute a liability or a pledge of faith and credit of MaineHousing and is not reported in the accompanying financial statements. On January 15, 2017, $23,400 of outstanding conduit debt was redeemed.

(6.) INTEREST RATE SWAP AGREEMENTS

MaineHousing has twelve interest rate swap agreements (swaps) with four counterparties as of December 31, 2016. The objective of the agreements is to attain a synthetic fixed interest rate on a portion of its variable rate bonds at a cost expected to be less than rates associated with fixed-rate debt. The swap agreement terms state MaineHousing is to make semi-annual fixed interest rate payments at a specified rate on a notional principal amount and in exchange receive semi-annual payments based upon either the thirty-day or ninety-day London InterBank Offered Rate (LIBOR) or the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA).

The swaps have an aggregate negative fair value of $10,344 at December 31, 2016. During 2016, the fair value of the swaps increased by $3,633. The fair value was estimated using a zero-coupon method and level 3 inputs in accordance with GASB Statement No. 72. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the current yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. These amounts are adjusted for estimated unwinding costs.

The swaps have been determined to constitute an effective hedge of a portion of the variable rate bond portfolio equal to the notional amount of the swaps at December 31, 2016 by using the regression analysis and synthetic instrument methods. The aggregate fair value is classified as a derivative instrument liability and a deferred outflow of resources, which represents the accumulated decrease in fair value. Total variable rate bonds outstanding at December 31, 2016 total $296,610.

The following table contains the terms, fair values, and credit ratings of the swaps as of December 31, 2016. Specific swaps are assigned to certain debt issuances for arbitrage purposes. The credit ratings were issued by Moody's Investor Services and Standard & Poor's, respectively.

Related Debt Issuance	Current Notional Amount	Effective Date of Swap	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2005 Series B	$12,160	11/17/2015	1.41%	100 % of 90 day LIBOR	$39	11/15/2020	Aa3/AA-
2005 Series G	20,900	2/1/2006	3.59%	65% of 30 day LIBOR plus .20%	(5,459)	11/15/2037	Aa3/A+
2014 Series B	5,000	4/22/2008	3.25%	67% of 30 day LIBOR	(190)	11/15/2018	Aa2/AA-
2014 Series B	5,000	12/23/2003	3.25%	67% of 30 day LIBOR	(190)	11/15/2018	Aa3/A+
2014 Series B	15,000	1/29/2008	3.71%	100% of SIFMA plus .06%	(2,734)	5/15/2023	Aa3/A+
2014 Series D	25,000	12/26/2014	1.94%	100 % of 90 day LIBOR	(255)	11/15/2019	A1-/A-
2014 Series D	30,000	12/31/2014	2.05%	100 % of 90 day LIBOR	(341)	11/15/2020	A1-/A-
2015 Series E-3	20,000	11/15/2015	1.60%	67% of 30 day LIBOR	(386)	11/15/2025	A1-/A-
2015 Series E-3	5,000	3/14/2006	3.67%	65% of 90 day LIBOR plus .20%	(357)	11/15/2019	Aa2/AA-
2015 Series E-3	5,000	11/15/2016	1.15%	70% of 30 day LIBOR	131	11/15/2025	Aa3/AA-
2016 Series B-2	8,000	9/12/2007	4.05%	65% of 90 day LIBOR plus .20%	(129)	11/15/2027 [1]	Aa2/AA-
2016 Series B-2	20,000	4/8/2008	3.40%	70% of 30 day LIBOR plus .20%	(473)	11/15/2022 [2]	Aa2/AA-
Totals	$171,060				($10,344)		

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

The following table contains the terms and credit ratings of executed swap agreements with effective dates after December 31, 2016:

Related Debt Issuance	Initial Notional Amount	Effective Date of Swap	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
2016 Series B-2	$8,000	5/15/2017	1.62%	70% of 30 day LIBOR	0	11/15/2031 [1]	Aa3/AA-
2016 Series B-2	20,000	11/15/2017	1.66%	70% of 30 day LIBOR	0	11/15/2031 [1]	Aa3/AA-
Totals	$28,000						

