

**Golden State Finance Authority (GSFA)
Executive Committee Meeting
1215 K Street, Suite 1650
Sacramento, CA 95814**

May 6, 2015 – 10:00 a.m.

Executive Committee Members:

Supervisor Lee Adams, Sierra County
Supervisor John Viegas, Glenn County
Supervisor Bob Williams, Tehama County
Supervisor Nate Beason, Nevada County
Supervisor Les Baugh, Shasta County

Supervisor Rex Bohn, Humboldt County
Supervisor Doug Teeter, Butte County
Supervisor Roger Abe, Yuba County
Supervisor Tim Fesko, Mono County
Supervisor Kevin Cann, Mariposa County

Agenda

10:00 a.m.

**Special Order of Business
Simultaneous Meeting
RCRC Executive Committee Meeting
GSFA Executive Committee Meeting**

ACTION ITEMS

- 1. RCRC 2014 Annual Audit Exit Conference and Financial Statements**
- 2. GSFA 2014 Annual Audit Exit Conference and Financial Statements**

- I. Call to Order and Determination of Quorum**
Chair, Supervisor Kevin Cann, Mariposa County
- II. Approval of Minutes of the February 11, 2015 Meeting**
(Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise)
- III. Member County Concerns**
- IV. Public Comment**
- V. GSFA Quarterly Reports** (Discussion and possible action relative to)
Greg Norton
Lisa McCargar
 - a. Quarterly Budget Report (March 31, 2015)**
 - b. Quarterly Investment Report (March 31, 2015)**
 - c. Cash and Securities Asset Report (March 31, 2015)**

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VI. Business and Administrative Matters (Discussion and possible action relative to)

Greg Norton

Patricia Megason, Deputy Director

Craig Ferguson, Vice President

a. Appointment of Multi-Family Action Team – ACTION

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b. JPA Agreement Approval Update

c. Other Business and Administrative Matters

VII. Program Updates (Discussion and possible action relative to)

Greg Norton

Craig Ferguson

a. PACE Program Update

b. Multi-Family Program Update

c. Housing Program Update

VIII. Adjournment

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, contact Sarah Bolnik by calling (916) 447-4806 at least 48 hours before the meeting.

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment, please let staff know if you would like to speak on a specific agenda item. The agenda for this meeting of the Executive Committee of the Golden State Finance Authority was duly posted at its offices, 1215 K Street, Suite 1650, Sacramento, California, 72 hours prior to the meeting.



To: GSFA Executive Committee
From: Lisa McCargar, Chief Financial Officer
Greg Norton, Executive Director
Date: April 28, 2015
Re: GSFA 2014 Annual Audit Exit Conference and Financial Statements –
ACTION, Special Order of Business

Summary

The Golden State Finance Authority (Formerly the California Home Finance Authority in 2014) financial statements as of and for the year ended December 31, 2014, received an unqualified ("clean") audit opinion from Moss Adams LLP, our independent auditing firm. The auditors also issued a communication letter to Those Charged with Governance as required by U.S. audit standards. In summary, the communication states that there were no significant matters identified in the course of the audit and no audit adjustments were proposed or made to the original trial balance prepared by management.

Staff has continued efforts to enhance financial reporting and provide full disclosure of organizational financial activity. These audited financial statements further these efforts.

Staff Recommendation:

Staff recommends that the GSFA Executive Committee, acting in their function as the Audit Committee, review and approve the 2014 audited financial statements and communication letter as presented, for presentation and adoption by the GSFA Board of Directors.

Attachments

- GSFA (Formerly CHF) 2014 Audited Financial Statements
- Communications with Those Charged with Governance

**Report of Independent Auditors and
Financial Statements**

**California Home Finance
Authority**

December 31, 2014

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
California Home Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of California Home Finance Authority (CHF) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the CHF'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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 CHF'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of CHF as of December 31, 2014, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2015 on our consideration of CHF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CHF's internal control over financial reporting and compliance.

Moss Adams, LLP

Sacramento, California
April 2, 2015

CALIFORNIA HOME FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

This section presents management's discussion and analysis of California Home Finance Authority's (CHF) financial performance for the year ended December 31, 2014. Please read it in conjunction with the financial statements and notes thereto, which follow this section.

FINANCIAL HIGHLIGHTS

The assets of CHF exceeded liabilities at December 31, 2014, by \$68.4 million (net position), all of which is available to meet ongoing obligations. CHF's total net position increased by approximately \$2.4 million (up 3.6%) from December 31, 2013 to December 31, 2014 resulting from successful housing programs. As of December 31, 2014, in addition to cash resources available, assets include approximately \$9.3 million in second mortgage loans receivable, net of an allowance for loan losses. CHF's reported assets include approximately \$16.2 million in energy grant loans receivable, along with roughly \$10.8 million in cash deposits that are held on behalf of the California Energy Commission (CEC).

OVERVIEW OF THE FINANCIAL STATEMENTS

CHF's basic financial statements include the (1) statement of net position, (2) statement of revenues, expenses, and change in net position, (3) statement of cash flows, and (4) notes to basic financial statements, which explain in more detail some of the information in the financial statements.

CHF's financial statements report information about CHF using accounting methods similar to those used by private sector companies. These statements are intended to offer short-term and long-term financial information about its activities. The statement of net position includes all of CHF's operating assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to CHF creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities.

All of the revenues and expenses for 2014 are accounted for in the statement of revenues, expenses, and change in net position. This statement measures the success of CHF's operations over the year and can be used to determine whether CHF has successfully recovered all of its costs through the services it provides.

The statement of cash flows provides information about CHF's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, non-capital financing, and financing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of CHF's financial statements.

CALIFORNIA HOME FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

FINANCIAL ANALYSIS

California Home Finance Authority
Condensed Statement of Net Position
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Assets				
Current assets	\$ 217,842,052	\$ 107,370,771	\$ 110,471,281	102.9%
Non-current assets	25,915,542	31,566,858	(5,651,316)	(17.9%)
Total assets	<u>243,757,594</u>	<u>138,937,629</u>	<u>104,819,965</u>	<u>75.4%</u>
Liabilities				
Current liabilities	<u>175,363,757</u>	<u>72,942,249</u>	<u>102,421,508</u>	<u>140.4%</u>
Net position				
Net position, unrestricted	\$ <u>68,393,837</u>	\$ <u>65,995,380</u>	\$ <u>2,398,457</u>	<u>3.6%</u>

The statement of net position reflects a snapshot of CHF's financial position at a given moment in time. Changes in net position over time is an indicator of whether the financial condition of CHF is improving or declining. As of December 31, 2014, CHF's net position was \$68,393,837, an increase of \$2,398,457 (up 3.6%) from December 31, 2013. The increase in current assets of \$110,471,281 (up 102.9%) and the increase in current liabilities of \$102,421,508 (up 140.4%) resulted primarily from increased housing program activity and receivables and payables associated with estimated proceeds and obligations of mortgage backed securities to be settled at a future date. The decrease in noncurrent assets is due to energy loan and 2nd mortgage repayments.

CALIFORNIA HOME FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

FINANCIAL ANALYSIS (CONTINUED)

California Home Finance Authority
Condensed Statement of Revenues, Expenses, and Change in Net Position
Years Ended December 31, 2014 and 2013

	2014	2013	Increase (Decrease)	
			\$	%
Operating revenues				
Housing program revenue	\$ 22,345,056	\$ 18,321,431	\$ 4,023,625	22.0%
Administrative service fee revenue	1,198,203	-0-	1,198,203	100%
Grant fees	468,958	505,948	(36,990)	(7.3%)
Total operating revenues	<u>24,012,217</u>	<u>18,827,379</u>	<u>5,184,838</u>	<u>27.5%</u>
Operating expenses				
Housing program expenses	21,365,046	13,529,397	7,835,649	57.9%
Grant costs	398,696	443,096	(44,400)	(10.0%)
Total operating expenses	<u>21,763,742</u>	<u>13,972,493</u>	<u>7,791,249</u>	<u>55.8%</u>
Operating income	<u>2,248,475</u>	<u>4,854,886</u>	<u>(2,606,411)</u>	<u>(53.7%)</u>
Non-operating revenue				
Interest income	169,128	101,063	68,065	67.3%
Gain (loss) on investments	(19,146)	(32,348)	13,202	(40.8%)
Total non-operating revenues	<u>149,982</u>	<u>68,715</u>	<u>81,267</u>	<u>118.3%</u>
Change in net position	2,398,457	4,923,601	(2,525,144)	(51.3%)
Net position, beginning of year	<u>65,995,380</u>	<u>61,071,779</u>	<u>4,923,601</u>	<u>8.1%</u>
Net position, end of year	<u>\$ 68,393,837</u>	<u>\$ 65,995,380</u>	<u>\$ 2,398,457</u>	<u>3.6%</u>

The statement of revenues, expenses, and change in net position reflects activity that has occurred during the fiscal period of time covered by this report. For the year ended December 31, 2014, CHF's operating revenues increased by \$5,184,838 (up 27.5%) from the year ended December 31, 2013, primarily due to increased revenues from the down payment assistance gift program. CHF also experienced an increase in operating expenses of \$7,791,249 (up 55.8%) for the same period, which correspond directly with gift housing program activity.

CALIFORNIA HOME FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

BUDGETARY COMPARISON

California Home Finance Authority
Comparison of Budget and Actual Revenues, Expenses, and Change in Net Position
Year Ended December 31, 2014

	Budget	Actual	Actual Over (Under) Budget	
			\$	%
Operating revenues				
Housing program revenue	\$ 15,979,106	\$ 22,345,056	\$ 6,365,950	39.8%
Administrative service fee revenue	-0-	1,198,203	1,198,203	100%
Grant fees	410,400	468,958	58,558	14.3%
Total operating revenues	<u>16,389,506</u>	<u>24,012,217</u>	<u>7,622,711</u>	<u>46.5%</u>
Operating expenses				
Housing expenses	16,537,021	21,365,046	4,828,025	29.2%
Grant costs	410,400	398,696	(11,704)	(2.9%)
Total operating expenses	<u>16,947,421</u>	<u>21,763,742</u>	<u>4,816,321</u>	<u>28.4%</u>
 Operating income (loss)	 <u>(557,915)</u>	 <u>2,248,475</u>	 <u>2,806,390</u>	 <u>503.0%</u>
 Non-operating revenues	 <u>93,928</u>	 <u>149,982</u>	 <u>56,054</u>	 <u>59.7%</u>
 Change in net position	 <u>\$ (463,987)</u>	 <u>\$ 2,398,457</u>	 <u>\$ 2,862,444</u>	 <u>616.9%</u>

Operating revenue exceeded budget by \$7,622,711 and CHF's change in net position of \$2,398,457 exceeded budget by \$2,862,444, an increase of 616.9%, due to increased housing program activity. CHF's operating expenses exceeded budget by \$4,816,321, an increase of 28.4%, due to costs associated with increased housing program activity.

FUTURE ECONOMIC OUTLOOK

Favorable down payment assistance gift program activity for CHF is expected to continue through 2015, generating increased revenues associated with housing programs. Further, CHF's Board has authorized the organization to further explore energy programs for various property types during 2015 while remaining focused on the affordability challenges of its constituents.

**CALIFORNIA HOME FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

FUTURE ECONOMIC OUTLOOK (CONTINUED)

As of December 31, 2014, CHF has \$9.9 million of amortizing second mortgage loans in portfolio from prior years' second mortgage down payment assistance programs, the last of which was discontinued at the end of 2013. In addition to existing housing and energy programs, CHF is in the process of developing new programs that will include the use of existing resource commitments approved by the Board. CHF's down payment assistance gift program, implemented in late 2010, continued its success in 2014 and is budgeted to grow further in 2015. To remain competitive and continue to provide effective programs, it will be necessary for the organization to continue to be innovative in the development of such programs. In 2014, CHF programs assisted more than 2,100 families with the purchase of a home.