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

Credit Risk – The swaps contain varying collateral agreements with the counterparties in order to mitigate the potential for credit risk. The requirements of the collateral agreements are met as of December 31, 2016. MaineHousing is not exposed to credit risk for the swaps that have negative fair values. MaineHousing is exposed to credit risk on the 2005 Series B and 2015 Series E-3 swaps that have a positive fair value of $39 and $131, respectively, at December 31, 2016. These amounts represent MaineHousing's credit exposure to the related counterparties and the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. Fair value is only a factor upon termination.

Basis Risk – The floating rate payments provided by the counterparties are based upon either the SIFMA index or the LIBOR index. The LIBOR rate will be adjusted on a monthly basis, except for 2005 Series B, 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, 2016, the thirty day LIBOR rate and the ninety day LIBOR rate were .77% and 1.00%, respectively and the SIFMA rate was 0.72%.

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

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

(7.) RETIREMENT BENEFITS

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

Defined Contribution Plan

The defined contribution plan consists of a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and a separate plan created under the provisions of the Internal Revenue Code Section 401(a).

Benefit terms, including contribution requirements, for the defined contribution plan are establishment by management. For each participant in the plan, MaineHousing contributes 3.5% of annual salary to the 401(a) plan. Additionally, if a participant makes voluntary contributions to the 457 plan, MaineHousing matches the contributions up to 7.0% of annual salary. The employer match contribution is made to the 401(a) plan.

For the year ended December 31, 2016, employee contributions totaled $511 and MaineHousing recognized expense of $319. Employees are immediately vested in their own contributions, MaineHousing contributions, and the earnings on those contributions.

Defined Benefit Plan

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

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

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

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

Contributions: Retirement benefits are funded by contributions from participants and employers and by earnings from MainePERS investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Participant and employer normal cost contributions are each a percentage of applicable participant compensation. Participant contribution rates are defined by the MainePERS Board of Trustees. Employers' contributions are determined by actuarial valuations. As of December 31, 2016, the established MainePERS employer and employee contribution rates are 9.5% and 8.0%, respectively. MaineHousing pays on behalf of its employees 1% of the MainePERS employee contribution rate. Total employer contributions were $506 for the year ended December 31, 2016.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2016 and 2015, using the following actuarial assumptions, applied to all periods included in the measurement period:

Investment Rate of Return – 6.875% per annum, compounded annually, for June 30, 2016 and 7.125% was used for year ended June 30, 2015.
Inflation Rate – 2.75% was used for the year ended June 30, 2016 and 3.5% for the year ended June 30, 2015.
Salary Increases, Merit and Inflation – 2.75% to 9.00% for June 30, 2016 and 3.5% to 9.5% for June 30, 2015.
Cost of Living Benefit Increases – 2.20% per annum for June 30, 2016 and 2.55% per annum for June 30, 2015.
Mortality Rates – RP 2014 Total Dataset Healthy Annuitant Table for June 30, 2016 and RP 2000 Table for Males and Females projected forward using Scale AA for June 30, 2015.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2012 to June 30, 2015. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period of July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real Estate:		
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%

Discount Rate: The discount rate used to measure the collective total pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability: At December 31, 2016, MaineHousing has a liability of $4,899 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MaineHousing's proportion of the net pension liability was based on MaineHousing's employer contributions received by MainePERS during the measurement period July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all participating entities. At December 31, 2016, MaineHousing's proportion is 0.922203%. The proportion was 1.181151% at December 31, 2015.

Sensitivity of MaineHousing's proportionate share of the net pension liability to changes in the discount rate: The following represents MaineHousing's proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what MaineHousing's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (5.875%) or 1% higher (7.875%) than the current rate.