CHF revenues exceeded the projected levels for 2014. As of December 31, 2014, CHF had approximately \$68.4 million in net position available including \$71.8 million in cash which includes \$10.8 million held on behalf of the California Energy Commission and Pacific Gas & Electric (PG&E). We anticipate that continued investment in existing and new housing and energy programs will lead to strong operating revenues in 2015 and future years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of CHF's finances for all those with an interest in CHF's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Chief Financial Officer, 1215 K Street, Suite 1650, Sacramento, CA 95814.

CALIFORNIA HOME FINANCE AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS

Current assets

Cash and cash equivalents	\$	71,365,898
Accounts receivable, proceeds from sale of securities		146,155,469
Accounts receivable		269,252
Interest receivable		9,733
Prepaid expenses		41,700
Total current assets		217,842,052

Noncurrent assets

Restricted cash		397,039
Energy grant loans receivable		16,223,219
Second mortgage loans receivable, net of allowance for loan losses of \$650,000		9,295,284
Total assets	\$	243,757,594

LIABILITIES AND NET POSITION

Current liabilities

Accounts payable	\$	59,075
Accounts payable, securities sold, at fair value		147,249,844
Accounts payable to California Energy Commission		24,970,902
Accounts payable to affiliated entities		508,948
Unearned revenue		2,574,988
Total liabilities		175,363,757

Net position, unrestricted

Total liabilities and net position	\$	243,757,594
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The accompanying notes are an integral part of these financial statements

CALIFORNIA HOME FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2014

Operating revenues	
Housing program revenue	\$ 20,678,682
Administrative service fee revenue	1,198,203
Bond and program residual funds	706,688
Issuer fees	17,566
Mortgage interest	942,120
Grant fees	468,958
	<hr/>
Total operating revenues	24,012,217
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Operating expenses	
Contract support services	3,248,958
Accounting and auditing	42,314
Business development and expansion	74,730
Consultants	144,000
Contract performance fee	1,541,183
Grant costs	398,696
Insurance	54,875
Legal fees	76,266
Provision for loan losses	207,232
Gift program	15,846,334
Promotion and marketing	17,713
Rent	48,656
Travel	5,633
Miscellaneous	57,152
	<hr/>
Total operating expenses	21,763,742
	<hr/>
Operating income	2,248,475
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Non-operating revenues (expenses)	
Interest income	169,128
Loss on investments	(19,146)
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Total non-operating revenues	149,982
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Change in net position	2,398,457
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Net position, beginning of year	65,995,380
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Net position, end of year	\$ 68,393,837
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The accompanying notes are an integral part of these financial statements

CALIFORNIA HOME FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

Cash flows from operating activities	
Cash receipts from loan and grant programs	\$ 31,056,110
Cash receipts from bond and residual funds	1,036,881
Cash paid for contract services	(4,790,141)
Cash paid for services and supplies	<u>(16,083,934)</u>
Net cash provided by operating activities	<u>11,218,916</u>
Cash flows from investing activities	
Interest received and loss on investments	148,230
Proceeds from related party advance repayment	5,500,000
Related party advance	<u>(5,500,000)</u>
Net cash provided by investing activities	<u>148,230</u>
Cash flows used in financing activities	
Second mortgages purchased	<u>(130,328)</u>
Increase in cash and cash equivalents	11,236,818
Cash and cash equivalents, beginning of year	<u>60,526,119</u>
Cash and cash equivalents, end of year	\$ <u>71,762,937</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 2,248,475
Provision for loan losses	207,232
Adjustment to reconcile operating income to net cash provided by operating activities	
Decrease in accounts receivable and energy grant loans	2,702,937
Decrease in second mortgage loans receivable	2,860,808
Decrease in mortgage backed securities	1,639,347
Increase in accounts receivable, proceeds from sale of securities	(100,859,844)
Increase in prepaid expenses	(1,547)
Decrease in unearned revenue	(593,225)
Increase in accounts payable to affiliated entity	436,344
Increase in accounts payable securities sold, at fair value	102,289,082
Increase in accounts payable	<u>289,307</u>
Net cash provided by operating activities	\$ <u>11,218,916</u>

The accompanying notes are an integral part of these financial statements

CALIFORNIA HOME FINANCE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – California Home Finance Authority (CHF), a California joint powers authority, is an organization of certain political subdivisions of the state of California, engaged in the exercise of an essential government function and not required to file federal or state income tax returns. CHF was organized on July 1, 1993, under the provisions of the Government Code of the state of California, which authorized CHF to be created by the joint powers agreement entered into by counties for the purpose of assisting homebuyers with mortgage financing. CHF is governed by representatives of its member counties, each of which appoints an elected county supervisor which comprises the Board of Directors, which are counties in California having an interest in the general and specific purposes of CHF. Member counties of CHF are as follows: Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Imperial, Inyo, Lake, Lassen, Madera, Mariposa, Mendocino, Merced, Modoc, Mono, Napa, Nevada, Placer, Plumas, San Benito, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tulare, Tuolumne, Yolo, and Yuba.

CHF programs are designed to provide assistance for adequate, safe, and sanitary residential housing. CHF makes available competitively priced financing opportunities for homebuyers for the purchase of residential housing and energy retrofits, with particular emphasis on assisting low and moderate income homebuyers. CHF works in cooperation with regional lenders to provide mortgage loan financing and down-payment assistance to families and individuals in the state of California who otherwise may not be able to afford to purchase a home.

CHF contracts for various administrative and support services with the Rural County Representatives of California (RCRC), a California nonprofit mutual benefit corporation. RCRC was organized to serve and strengthen county and local governments through definition, study, and actions relative to problems affecting the member counties and their resources to include but not be limited to those of social, economic, environmental, and ecological importance.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of CHF's accounting policies are described below.