1% Decrease @ 5.875%	Current Discount Rate @ 6.875%	1% Increase @ 7.875%
$8,133	$4,899	$1,856

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended December 31, 2016, MaineHousing recognized pension expense of $307 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$59	$315
Employer contributions subsequent to the measurement date	257	0
Net difference between projected and actual earnings on pension plan investments	1,812	753
Changes in proportion and differences between employer contributions and proportionate share of contributions	54	1,258
Changes of assumptions	525	0
Total	$2,707	$2,326

Amounts reported as deferred outflows of resources related to pensions resulting from MaineHousing's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense through December 31, 2020 as follows:

Year ended December 31:	Pension Expense Amount
2017	($369)
2018	($193)
2019	$402
2020	$282

Payables to the Pension Plan: At December 31, 2016, MaineHousing's total payable to MainePERS for unremitted contributions is $16.

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

(8.) AVAILABLE BONDS PROCEEDS

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

2015 Series A (M/F)	$828
2015 Series E (S/F)	13,319
2015 Series F (M/F)	13,318
2016 Series B (S/F)	12,033
2016 Series C (S/F)	18,559
2016 Series E (S/F)	31,474
	$89,531

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, 2016:

2010 Series 1	$2,268
2010 Series 2	1,669
	$3,937

(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, 2016, MaineHousing had outstanding commitments in several funds to originate multi-family mortgage loans of approximately $20,017. MaineHousing, under its single-family program, enters into purchase agreements with lenders to purchase mortgage loans. At December 31, 2016, single-family loans being processed by lenders for MaineHousing totaled approximately $36,718.

LEASE COMMITMENT
MaineHousing has committed to a lease agreement for approximately 39,000 square feet of office space that expires on September 30, 2020. Annual rent under this lease agreement increases at a rate of 3% per year and rental expense amounted to $714 for the year ended December 31, 2016.

(10.) RESERVE FUNDS

MORTGAGE PURCHASE FUND – HOUSING RESERVE FUND
On or before December 1 of each year, MaineHousing is required to value the Housing Reserve Fund and verify to the Governor of the State of Maine that the sum of money in the fund equals or exceeds the Housing Reserve Fund Minimum Requirement. The Housing Reserve Fund Minimum Requirement equals the amount of principal and interest maturing and coming due in the next succeeding calendar year on bonds outstanding. The Housing Reserve Fund Minimum Requirement as of December 31, 2016 was $104,476.

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, 2016 was $113,849.

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, 2016, valuation of the investments in the Housing Reserve Fund, computed at the lower of par or cost in accordance with the General Mortgage Purchase Program Bond Resolution was $130,227.

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, 2016 was $4,320. This requirement may be satisfied by the deposit of money or by the deposit of a Credit Facility or an insurance policy for the benefit of the bondholders.

Between July 1 and July 15 of each year, MaineHousing must certify to the Treasurer of the State the amount necessary and sufficient to meet MaineHousing's debt service obligation, including amounts necessary to replenish the Capital Reserve Fund to the Capital Reserve Requirement. At December 31, 2016, valuation of the Capital Reserve Fund insurance policy in the Capital Reserve Fund was $4,320.

(11.) EXCESS ARBITRAGE TO BE REBATED

Tax-exempt bonds issued by MaineHousing are subject to Internal Revenue Service (IRS) regulations that limit the amount of income that can be earned with non-mortgage investments to an amount not greater than the amount that would have been earned had the funds been invested at the yield on the bonds. Excess earnings must be rebated every five years. At December 31, 2016, there are no arbitrage liabilities to be rebated.

Prior rebate payments made by MaineHousing that are eligible for refund from the United States Treasury, based on estimated arbitrage rebate calculations, are recorded as an asset. MaineHousing has recorded assets, which are included in other assets, in the amount of $1,572 in the Mortgage Purchase Fund.