Basis of Accounting – CHF is accounted for as an enterprise fund and its financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

CHF distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with CHF's principal ongoing operations. The principal operating revenues of CHF are charges for services (i.e., loan program fees investment gains, bond issuance fees, on-going issuer fees, and bond residuals) associated with its affordable housing loan programs. Interest and capital gain income earned on second mortgage loans and mortgage-backed securities is also reported as operating income. Operating expenses of CHF include the cost of providing the services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenue and expense.

CALIFORNIA HOME FINANCE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued) – When both restricted and unrestricted resources are available for use, it is CHF's policy to use unrestricted resources first, then restricted resources as they are needed.

Cash and Cash Equivalents – CHF considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents, including investments in the California Local Agency Investment Fund (LAIF) and CalTRUST.

California statutes and CHF's investment policy authorize the investment of idle or surplus funds in U.S. Treasury obligations, U.S. government agencies, bankers' acceptances, commercial paper, negotiable CD's, medium-term notes, repurchase agreements, time certificates of deposit, LAIF, and CalTRUST.

Second Mortgage Loans – Second mortgage loans receivable represent future principal payments on outstanding second mortgage loans purchased as part of various CHF down payment assistance programs. During 2014, CHF received \$942,120 in interest from these assets. As of December 31, 2014, \$9,295,284 in second mortgages remain outstanding net of the allowance for loan losses.

Allowance for Loan Losses – CHF maintains an allowance for loan losses at a level considered adequate to provide for probable losses on existing second mortgages receivable. The allowance for loan losses is based on estimates of historical loss trends and current exposure in the loan pools. Actual losses may vary from current estimates.

Mortgage Backed Securities Housing Program Revenue – Housing program revenue consists of program fees earned on CHF's down payment assistance gift program, including gains and losses on mortgage backed securities, second mortgage loans, and other administrative programs.

As part of the gift program, CHF purchases pools of government backed mortgage backed securities (MBS) for resale into the secondary market. To manage exposure to interest rate risk on the purchase and subsequent resale of MBS's into the secondary market, CHF enters into sales agreements of "to-be-announced" (TBA) GNMA & FNMA securities, in which CHF has committed to deliver securities at contracted prices at a future date. Realized and unrealized gains and losses on mortgage backed securities are reported in housing program revenue as the activity relates solely to the down payment assistance program (Note 5).

CALIFORNIA HOME FINANCE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position – Net position is classified into the following categories:

- *Invested in capital assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets; CHF does not have any net position in this category as of December 31, 2014.
- *Restricted – non-expendable:* Net position subject to externally imposed conditions that CHF retains in perpetuity; CHF does not have any net position in this category as of December 31, 2014.
- *Restricted – expendable:* Net position subject to externally imposed conditions that can be fulfilled by the actions of CHF or by the passage of time; CHF does not have any net position in this category as of December 31, 2014.
- *Unrestricted:* All other categories of net position; in addition, unrestricted net position may be designated for use by management or the Board of Directors.

CHF has adopted a policy of generally utilizing restricted – expendable funds, prior to unrestricted funds, when an expenditure is incurred for purposes for which both are available.

Revenue Recognition – Operating revenue such as loan program, bond residual, and issuer fees are recognized as earned. Operating and non-operating interest and investment income is also recognized as earned. Grant revenue is recognized as allowable expenditures are incurred. Advances received are deferred until allowable expenses are incurred.

Income Taxes – Because CHF is a political subdivision of the state of California and engaged in the exercise of an essential government function, it is not required to file federal or state income tax returns.

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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The allowance for loan losses and fair market value of financial instruments are particularly subject to change.

CALIFORNIA HOME FINANCE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - CASH AND CASH EQUIVALENTS

A summary of CHF's cash and cash equivalents as of December 31, 2014, is as follows:

Deposits with financial institutions	\$	3,493,277
Money market funds		10,422,504
Brokerage account		38,540,502
LAIF		183,529
CalTRUST		19,123,125
Total cash and cash equivalents	\$	<u>71,762,937</u>

Deposits-Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, CHF's deposits may not be returned to it. As of December 31, 2014, CHF's deposits with financial institutions are entirely insured or collateralized. Section 53652 of the California Governmental Code requires financial institutions to secure deposits made by governmental units in excess of insured amounts, by the pledging of governmental securities as collateral. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by governmental units.

Interest Rate and Credit Risk - Interest rate risk is the risk that changes in the market interest will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

CHF may own mortgage-backed securities that are secured by first mortgage loans. These are fixed rate securities backed by the Government National Mortgage Association or the Federal National Mortgage Association that were rated AAA by nationally recognized rating agencies. There were no mortgage-backed securities owned by CHF as of December 31, 2014.

CHF maintains money-market funds held with its banks and a securities firm. Bank money market funds are held in connection with its housing programs to provide the required deposit for the California Debt Limit Allocation Committee tax-exempt bond allocation to CHF. Money-market funds held at the securities firm are the accumulation of interest and principal from mortgage backed securities and proceeds from their sales. CHF's investment in money-market funds were rated at AAA by Standard & Poor's.

Highly Liquid Investments - As of December 31, 2014, CHF also maintains highly liquid investment accounts with CalTRUST in the amount of \$19,123,125. CalTRUST is a program established by local public agencies in California for the purpose of pooling and investing local agency funds. CalTRUST offers three investment accounts, of which CHF invests in two. The total amount invested by public agencies in CalTRUST as of December 31, 2014, exceeded \$2 billion.

CALIFORNIA HOME FINANCE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Highly Liquid Investments (continued) – CalTRUST is a joint powers authority that was formed to pool and invest funds of public agencies. Three pools are offered and CHF is currently invested in the short term and medium term funds. Because CHF's deposits are maintained in a recognized Pooled Investment Fund (Fund) under the care of a third party and CHF's share of the pool does not represent specific identifiable investment securities owned by CHF, no disclosure of the individual deposits and investments and related custodial credit risk is required.

A Board of Trustees supervises and administers the investment program of CalTRUST. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53602, et seq. and 53635, et seq. CalTRUST Short Term is rated Aa1/S1+ by a credit rating agency. CHF's highly liquid investment in CalTRUST is reported at fair value.

CHF also places certain funds with LAIF. CHF is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the CHF's investment in the pool is reported in the accompanying financial statements based upon CHF's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Because CHF's deposits are maintained in a recognized Pooled Investment Fund under the care of a third party and CHF's share of the pool does not consist of specific, identifiable investment securities owned by CHF, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer.

LAIF investments are audited annually by the Pooled Money Investment Board and the state Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. Included in the Pooled Money Investment Account's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities which represent 1.08% of the portfolio.

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of pool shares in LAIF that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of CHF's position in the pool. CHF's investment in LAIF is reported at fair value and is not rated by credit rating agencies.

CALIFORNIA HOME FINANCE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Restricted Cash - Restricted cash includes funds held for projects and are restricted as to their use. These amounts are included in cash and cash equivalents in the statement of cash flows regardless of whether there are restrictions on their use. Restricted cash includes cash and cash equivalents with original maturity dates of three months or less. As of December 31, 2014 cash balances of \$397,039 were restricted.

NOTE 3 - SECOND MORTGAGE LOANS RECEIVABLE

Second mortgage loans receivable represent future principal payments on outstanding second mortgage loans purchased as part of various CHF down payment assistance programs.

Second mortgage loans receivable as of December 31, 2014, are as follows:

Second mortgages	\$ 9,945,284
Allowance for loan losses	<u>(650,000)</u>
Total second mortgage loans receivable, net of allowance for loan losses	<u>\$ 9,295,284</u>

Activity in the allowance for loan losses for the year ended December 31, 2014, is as follows:

Balance, beginning of year	\$ 559,698
Charge-offs	(132,181)
Recoveries	15,251
Provision for loan losses	<u>207,232</u>
Balance, end of year	<u>\$ 650,000</u>

NOTE 4 - RELATED PARTY TRANSACTIONS

For the year ended December 31, 2014, CHF maintained a contract support services agreement with RCRC, an affiliated entity, that included support services payments and an agreed-upon performance fee. The contract performance fee calculation is based on housing program success and provides an incentive to RCRC. For the year ended December 31, 2014, CHF recorded a fee to RCRC of \$1,541,183. The support services agreement calls for a flat fee of \$146,726 a month to operate and administer CHF operations. For the year ended December 31, 2014, CHF also paid RCRC \$1,488,246 for reinstated 2004 administrative service contract fees previously written off due to inability to pay. At December 31, 2014, \$274,163 is payable to RCRC under this agreement.

CALIFORNIA HOME FINANCE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

Also for 2014, CHF entered into a service agreement with National Homebuyers Fund, Inc. (NHF) whereby NHF manages CHF's housing programs and residential energy loan servicing. For the year ended December 31, 2014, CHF incurred approximately \$2 million for such services, which are included in gift program expenses. Also, CHF charges a fee to NHF for administrative services related to one of its housing programs. Fees earned are reported as administrative service fee revenue in the statement of revenue, expenses, and change in net position. At December 31, 2014, \$234,785 is payable to NHF.

The support service agreements with both RCRC and NHF are annual agreements, expiring on December 31st of each year, with successive one year automatic renewals until terminated by either party.

In April 2014, CHF entered into a revolving debt obligation with NHF providing for a loan of up to \$10 million. Advances under the obligation could be made in minimum amounts of \$500,000 and were due one year from the date of the advance. Interest on all outstanding advances is due monthly. During 2014, advances to NHF totaled \$5.5 million. As of December 31, 2014, the entire loan balance including interest has been repaid and the revolving debt obligation was terminated. During the year ended December 31, 2014, interest earned by CHF on the revolving debt is \$47,438.

NOTE 5 – GIFT HOUSING PROGRAM

CHF implemented the down payment assistance gift housing program in October 2010 targeting low to moderate income homebuyers. The gift program provides a down payment assistance grant. CHF has partnered with financial institutions to market the program to homebuyers.

As part of this program, CHF purchases pools of government backed mortgage backed securities (MBS) for resale into the secondary market. To manage exposure to interest rate risk on the purchase and subsequent resale of MBS's into the secondary market, CHF enters into sales agreements of "to-be-announced" (TBA) GNMA & FNMA securities, in which CHF has committed to deliver securities at contracted prices at a future date. The entity has recorded a receivable of \$146.2 million for the estimated proceeds from the sale. CHF has also recorded a liability of \$147.2 million to purchase the securities at prevailing prices at December 31, 2014 in order to fulfill the future obligation. As of December 31, 2014, there were no mortgage backed securities outstanding.

CALIFORNIA HOME FINANCE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – ENERGY PROGRAMS

California Energy Commission Grant – In September 2010, CHF was awarded a \$16.5 million grant from the California Energy Commission (CEC). The grant's purpose is to provide low interest loans and grants to low to moderate income homeowners to perform home energy retrofits. In April 2012, the CEC had amended the grant to award CHF an additional \$14.0 million. CEC had advanced \$26.7 million to CHF for the sole purpose of funding the loans. As of December 31, 2014, \$1.6 million of the advance had not been used for loans and is included in unearned revenue. Interest earned on the advances is due back to the CEC and is recorded as an account payable at December 31, 2014.

Under the original terms of the grant, CHF was allowed to recover its administrative costs to administer the program up to \$1.37 million. During 2014, CHF incurred legal, program, loan servicing, and staff expenses to operate the program; the majority of these expenses are reimbursable under the terms of the grant. CHF invoiced \$398,696 for reimbursement during the year for allowable expenses incurred.

Energy Contract – In December 2012, CHF entered into an Energy Upgrade California (EUC) contract with Pacific Gas & Electric (PG&E) to participate in the EUC related energy efficiency financing program. Under the terms of the contract, CHF utilized funds pursuant to the contract to leverage private financing to provide a residential energy retrofit program. CHF administers the program and funded a Loan Loss Reserve (LLR) with funds contributed by PG&E. PG&E customers' actual loans are financed by a bank. As of December 31, 2014, the LLR is \$397,039 and is included in restricted cash.