(12.) FUND TRANSFERS AND INTERFUND BALANCES

MaineHousing records transfers between funds for various purposes including program subsidies, fees and capital asset transfers. Transfers for the year ended December 31, 2016 consisted of the following:

	General Administrative Fund	Section 8 Housing Programs	Other Federal and State Programs
Other	$217	($44)	($173)
Program Subsidies	(113)	0	113
Accumulated Program Administrative Fees	6,300	(6,300)	0
	$6,404	($6,344)	($60)

During 2016, MaineHousing determined that $6,300 of fund balance in the Section 8 Housing Programs Fund was not restricted and that amount was transferred to the General Administrative Fund.

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

Interfund accounts receivable (payable) balances at December 31, 2016 consisted of the following:

	Mortgage Purchase Fund	Bondholder Reserve Fund	General Administrative Fund	HOME Fund	Section 8 Housing Programs	Low Income Home Energy Assistance Program	Maine Energy, Housing & Economic Recovery Program	Other Federal and State Programs
Receivable due from:								
Mortgage Purchase Fund	$0	$0	$4,672	$0	$0	$0	$0	$0
General Administrative Fund	0	0	0	919	0	0	0	0
Other Federal And State Programs	207	0	715	0	0	0	0	0
Collectively, all other funds	0	0	6	0	0	0	0	0
	207	0	5,393	919	0	0	0	0
Payables	(4,672)	(6)	(919)	0	(425)	(79)	0	(418)
	($4,465)	($6)	$4,474	$919	($425)	($79)	$0	($418)

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

(13.) REDEMPTION OF BONDS

For the year ended December 31, 2016, MaineHousing redeemed prior to maturity $200,640 of its Mortgage Purchase Fund bonds from recoveries of principal, surplus revenues and the proceeds of refunding bonds. Losses of $254 were attributed to the recognition of related bond discount. In general, where these redemptions were related to refundings, the overall interest rate was lower with the new bonds. The following is a summary of bonds redeemed:

	Interest Rate	Original Maturity	Amount	Redemption Price
2007 Series E-2 Term Bonds	Variable	11/15/2041	$8,000	100%
2008 Series C-1 Serial Bonds	4.00%	11/15/2016	310	100%
2008 Series D Term Bonds	Variable	11/15/2042	20,000	100%
2009 Series A-2 Serial Bonds	3.88%	11/15/2017	4,405	100%
2009 Series B Serial Bonds	3.45%	11/15/2017	1,520	100%
2009 Series D Serial Bonds	3.40%	11/15/2017	1,720	100%
2009 Series D Serial Bonds	3.65%	11/15/2018	1,770	100%
2009 Series D Serial Bonds	3.85%	11/15/2019	1,575	100%
2010 Series A Serial Bonds	2.75%	11/15/2016	1,670	100%
2010 Series A Serial Bonds	3.30%	11/15/2018	1,675	100%
2010 Series A Serial Bonds	3.50%	11/15/2019	1,705	100%
2010 Series A Serial Bonds	3.70%	11/15/2020	1,735	100%
2010 Series A Serial Bonds	3.90%	11/15/2021	975	100%
2010 Series A Serial Bonds	3.95%	11/15/2022	1,740	100%
2010 Series A Serial Bonds	4.00%	11/15/2023	1,885	100%
2010 Series B-1 Serial Bonds	2.25%	11/15/2016	1,570	100%
2010 Series B-1 Serial Bonds	2.60%	11/15/2017	1,185	100%
2010 Series B-3 Serial Bonds	3.40%	11/15/2016	1,750	100%
2010 Series B-3 Serial Bonds	3.80%	11/15/2017	5,060	100%
2010 Series C Serial Bonds	3.65%	11/15/2018	1,470	100%
2010 Series C Serial Bonds	3.90%	11/15/2019	1,510	100%
2010 Series D-1 Serial Bonds	3.35%	11/15/2017	1,090	100%
2010 Series D-1 Serial Bonds	3.70%	11/15/2018	405	100%
2010 Series D-2 Serial Bonds	2.90%	11/15/2016	615	100%
2010 Series D-2 Serial Bonds	3.35%	11/15/2017	410	100%
2010 Series D-2 Serial Bonds	3.70%	11/15/2018	240	100%