NOTE 7 – CONDUIT DEBT

CHF has conduit debt issued and outstanding as of December 31, 2014, for tax-exempt mortgage revenue bonds of \$19.04 million. These conduit debt financings are secured solely by the pledged assets, reserves, and insurance and do not constitute general obligations of CHF.

Bond residuals from a portion of the above mentioned debt resulted in approximately \$672,000 due to the sale of the related mortgage backed securities and is included in bond and program residual funds in the statement of revenue, expenses, and changes in net position.

NOTE 8 – RISK MANAGEMENT

CHF is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. RCRC purchases commercial insurance through an insurance agent who obtains the appropriate insurance coverage needed from insurance companies, which includes coverage for CHF. CHF reimbursed RCRC for its pro-rata portion of the insurance premiums. There have been no settlement amounts that have exceeded commercial insurance coverage for the last three years.



**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
California Home Finance Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of California Home Finance Authority (CHF) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise CHF's basic financial statements, and have issued our report thereon dated April 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CHF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CHF's internal control. Accordingly, we do not express an opinion on the effectiveness of CHF's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CHF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams, LLP

Sacramento, California
April 2, 2015

Communications with
Those Charged with Governance
California Home Finance Authority
December 31, 2014

MOSS ADAMS_{LLP}
Certified Public Accountants | Business Consultants



To the Board of Directors and Management
California Home Finance Authority

We have audited the financial statements of California Home Finance Authority (CHF) as of and for the year ended December 31, 2014, and have issued our report thereon dated April 2, 2015. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter dated November 5, 2014, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America as well as Government Auditing Standards, issued by the Comptroller General of the United States, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CHF's internal control over financial reporting. Accordingly, we considered CHF's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter and during planning discussions conducted on January 21, 2015.

SIGNIFICANT AUDIT FINDINGS AND ISSUES

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CHF are described in Note 1 to the financial statements. No new accounting policies were adopted and there were no changes in the application of existing policies during 2014. We noted no transactions entered into by CHF during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for loan loss on second mortgages receivable is based on estimates of historical loss trends and current exposure in the loan pools. We evaluated the key factors and assumptions used in the estimate in determining that it is reasonable in relation to the financial statements as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Disclosure of the reporting entity and its operations, basis of accounting, and summary of significant accounting policies are described in Note 1.

Disclosure of cash and cash equivalents in Note 2, which describes the balances of cash, and cash equivalents at December 31, 2014, and the various types of risk associated with the cash balances.

Disclosure of mortgage backed securities and forward sales of "to-be-announced" (TBA) securities in Note 1 and Note 5. Mortgage backed securities sold, not yet purchased, represent obligations of CHF to deliver the specified security at a contract price, thereby creating a liability to purchase the security at quoted market prices. CHF also records a receivable as of the trade date for the estimated proceeds receivable. Realized and unrealized gains and losses on mortgage backed securities are reported in operating income as the activity relates solely to the gift housing program.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements as of and for the year ended December 31, 2014.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 2, 2015.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to CHF's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CHF's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of CHF, is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Sacramento, California
April 2, 2015

**Golden State Finance Authority (GSFA)
Executive Committee Meeting
1215 K Street, Suite 1650 Board Room
Sacramento, CA 95814
(916) 447-4806**

February 11, 2015 – 10:30 a.m.

Executive Committee Members:

Supervisor Lee Adams, Sierra County
Supervisor John Viegas, Glenn County
Supervisor Bob Williams, Tehama County
Supervisor Nate Beason, Nevada County
Supervisor Kevin Cann, Mariposa County

Supervisor Rex Bohn, Humboldt County
Supervisor Doug Teeter, Butte County
Supervisor Roger Abe, Yuba County
Supervisor Tim Fesko, Mono County

Minutes

Call to Order and Determination of Quorum

Chair, Supervisor Kevin Cann, Mariposa County, called the meeting of the Golden State Finance Authority Executive Committee to order at 12:28 p.m. A quorum was determined at that time; those present were as follows:

<u>Supervisors in Attendance</u>	<u>County</u>
Doug Teeter	Butte
John Viegas	Glenn
Rex Bohn	Humboldt
Kevin Cann	Mariposa
Tim Fesko	Mono
Nate Beason	Nevada
Lee Adams	Sierra
Bob Williams	Tehama
Roger Abe	Yuba

Absent Members

None

Staff in Attendance

Greg Norton, Executive Director
Patricia Megason, Deputy Director
Craig Ferguson, Vice President
Lisa McCargar, Chief Financial Officer
Sarah Bolnik, Office Manager

Others in Attendance

None

Member County Concerns

None

Public Comment

None

Quarterly Budget and Investment Reports for GSFA and NHF

Greg Norton, Executive Director, presented the Quarterly Investment & Budget Reports and the Cash and Securities Asset Report for the Fourth Quarter of 2014 (period ending December 31, 2014).

Proposed Revisions to the GSFA JPA Agreement

Greg Norton discussed amendments to the GSFA JPA agreement. The primary proposed revisions included (1) the name change from California Home Finance Authority to Golden State Finance Authority, and (2) the number of members on the GSFA Executive Committee to "no fewer than nine and no more than eleven members".

Staff Recommendation:

Staff recommends that the GSFA Executive Committee review and approve the proposed revisions to the GSFA Joint Powers Authority Agreement and direct staff to recommend approval by the GSFA Board of Directors.

Supervisor Rex Bohn, Humboldt County, motioned to approve staff recommendations as presented. Supervisor Bob Williams, Tehama County, seconded the motion. Motion unanimously passed.

Second Mortgage Portfolio Performance

Greg Norton reviewed the Second Mortgage Portfolio for GSFA and provided the Executive Committee with an update on the portfolio performance.

PACE Program Launch; Validation Status; Opt-in Status

Greg Norton provided an update on the PACE program. Mr. Norton reported that the program is moving forward as expected, the civil validation is progressing and the opt-in process by Counties and Cities will occur in the near future. Sample resolutions and staff reports are expected to be finalized by the end of the week, and will be distributed to each county for use in the approval process.

Multi-Family Program

Craig Ferguson, Vice President, provided an update on the multifamily program. Mr. Ferguson discussed the proposal of a smaller action committee for review and approval of multifamily projects and how it would be more effective for review and approval of specific multifamily projects in order to meet deadlines. Mr. Ferguson also addressed four specific multifamily projects and the proposed associated subsidy loans from GSFA.

Staff Recommendation:

Staff recommends that the GSFA Executive Committee approve the following recommendations for submission to the GSFA Board of Directors:

1. A resolution authorizing:
 - a. The issuance of debt for new and/or refinance & rehabilitation multi-family projects, and submission of application to CDLAC, of up to \$1.0 billion of 4% LIHTC tax credit bond allocation in 2015.
 - b. Delegation and authorization of specific project approval including financing amount, all necessary documents, and all other necessary steps to implement the program on behalf of GSFA to the Executive Committee or a designated committee of GSFA Board Members.
2. Approve the investment of up to \$1.0 million of GSFA resources as subsidy loans to be allocated among these four specific projects.

Supervisor Nate Beason, Nevada County, motioned to approve staff recommendations as presented. Supervisor Tim Fesko, Mono County, seconded the motion. Motion unanimously passed.

MCC Allocation Update

Craig Ferguson gave an update on the Mortgage Credit Certificate allocation for GSFA. The program continues to be successful.

2014 Program Results Summary

Greg Norton provided a summary of all the housing programs reports for fiscal year 2014.

Adjournment

Supervisor Kevin Cann, Mariposa County, adjourned the meeting of the GSFA Executive Committee at 1:10 p.m.



Golden State Finance Authority (GSFA)
1215 K Street, Suite 1650 · Sacramento, California 95814
Phone: (855) 740-8422 · Fax: (916) 444-3219 · www.gsfa-home.org

To: GSFA Executive Committee
From: Greg Norton, Executive Director
Lisa McCargar, Chief Financial Officer
Date: April 28, 2015
Re: Quarterly Budget Report for GSFA

Summary

The Statement of Revenues and Expenses for GSFA provide a budget to actual comparison for the 1st quarter which ended March 31, 2015.

Attachment

- GSFA Statement of Revenues and Expenses for the 1st Quarter 2015

GOLDEN STATE FINANCE AUTHORITY
Statement of Revenue and Expenses
2015 Budget Vs. Actual
For the Quarter Ended March 31, 2015

	2015 Annual Budget	Quarter Ended 2015 Budget (25%)	Quarter Ended March 31, 2015 Actual	Varalance Favorable / (Unfavorable)	Percent Favorable / (Unfavorable)
Income:					
Grant Reimbursed Costs	\$ 363,000	\$ 90,750	\$ 98,376	\$ 7,626	8.40%
Housing Program Revenue	22,216,500	5,554,125	6,101,607	547,482	9.86%
Interest Income	120,000	30,000	65,794	35,794	119.31%
Ongoing Issuer Fees	15,000	3,750	6,013	2,263	60.34%
2nd Mortgage Interest	650,000	162,500	211,015	48,515	29.86%
Total Income	\$ 23,364,500	\$ 5,841,125	\$ 6,482,805	\$ 641,680	10.99%
Expenditures:					
Accounting & Auditing	\$ 30,000	\$ 7,500	\$ 15,600	\$ (8,100)	-108.00%
Arbitrage Rebate	5,000	1,250	0	1,250	100.00%
Board Member Travel and Reimbursement	15,000	3,750	0	3,750	100.00%
Business Development and Expansion	50,000	12,500	24,033	(11,533)	-92.26%
CDLAC fees	35,000	8,750	24,092	(15,342)	-175.34%
Consultants	84,000	21,000	21,000	0	0.00%
Contract Support Services	1,461,275	365,319	365,319	(0)	0.00%
Contract Performance Fee	1,150,000	287,500	0	287,500	100.00%
Grant Costs	363,000	90,750	91,391	(641)	-0.71%
Insurance	40,270	10,068	6,035	4,033	40.05%
Legal Services	100,000	25,000	35,651	(10,651)	-42.60%
Loan Losses	250,000	62,500	25,245	37,255	59.61%
Gift Program	16,000,000	4,000,000	3,425,364	574,636	14.37%
Pipeline Services	180,000	45,000	36,250	8,750	19.44%
DPA Program Management (40 bps)	1,500,000	375,000	307,873	67,127	17.90%
Promotion and Marketing	50,000	12,500	4,986	7,514	60.11%
Rent	49,916	12,479	12,609	(130)	-1.04%
Sponsorships	50,000	12,500	5,000	7,500	60.00%
Travel	10,000	2,500	950	1,550	62.00%
Other Expenses	61,600	15,400	4,859	10,541	68.45%
Total Expenditures	\$ 21,485,061	\$ 5,371,265	\$ 4,406,257	\$ 965,008	17.97%
Net Revenues Over Expenditures	\$ 1,879,439	\$ 469,860	\$ 2,076,548	\$ 1,606,688	341.95%



Golden State Finance Authority (GSFA)
1215 K Street, Suite 1650 · Sacramento, California 95814
Phone: (855) 740-8422 · Fax: (916) 444-3219 · www.gsfahome.org

To: GSFA Executive Committee
From: Greg Norton, Executive Director
Lisa McCargar, Chief Financial Officer
Date: April 28, 2015
Re: Quarterly Investment Report for GSFA

Summary

In accordance with GSFA's investment policy, staff is providing the 1st quarter 2015 investment report. This report provides a summary of year-to-date investment transactions through the quarter ending March 31, 2015. In addition, the report provides the 1st quarter's returns by investment type and a comparison to the 90 day Treasury Rate.

The CalTRUST yields are the funds' reported 1st quarter yields. The LAIF return is the fund's 1st quarter apportionment rate.