	Interest Rate	Original Maturity	Amount	Redemption Price
2010 Series D-2 Serial Bonds	4.05%	11/15/2019	270	100%
2011 Series A Serial Bonds	2.20%	11/15/2016	890	100%
2011 Series A Serial Bonds	3.20%	11/15/2019	975	100%
2011 Series A Serial Bonds	3.50%	11/15/2020	1,010	100%
2011 Series A Serial Bonds	3.63%	11/15/2021	1,050	100%
2011 Series A Serial Bonds	4.00%	11/15/2023	1,095	100%
2011 Series B-1 Serial Bonds	2.70%	11/15/2017	1,910	100%
2011 Series B-1 Serial Bonds	3.30%	11/15/2019	4,505	100%
2011 Series B-1 Serial Bonds	3.60%	11/15/2020	4,735	100%
2011 Series B-1 Term Bonds	4.00%	11/15/2023	2,950	100%
2011 Series C-1 Serial Bonds	2.00%	11/15/2016	5,000	100%
2011 Series C-1 Serial Bonds	3.00%	11/15/2019	4,275	100%
2011 Series C-1 Serial Bonds	3.20%	11/15/2020	3,320	100%
2011 Series C-2 Serial Bonds	4.00%	11/15/2025	3,470	100%
2011 Series D Serial Bonds	1.80%	11/15/2016	710	100%
2011 Series D Term Bonds	4.00%	11/15/2026	3,450	100%
2011 Series E Term Bonds	4.38%	11/15/2031	2,105	100%
2012 Series A-1 Serial Bonds	1.85%	11/15/2016	3,060	100%
2012 Series A-1 Serial Bonds	3.00%	11/15/2019	3,490	100%
2012 Series A-1 Serial Bonds	3.10%	11/15/2020	5,675	100%
2012 Series A-1 Term Bonds	4.00%	11/15/2024	9,000	100%
2012 Series A-1 Term Bonds	4.50%	11/15/2028	3,105	100%
2012 Series B-1 Serial Bonds	2.95%	11/15/2020	600	100%
2012 Series B-1 Term Bonds	4.25%	11/15/2027	13,920	100%
2013 Series A Serial Bonds	1.19%	11/15/2016	1,550	100%
2013 Series B Term Bonds	4.00%	11/15/2043	3,360	100%
2013 Series C Serial Bonds	1.12%	11/15/2016	3,500	100%
2013 Series D-1 Serial Bonds	1.63%	11/15/2016	1,735	100%
2013 Series D-1 Serial Bonds	2.90%	11/15/2020	1,880	100%
2013 Series D-2 Term Bonds	4.00%	11/15/2028	5,190	100%
2013 Series E Serial Bonds	1.25%	11/15/2016	1,795	100%
2013 Series E Serial Bonds	3.20%	11/15/2020	1,650	100%
2013 Series E Serial Bonds	4.00%	11/15/2023	3,420	100%
2014 Series A-1 Serial Bonds	1.10%	11/15/2016	810	100%
2014 Series A-1 Term Bonds	3.25%	11/15/2043	1,700	100%
2014 Series A-2 Term Bonds	4.00%	11/15/2028	9,865	100%
2014 Series C-1 Serial Bonds	0.65%	11/15/2016	705	100%
2014 Series C-1 Term Bonds	3.50%	11/15/2044	2,130	100%
2014 Series C-1 Term Bonds	3.63%	11/15/2029	500	100%
2015 Series A-2 Term Bonds	3.25%	11/15/2029	195	100%
2015 Series B Term Bonds	3.50%	11/15/2040	285	100%
2015 Series D Term Bonds	4.00%	11/15/2045	80	100%
2015 Series E-1 Serial Bonds	0.60%	11/15/2016	2,835	100%
2015 Series E-1 Term Bonds	3.50%	11/15/2035	4,680	100%
2015 Series E-1 Term Bonds	4.00%	11/15/2030	5,000	100%
2015 Series G Term Bonds	3.50%	11/15/2045	170	100%
2016 Series A Term Bonds	4.00%	11/15/2045	80	100%
2016 Series B-1 Term Bonds	3.50%	11/15/2046	965	100%
			$200,640	

(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, 2016, MaineHousing issued and redeemed bonds. The following is a summary of subsequent event transactions.

On March 22, 2017 MaineHousing issued, at par, $30,000 of bonds in the General Mortgage Purchase Bond Resolution as follows:

	Interest Rate	Maturity	Amount	Issued Price
2017 Series A Serial Bonds	1.55%-3.15%	2020-2028	$5,920	100%
2017 Series A Term Bonds	3.65%	2032	3,360	100%
2017 Series A Term Bonds	4.00%	2037	6,315	100%
2017 Series A Term Bonds	4.05%	2042	7,625	100%
2017 Series A Term Bonds	4.00%	2047	6,780	108%
			$30,000	

On March 29, 2017, MaineHousing committed to redeem at par, $20,065 of bonds in the General Mortgage Purchase Bond Resolution on April 24, 2017 as follows:

	Interest Rate	Maturity	Amount	Redemption Price
2009 Series C Serial Bonds	3.30%	11/15/2017	$1,200	100%
2010 Series A Serial Bonds	3.05%	11/15/2017	1,545	100%
2010 Series C Serial Bonds	3.30%	11/15/2017	1,445	100%
2011 Series A Serial Bonds	2.60%	11/15/2017	915	100%
2011 Series A Serial Bonds	2.90%	11/15/2018	945	100%
2011 Series B-1 Serial Bonds	2.70%	11/15/2017	1,650	100%
2011 Series B-1 Serial Bonds	3.75%	11/15/2021	3,425	100%
2011 Series C-1 Serial Bonds	2.38%	11/15/2017	5,715	100%
2011 Series C-1 Serial Bonds	3.38%	11/15/2021	1,285	100%
2011 Series D Serial Bonds	2.15%	11/15/2017	1,290	100%
2014 Series A-1 Term Bonds	3.25%	11/15/2043	305	100%
2015 Series B Term Bonds	3.50%	11/15/2040	115	100%
2015 Series D Term Bonds	4.00%	11/15/2045	230	100%
			$20,065	

Maine State Housing Authority
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF SELECTED PENSION INFORMATION – UNAUDITED
PRESENTED FOR YEARS INFORMATION IS AVAILABLE
FOR THE YEAR ENDED DECEMBER 31, 2016
(IN THOUSANDS OF DOLLARS)

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

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

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

	2016	2015	2014
Contractually Required Contribution	$506	$483	$492
Contributions in Relation to Contractually Required Contribution	$506	$483	$492
Contribution Deficiency (Excess)	$0	$0	$0
Employer's Covered Employee Payroll	$4,810	$4,598	$4,691
Contributions as a Percentage of Covered Employee Payroll	10.5%	10.5%	10.5%

The above schedules are intended to show information for 10 years. Retroactive information is not required to be presented. Information will be presented each year until 10 years of such information is available.

Notes to Required Supplementary Information

Changes of Benefit Terms:

There were no changes of benefit terms for the measurement period ended of June 30, 2016.

Changes of Assumptions:

The following assumption changes were reflected in the measurement period ended June 30, 2016:

* The investment rate of return was decreased from 7.125% to 6.875%.
* The inflation rate was decreased from 3.50% to 2.75%.
* The rates for annual salary increases, including inflation, were reduced from 3.50% - 9.50% to 2.75% - 9.00%
* The rate for cost of living benefit increases was reduced from 2.55% to 2.20%
* The mortality rates were changed from RP 2000 Table for males and females projected forward using Scale AA to RP 2014 Total Dataset Healthy Annuitant Table.