Attachment

- GSFA Investment Report – 1st Quarter 2015

GOLDEN STATE FINANCE AUTHORITY
Investment Report
March 31, 2015

	Total	CalTRUST Short-Term	CalTRUST Medium-Term	LAIF
Balance 12/31/14	\$19,316,587	\$7,371,576	\$11,761,364	\$183,647
Additions	-	-	-	-
Withdrawals	-	-	-	-
Interest (accrued)	30,535	7,893	22,524	118
Capital Gain/(Loss)	42,476	7,359	35,117	-
Balance 3/31/15	\$19,389,598	\$7,386,828	\$11,819,005	\$183,765

1st Quarter Yield:

		M-TF	LAIF
Investments	0.40%	0.74%	0.26%
Average Maturity (days)	482	722	191
90 Day Treasury Bill Rate	0.03%		

All current cash investments are held in either California Treasurer's Local Agency Investment Fund (LAIF) or CalTRUST's Short-Term Fund or Medium-Term Fund. Cash in the LAIF fund and the CalTRUST Short-Term Fund may be accessed within 24 hours. Cash in the CalTRUST Medium-Term Fund may be accessed at the end of each month.

No members of the Investment Committee have any conflict of interest with any current investment firms.

Purpose of transactions in excess of \$1 million:

-None



Golden State Finance Authority (GSFA)
1215 K Street, Suite 1650 · Sacramento, California 95814
Phone: (855) 740-8422 · Fax: (916) 444-3219 · www.gsfa-home.org

To: GSFA Executive Committee
From: Greg Norton, Executive Director
Craig Ferguson, Vice President
Date: April 28, 2015
Re: Appointment of Multi-Family Action Team – **ACTION**

Summary

At the March 10, 2015 Golden State Finance Authority Board of Directors meeting, the Board unanimously approved Resolution 2015-04 (attached). Resolution 2015-04 authorizes the creation of a Multi-Family Review and Approval Action Team (Multi-Family Action Team) with authority to review and approve specific multi-family projects, loan subsidies, if any, and related actions in furtherance of the purposes of the Authority. The Multi-Family Action Team will consist of five GSFA Delegates appointed by the GSFA Chair and approved by the GSFA Executive Committee.

Staff Recommendation

Staff recommends that the GSFA Chair, Supervisor Kevin Cann, Mariposa County, announce the Multi-Family Action Team appointments and that the Executive Committee approve the delegates appointed to serve as the Multi-Family Action Team.

Attachment

- Resolution 2015-04

RESOLUTION NO. 2015-04

BOARD RESOLUTION APPROVING AND AUTHORIZING APPOINTMENT OF MULTI-FAMILY REVIEW AND APPROVAL ACTION TEAM OF DELEGATES TO REVIEW AND APPROVE SPECIFIC MULTI- FAMILY PROJECTS

WHEREAS, the California Home Finance Authority is a duly constituted California joint exercise of powers authority ("JPA"), organized and existing under and by virtue of the laws of the State of California; and

WHEREAS, the California Home Finance Authority is in the process of changing its name to Golden State Finance Authority, and by Resolution No. 15-02, adopted on January 21, 2015, the Board authorized the use of the name Golden State Finance Authority for operational purposes and directed staff to proceed with efforts to formally change the name from California Home Finance Authority to Golden State Finance Authority (the "Authority"); and

WHEREAS, Section 7.g. of the Amended and Restated Joint Exercise of Powers Agreement (the "JPA Agreement") for the Authority provides that the Board has the authority, by resolution, to delegate any of its functions to one or more Delegates (as defined in the JPA Agreement), and to cause any such authorized Delegates to take any actions and execute documents for and in the name and on behalf of the Board or the Authority; and

WHEREAS, because specific deadlines relating to the application process and other requirements associated with certain multi-family projects do not always allow for timely review and approval by the Board or the Executive Committee, the Board desires to designate a committee of Delegates and authorize said committee to review and approve specific multi-family projects on behalf of the Authority;

NOW, THEREFORE, BE IT RESOLVED BY THE Board of the Authority as follows:

1. The Board hereby approves and authorizes the creation of a Multi-Family Review and Approval Action Team (the "Multi-Family Action Team"), to consist of five (5) Delegates to be appointed by the Chair of the Authority, and approved by the Executive Committee.

2. Following appointment and approval of the members of the Multi-Family Action Team as provided in Section 1, above, the Multi-Family Action Team shall thereafter have the authority to review and approve specific multi-family project applications applying for participation in a program sponsored by the Authority, on behalf of the Authority, and to direct staff to take such actions as may be necessary to help obtain financing for the construction, acquisition, improvement and/or rehabilitation

of real property with respect to such multi-family projects, in furtherance of the purposes of the Authority.

PASSED, APPROVED AND ADOPTED by the Board of the Golden State Finance Authority, the 18 day of March 2015.

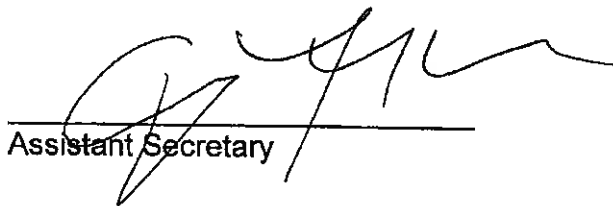
GOLDEN STATE FINANCE AUTHORITY



Kevin Cann
GSFA Board Chair

I certify that the foregoing resolution is a true and accurate copy of Resolution 2015-04, approved by the governing board of the Golden State Finance Authority on March 18, 2015 in Sacramento, California.

Date: 3/18/15



Assistant Secretary

Name _____

Phone Number

lodging expense, inclusive of room rate, occupancy tax and other fees, up to a maximum of \$111 per night. Meal allowances may not exceed \$6 for breakfast, \$12 for lunch, and \$25 for dinner without prior approval, except as noted in the Travel and Expense Policy for RCRC Delegates.

Mail Payment To:

Address:

Mail Payment To:

Name: _____

Address: _____

City, Zip: _____

G/L Code:

RCCRC Use Only:
Approved By:
G/L Code:
Amount:

