Golden State Finance Authority (GSFA) Board of Directors Meeting



Wednesday, June 22, 2016 11:45 a.m.

1215 K Street, Suite 1650 Sacramento, CA 95814

			×.	



Golden State Finance Authority (GSFA)
Board of Directors Meeting
Wednesday, June 22, 2016
11:45 a.m.
1215 K Street Suite 1650
Sacramento, CA 95814

AGENDA

- 1. Call to Order & Determination of Quorum
 Chair, Supervisor Kevin Cann, Mariposa County
 Vice Chair, Supervisor Randy Hanvelt, Tuolumne County
- 2. Approval of Minutes April 21, 2016 Board Meeting

 Board Members absent from the meeting will be recorded as abstained unless
 the Board Member indicates otherwise
- 3. Member County Concerns
- 4. Public Comments

At this time any member of the public may address the Board. Speakers are asked to state their name for the record. Comments are usually limited to no more than 3 minutes per speaker.

5. GSFA 2015 Audited Financial Statements – ACTION Greg Norton, Executive Director
Lisa McCargar, Chief Financial Officer

Page 5

Page 1

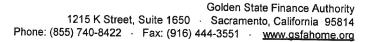
6. GSFA Membership Status Update
Greg Norton
Craig Ferguson

Page 35

- 7. Program Updates
 Greg Norton
- 8. 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 participant in a public meeting, please call Sarah Bolnik at (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.





Golden State Finance Authority (GSFA)
Board of Directors Meeting
Thursday, April 21, 2016 – 10:00 a.m.
Holiday Inn Express, Willows
545 North Humboldt Avenue
Willows, CA 95988

MINUTES

Call to Order & Determination of Quorum

Chair, Supervisor Kevin Cann, Mariposa County, called the meeting to order at 10:31 a.m. A quorum was determined at that time. Those present:

Supervisor	County
Mary Rawson	Alpine
Doug Teeter	Butte
Michael Ranalli	El Dorado
John Viegas	Glenn
Rex Bohn	Humboldt
Matt Kingsley	Inyo
Anthony Farrington	Lake
Aaron Albaugh	Lassen
Kevin Cann	Mariposa
Carre Brown	Mendocino
Geri Byrne	Modoc
Tim Fesko	Mono
Diane Dillon	Napa
Nate Beason	Nevada
Kevin Goss	Plumas
Anthony Botelho	San Benito
Les Baugh	Shasta
Lee Adams	Sierra
Larry Munger	Sutter
Bob Williams	Tehama
John Fenley	Trinity
Randy Hanvelt	Tuolumne
Roger Abe	Yuba
	71

Absent

Brian Oneto Amador
Cliff Edson Calaveras
Kim Dolbow Vann Colusa
Dave Finigan Del Norte
Michael Kelley Imperial

David Rogers Madera
John Pedrozo Merced
Jim Holmes Placer
Michael Kobseff Siskiyou
Matt Rexroad Yolo

Others in Attendance

Supervisor Allen Ishida, Tulare County
Wanda Ishida
Justin Caporusso, RCRC Director of Public Affairs
Sarah Bolnik, RCRC Office Manager
Paul A. Smith, RCRC Senior Legislative Advocate
Mary-Ann Warmerdam, RCRC Legislative Advocate
Mary Pitto, RCRC Regulatory Affairs Advocate
Staci Heaton, RCRC Regulatory Affairs Advocate

Staff in Attendance

Greg Norton, Executive Director Patricia Megason, Deputy Director

Approval of Minutes – March 16, 2016 Board Meeting

Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise

Supervisor Rex Bohn, Humboldt County, motioned to approve the minutes of the March 16, 2016 GSFA Board of Directors Meeting. Supervisor John Fenley, Trinity County, seconded the motion. Motion unanimously passed.

Abstaining:

Supervisor Doug Teeter, Butte County; Supervisor Anthony Farrington, Lake County, Supervisor Carre Brown, Mendocino County, Supervisor Geri Byrne, Modoc County, Supervisor Tim Fesko, Mono County, Supervisor Nate Beason, Nevada County, Supervisor Kevin Goss, Plumas County, Supervisor Anthony Botelho, San Benito County

Member County Concerns

None

Public Testimony

None

Resolution 16-04: Addition of Seismic Improvement Financing to PACE Program Greg Norton, Executive Director, provided an overview of Resolution 2016-04 to the GSFA Board of Directors. Resolution 2016-04 is a revision of the previously approved program report and commercial and residential handbooks created for the GSFA Ygrene Property Assessed Clean Energy (PACE) program. The revisions will permit

financing of the installation of seismic strengthening improvements that are permanently affixed to residential, commercial, industrial, agricultural and other real property. Mr. Norton added that this revision poses no risk to GSFA and will only prove to be beneficial.

Recommendation:

It is recommended that the GSFA Board of Directors review and approve Resolution 2016-04 approving and authorizing:

- Financing of the installation of seismic strengthening improvements that are permanently affixed to residential, commercial, industrial, agricultural and other real property;
- Revisions to the Program Handbook, AB 811 Residential Handbook and AB 811 Commercial Program Handbook;
- Best Best Kreiger (BBK) to file and prosecute on the Authority's behalf, an amendment to the Judgment Validation;
- The contractual assessments to finance installation of such Authorized Improvements be levied by the Assessment Contracts; and other necessary actions.

Supervisor Rex Bohn, Humboldt County, motioned to approve Resolution 16-04. Supervisor John Viegas, Glenn County, seconded the motion. Motion passed unanimously.

Resolution 16-05: Limited Obligation Improvement Bonds Revised to Include Seismic Improvement Financing

Greg Norton explained to the Board of Directors that with the approval of Resolution 2016-04, a revision also needs to be made to reaffirm the Bond documents. Mr. Norton explained that resolution 2016-05 authorizes revisions to the Limited Obligation Improvement Bonds to include the use of proceeds to finance the installation of seismic strengthening improvements. Mr. Norton stated that all of said improvements will fall under the AB 811 structure, utilizing voluntary contractual assessments.

Recommendation:

It is recommended that the GSFA Board of Directors review and approve Resolution 2016-05:

- Approving and authorizing revisions to the Limited Obligation Improvement Bonds to include the use of proceeds to finance the installation of seismic strengthening improvements;
- Reaffirming the Bond documents previously approved by Resolution 2014-09;
- Reaffirming the approval of the sale of Bonds as set forth in the applicable Trust Indenture;
- Authorizing Best Best & Krieger LLP (BBK) to file and prosecute on the Authority's behalf, an amendment to the Judgment Validation; and
- Approving and authorizing other necessary actions.

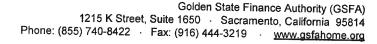
Supervisor Rex Bohn, Humboldt County, motioned to approve Resolution 16-05. Supervisor Kevin Goss, Plumas County, seconded the motion. Motion passed unanimously.

GSFA Membership Status Update

Greg Norton called attention to the updated GSFA Membership list that was provided to each Board Member. The member list provided reflects members through March 31, 2016. Mr. Norton added that there are thirty-three regular member counties, twenty-two associate member counties, one-hundred forty-four associate member cities, and one associate member joint powers authority.

Adjournment

Supervisor Kevin Cann, Mariposa County, adjourned the meeting of the GSFA Board of Directors at 10:43 a.m.





To:

GSFA Board of Directors

From:

Lisa McCargar, Chief Financial Officer

Greg Norton, Executive Director

Date:

June 14, 2016

Re:

GSFA 2015 Financial Statements - ACTION

Summary

Attached are the Golden State Finance Authority financial statements as of and for the year ended December 31, 2015, audited by Moss Adams LLP. The financial statements contain an unmodified ("clean") audit opinion. 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.

The financial statements and communication letter to Those Charged With Governance were approved by the GSFA Executive Committee at the meeting on May 11, 2016.

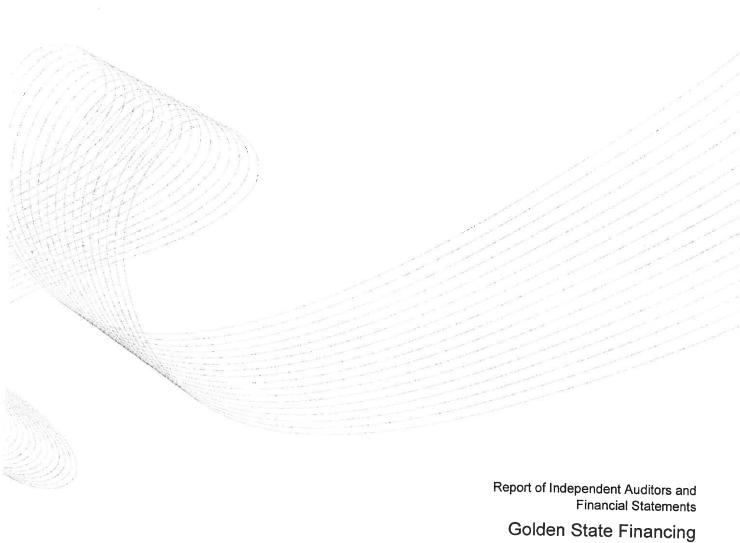
Recommendation:

It is recommended that the GSFA Board of Directors approve and adopt the 2015 audited financial statements and communication letter as presented.

Attachments

- GSFA 2015 Audited Financial Statements
- Communications to Those Charged with Governance

• s



Authority

December 31, 2015

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

CONTENTS

	PAGE
REPORT OF INDEPENDENT AUDITORS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required supplementary information)	3-7
BASIC FINANCIAL STATEMENTS	
Statement of net position	8
Statement of revenues, expenses, and change in net position	9
Statement of cash flows	10
NOTES TO BASIC FINANCIAL STATEMENTS	11-18
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	19-20



REPORT OF INDEPENDENT AUDITORS

The Board of Directors Golden State Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Golden State Financing Authority (GSFA) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the GSFA'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 GSFA'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 GSFA as of December 31, 2015, 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 27, 2016 on our consideration of GSFA'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 GSFA's internal control over financial reporting and compliance.

Sacramento, California

Moss Adams, LLP

April 27, 2016

GOLDEN STATE FINANCING AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015

This section presents management's discussion and analysis of Golden State Financing Authority (GSFA) financial performance for the year ended December 31, 2015. Please read it in conjunction with the financial statements and notes thereto, which follow this section.

FINANCIAL HIGHLIGHTS

The assets of GSFA exceeded liabilities at December 31, 2015, by \$74.3 million (net position), all of which is available to meet ongoing obligations. GSFA's total net position increased by approximately \$5.9 million (up 8.6%) from December 31, 2014 to December 31, 2015 resulting from successful housing programs. As of December 31, 2015, in addition to cash resources available, assets include approximately \$6.9 million in second mortgage loans receivable, net of an allowance for loan losses. GSFA's reported assets include approximately \$13.3 million in energy grant loans receivable, along with roughly \$13.5 million in cash deposits that are held on behalf of the California Energy Commission (CEC).

OVERVIEW OF THE FINANCIAL STATEMENTS

GSFA'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.

GSFA's financial statements report information about GSFA using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of GSFA's operating assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to GSFA 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 2015 are accounted for in the statement of revenues, expenses, and change in net position. This statement measures the success of GSFA's operations over the year and can be used to determine whether GSFA has successfully recovered all of its costs through the services it provides.

The statement of cash flows provides information about GSFA'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 GSFA's financial statements.

GOLDEN STATE FINANCING AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015

FINANCIAL ANALYSIS

Condensed Statement of Net Position December 31, 2015 and 2014

					Increase (D	ecrease)
		2015		2014	\$	%
Assets						
Current assets	\$	790,689,160	\$	217,842,052	\$ 572,847,108	263.0%
Non-current assets		20,850,331		25,915,542	(5,065,211)	(19.6%)
Total assets	_	811,539,491		243,757,594	 567,781,897	232.9%
Liabilities						
Current liabilities	_	737,255,066	_	175,363,757	 561,891,309	320.4%
Net position						
Net position, unrestricted	\$	74,284,425	\$	68,393,837	\$ 5,890,588	8.6%

The statement of net position reflects a snapshot of GSFA's financial position at a given moment in time. Changes in net position over time is an indicator of whether the financial condition of GSFA is improving or declining. As of December 31, 2015, GSFA's net position was \$74,284,425, an increase of \$5,890,588 (up 8.6%) from December 31, 2014. The increase in current assets of \$572,847,108 (up 263.0%) and the increase in current liabilities of \$561,891,309 (up 320.4%) resulted primarily from increased demand in GSFA's housing program 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 primarily due to energy loan and 2^{nd} mortgage repayments.

GOLDEN STATE FINANCING AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015

FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Revenues, Expenses, and Change in Net Position Years Ended December 31, 2015 and 2014

					Increase (D	ecrease)
0		2015	2014		\$	%
Operating revenues						
Housing program revenue	\$	38,745,976	\$ 22,345,056	\$	16,400,920	73.4%
Administrative service fee revenue		2,186,151	1,198,203		987,948	82.5%
Grant fees		375,452	468,958		(93,506)	(19.9%)
Total operating revenues		41,307,579	24,012,217		17,295,362	72.0%
Operating expenses						
Housing program expenses		35,176,333	21,365,046		13,811,287	64.6%
Grant costs		345,952	398,696		(52,744)	(13.2%)
Total operating expenses		35,522,285	21,763,742		13,758,543	63.2%
Operating income		5,785,294	2,248,475	_	3,536,819	157.3%
Non-operating revenues (expenses)						
Interest income		136,439	169,128		(32,689)	(19.3%)
Loss on investments		(31,145)	(19,146)		(11,999)	62.7%
Total non-operating income	•	105,294	149,982		(44,688)	(29.8%)
Change in net position		5,890,588	2,398,457		3,492,131	145.6%
Net position, beginning of year		68,393,837	65,995,380		2,398,457	3.6%
Net position, end of year	\$	74,284,425	\$ 68,393,837	\$ _	5,890,588	8.6%

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, 2015, GSFA's operating revenues increased by \$17,295,361 (up 72.0%) from the year ended December 31, 2014, primarily due to increased revenues resulting from higher demand of the down payment assistance gift program. GSFA also experienced an increase in operating expenses of \$13,758,543 (up 63.2%) for the same period, which correspond directly with gift housing program activity. Included in housing program expense is a \$500,000 contribution to two member counties for disaster wildfire relief of temporary shelter to qualified residents.

GOLDEN STATE FINANCING AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015

BUDGETARY COMPARISON

Comparison of Budget and Actual Revenues, Expenses, and Change in Net Position Year Ended December 31, 2015

						Actu	ıal
						Over (Unde	r) Budget
		Budget		Actual	-	\$	%
Operating revenues							
Housing program revenue	\$	22,881,500	\$	38,745,976	\$	15,864,476	69.3%
Administrative service fee revenue		-0-		2,186,151		2,186,151	100.0%
Grant fees		363,000		375,452		12,452	3.4%
Total operating revenues	-	23,244,500		41,307,579		18,063,079	77.7%
Operating expenses							
Housing expenses		21,122,061		35,176,333		14,054,272	66.5%
Grant costs		363,000		345,952		(17,048)	(4.7%)
Total operating expenses	-	21,485,061	_	35,522,285		14,037,224	65.3%
Operating income	-	1,759,439	_	5,785,294		4,025,855	228.8%
Non-operating revenues	_	120,000	_	105,294		(14,706)	(12.3%)
Change in net position	\$_	1,879,439	\$_	5,890,588	\$_	4,011,149	213.4%

Operating revenue exceeded budget by \$18,063,079 and GSFA's change in net position of \$5,890,588 exceeded budget by \$4,011,149, an increase of 213.4%, due to increased housing program activity. GSFA's operating expenses exceeded budget by \$14,037,224, an increase of 65.3%, due to costs associated with increased housing program activity and \$500,000 of Disaster Relief to counties GSFA serves. GSFA offered a Residence Emergency Disaster Assistance Program for the purpose of assisting residents of two GSFA member counties that were displaced by State or Federally declared fire disasters.

FUTURE ECONOMIC OUTLOOK

Favorable down payment assistance gift program activity for GSFA is expected to continue through 2016, generating increased revenues associated with housing programs. Demand for GSFA's housing program remains strong and the program continues to expand as more professionals and homebuyers learn about the products. Further, GSFA expects growth of its new energy efficiency and water conservation program with Ygrene Energy Fund which was implemented in the latter part of 2015.

GOLDEN STATE FINANCING AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015

FUTURE ECONOMIC OUTLOOK (CONTINUED)

As of December 31, 2015, GSFA has \$7.3 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. GSFA's down payment assistance gift program, implemented in late 2010, contributed to the \$16,400,920 of growth in 2015 and is budgeted to grow approximately 28.5% in 2016. 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.

GSFA revenues exceeded the projected levels for 2015. As of December 31, 2015, GSFA had approximately \$74.3 million in net position available including \$96.2 million in cash which includes \$13.5 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 2016, with revenues from housing and energy programs budgeted to increase by approximately \$9,000,000.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of GSFA's finances for all those with an interest in GSFA'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.

GOLDEN STATE FINANCING AUTHORITY STATEMENT OF NET POSITION DECEMBER 31, 2015

ASSETS		
Current assets		
Cash and cash equivalents	\$	96,179,016
Restricted cash (Note 2)		346,563
Accounts receivable, proceeds from sale of securities		693,638,048
Accounts receivable		484,202
Interest receivable		12,845
Prepaid expenses		28,486
Total current assets	_	790,689,160
Noncurrent assets		
Energy grant loans receivable		13,269,272
Restricted cash (Note 2)		340,184
Notes receivable		300,000
Second mortgage loans receivable, net of allowance for		
loan losses of \$400,000	_	6,940,875
Total assets	\$_	811,539,491
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$	4,645,625
Accounts payable, securities to be purchased, at fair value		694,921,095
Accounts payable to California Energy Commission		25,116,081
Accounts payable to affiliated entities		10,355,402
Unearned revenue	_	2,216,863
Total liabilities	_	737,255,066
Net position, unrestricted		74,284,425
Total liabilities and net position	\$	811,539,491
The accompanying notes are an integral part of these financial statements		

GOLDEN STATE FINANCING AUTHORITY STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION YEAR ENDED DECEMBER 31, 2015

Operating revenues		
Housing program revenue		
Administrative service fee revenue	\$	37,976,841
Issuer fees		2,186,151
Mortgage interest		45,211
Grant fees		723,924
diantices		375,452
Total operating revenues		41,307,579
Operating expenses		
Accounting and auditing		29,617
Business development and expansion		73,976
Community relations		502,113
Consultants		
Contract performance fee		114,000
Contract support services		1,720,122
Grant costs		1,461,275
Insurance		345,952
Legal fees		35,783
Recovery of provision for loan losses		37,771
Gift program		(107,996)
Promotion and marketing		31,140,609
Rent		44,213
Travel		51,273
Miscellaneous		14,242
- Albertaile out	_	59,335
Total operating expenses	_	35,522,285
Operating income	_	5,785,294
Non-operating revenues (expenses)		
Interest income		136,439
Loss on investments		(31,145)
Total non-operating expenses	-	
Total non operating expenses	-	105,294
Change in net position		5,890,588
Net position, beginning of year	_	68,393,837
Net position, end of year	\$	74,284,425
The accompanying notes are an integral part of these financial statemen	its	

GOLDEN STATE FINANCING AUTHORITY STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities		
Cash receipts from loan and grant programs	\$	54,274,949
Cash receipts from bond and residual funds		146,025
Cash paid for contract services		(3,181,397)
Cash paid for services and supplies		(26,238,933)
No. 1 12 12 12 12 12 12 12 12 12 12 12 12 1		
Net cash provided by operating activities		25,000,644
Cash flows from investing activities		
Interest received and loss on investments		102,182
Net cash provided by investing activities		102,182
Increase in cash and cash equivalents		25,102,826
Cash and cash equivalents, beginning of year		71,762,937
Cash and cash equivalents, end of year	\$	96,865,763
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$	5,785,294
Recovery of provision for loan losses		(107,996)
Adjustments to reconcile operating income to net cash		
provided by operating activities		
Increase in accounts receivable		(214,950)
Decrease in energy grant loans		2,953,947
Decrease in second mortgage loans receivable		2,462,405
Increase in accounts receivable, proceeds from sale of securities		(547,482,579)
Increase in notes receivables		(300,000)
Decrease in prepaid expenses		13,214
Decrease in unearned revenue		(358,125)
Increase in accounts payable		4,731,729
Increase in accounts payable securities sold, at fair value		547,671,251
Increase in accounts payable to affiliated entities		9,846,454
Net cash provided by operating activities	\$.	25,000,644
The accompanying notes are an integral part of these financial statements	_	

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Golden State Financing Authority (GSFA), 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. GSFA was organized on July 1, 1993, under the provisions of the Government Code of the state of California, which authorized GSFA to be created by the joint powers agreement entered into by counties for the purpose of assisting homebuyers with mortgage financing. GSFA 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 GSFA. Member counties of GSFA 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, Tuolumne, Yolo and Yuba.

GSFA programs are designed to provide assistance for adequate, safe, and sanitary residential housing. GSFA makes available competitively priced financing opportunities for homebuyers for the purchase of residential housing, with particular emphasis on assisting low and moderate income homebuyers. GSFA 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. GSFA also makes available financing for energy efficiency and water conservation improvements to residential, commercial, industrial, agricultural and other real properties.

GSFA 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 GSFA's accounting policies are described below.

Basis of Accounting – GSFA 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.

GSFA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with GSFA's principal ongoing operations. The principal operating revenues of GSFA are charges for programs provided (i.e., loan program fees, energy program fees, investment gains, bond issuance fees, on-going issuer fees, and bond residuals) associated with its affordable housing loan and energy efficiency/water conservation financing programs. Interest and capital gain income earned on second mortgage loans and mortgage-backed securities is also reported as operating income. Operating expenses of GSFA 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents – GSFA considers all highly liquid investments with an original 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 GSFA'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. During 2015, GSFA received \$723,924 in interest from these assets. As of December 31, 2015, \$6,940,875 in second mortgages remain outstanding, net of the allowance for loan losses.

Allowance for Loan Losses – GSFA 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 using 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 GSFA's down payment assistance gift program, including gains and losses on the sale of mortgage-backed securities, interest on second mortgage loans, and other administrative programs.

As part of the down-payment assistance gift program, GSFA purchases pools of government 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, GSFA enters into sales agreements of "to-be-announced" (TBA) Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) securities, in which GSFA has committed to deliver securities at contracted prices at a future date. Realized and unrealized gains and losses on the mortgage-backed securities are reported in housing program revenue as the activity relates solely to the down payment assistance program (Note 6).

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; GSFA does not have any net position in this category as of December 31, 2015.
- Restricted non-expendable: Net position subject to externally imposed conditions that GSFA retains
 in perpetuity; GSFA does not have any net position in this category as of December 31, 2015.
- Restricted expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of GSFA or by the passage of time; GSFA does not have any net position in this category as of December 31, 2015.
- *Unrestricted:* All other categories of net position; in addition, unrestricted net position may be designated for use by management or the Board of Directors.

GSFA 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 GSFA 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.

NOTE 2 - CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A summary of cash and cash equivalents and restricted cash as of December 31, 2015, is as follows:

Deposits with financial institutions	\$ 7,515,639
Collateral account (restricted)	346,563
Money market funds	13,529,318
Brokerage account	56,067,816
LAIF	184,043
CalTRUST	19,222,384
Total cash and cash equivalents, including restricted cash	\$ 96,865,763

Deposits-Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, GSFA's deposits may not be returned to it. Cash and cash equivalents and restricted cash consist of deposits with financial institutions, a collateral account, cash held in a securities brokerage account and amounts held with LAIF and CalTRUST. As of December 31, 2015, GSFA's deposits with financial institutions, including money market funds, 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.

Collateral Account – GSFA has funds held with a securities firm. The funds represent collateral for the sales agreements of "to-be-announced" (TBA) GNMA and FNMA securities. As required by the Master Securities Forward Transaction Agreement between the securities firm and GSFA, if at any time GSFA has an "Out–of-the-Money" net unsecured forward exposure, the securities firm shall require GSFA to maintain collateral having a margin value sufficient to eliminate such net unsecured forward exposure. If at any time GSFA has an excess forward collateral amount, GSFA may request the funds from the securities firm. At December 31, 2015, the entire amount of \$346,563 on deposit with the securities firm represented collateral for a net unsecured forward exposure, and the funds have therefore been presented as restricted cash in the statement of net position. Funds at the securities firm are not insured.

Restricted Cash–Noncurrent – Restricted cash includes funds held for projects or other purposes 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 on deposit with a financial institution required to be held as a loan loss reserve until all loans are fully paid (in excess of one year). As of December 31, 2015 cash balances of \$340,184 were restricted.

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

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.

GSFA 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 GSFA as of December 31, 2015.

GSFA 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 GSFA. Money-market funds held at the securities firm are the accumulation of interest and principal from mortgage backed securities and proceeds from their sales. GSFA's investment in money-market funds were rated at AAA by Standard & Poor's.

Highly Liquid Investments – As of December 31, 2015, GSFA also maintains highly liquid investment accounts with CalTRUST in the amount of \$19,222,384. 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 GSFA invests in two. The total amount invested by public agencies in CalTRUST as of December 31, 2015, exceeded \$2 billion.

CalTRUST is a joint powers authority that was formed to pool and invest funds of public agencies. Three pools are offered and GSFA is currently invested in the short term and medium term funds. Because GSFA's deposits are maintained in a recognized Pooled Investment Fund (Fund) under the care of a third party and GSFA's share of the pool does not represent specific identifiable investment securities owned by GSFA, 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 and Medium Term funds are rated A- or better by a credit rating agency. GSFA's highly liquid investment in CalTRUST is reported at fair value.

GSFA also places certain funds with LAIF. GSFA 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.

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Highly Liquid Investments (continued) – The fair value of the GSFA's investment in the pool is reported in the accompanying financial statements based upon GSFA'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 GSFA's deposits are maintained in a recognized Pooled Investment Fund under the care of a third party and GSFA's share of the pool does not consist of specific, identifiable investment securities owned by GSFA, 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 (the 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 GSFA's position in the pool. GSFA's investment in LAIF is reported at fair value and is not rated by credit rating agencies.

NOTE 3 - SECOND MORTGAGE LOANS RECEIVABLE

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

Second mortgage loans receivable as of December 31, 2015, are as follows:				
Second mortgages	\$	7,340,875		
Allowance for loan losses		(400,000)		
Total second mortgage loans receivable,				
net of allowance for loan losses	\$	6,940,875		

Activity in the allowance for loan losses for the year ended December 31, 2015, is as follows:

Balance, beginning of year	\$ 650,000
Charge-offs	(153,882)
Recoveries	11,878
Recovery of provision for loan losses	 (107,996)
Balance, end of year	\$ 400,000

NOTE 4 - NOTES RECEIVABLE

Notes receivable represent two \$150,000 loans outstanding as part of GSFA multi-family housing rehabilitation housing projects. As the issuer of conduit revenue bonds, GSFA loaned \$150,000 each to the developer of these projects. The notes are non-interest-bearing until after the twentieth anniversary of the note, and no payments are due until after the twentieth anniversary of the notes. After the 20th anniversary, the notes bear interest at 3% per annum and mature on the earlier of the 35th anniversary or a sale or refinancing transaction. If the notes are held to maturity, principal and accrued interest will become due in August and December, 2050. No provision for losses has been deemed necessary. See Note 8 – Conduit Debt.

NOTE 5 - RELATED PARTY TRANSACTIONS

For the year ended December 31, 2015, GSFA maintained a contract support services agreement with RCRC, an affiliated entity, that included support services payments and a performance fee. The contract performance fee calculation is based on housing program success and provides an incentive to RCRC. The total expense of \$3,181,397 for the year ended December 31, 2015, includes the monthly fee and performance fee. The support services agreement calls for a flat fee of \$121,773 a month to operate and administer GSFA operations.

Also for 2015, GSFA entered into a service agreement with National Homebuyers Fund, Inc. (NHF) whereby NHF manages GSFA's housing programs and residential energy loan servicing. For the year ended December 31, 2015, GSFA incurred approximately \$2.4 million for such housing-related services, which are included in gift program expenses. At December 31, 2015, \$8,616,231 is payable to NHF for proceeds from mortgage-backed securities trades and housing related services. Expenses incurred for residential energy administration were approximately \$346,000. Also, GSFA 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.

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. The annual agreement amounts are approved by the applicable Board of Directors.

NOTE 6- GIFT HOUSING PROGRAM

GSFA 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 ranging up to 5%. GSFA has partnered with financial institutions to market the program to homebuyers.

NOTE 6- GIFT HOUSING PROGRAM (CONTINUED)

As part of this program, GSFA 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, GSFA enters into sales agreements of "to-be-announced" (TBA) GNMA & FNMA securities, in which GSFA has committed to deliver securities at contracted prices at a future date. The entity has recorded a receivable of \$693.6 million for the estimated proceeds from the sale. GSFA has also recorded a liability of \$695 million to purchase the securities at prevailing prices at December 31, 2015 in order to fulfill the future obligation. As of December 31, 2015, there were no mortgage backed securities outstanding.

NOTE 7 - ENERGY PROGRAMS

California Energy Commission Grant – In September 2010, GSFA 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 GSFA an additional \$14.0 million. CEC had advanced \$26.7 million to GSFA for the sole purpose of funding the loans. As of December 31, 2015, \$1.2 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, 2015.

Under the original terms of the grant, GSFA was allowed to recover its administrative costs to administer the program up to \$1.37 million. During 2015, GSFA generated revenue for servicing the outstanding loans under a separate agreement. GSFA invoiced \$345,952 for loan servicing during the year for allowable expenses incurred.

In December 2012, GSFA 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, GSFA utilized funds pursuant to the contract to leverage private financing to provide a residential energy retrofit program. GSFA 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, 2015, the LLR is \$340,184 and is included in restricted cash.

In March 2015, GSFA entered into an agreement with Ygrene Energy Fund California, LLC to participate in program to finance energy efficiency, renewable energy improvements and water conservation improvements on properties in California. As of December 31, 2015, GSFA recorded \$222,006 in revenue associated with this program.

NOTE 8 - CONDUIT DEBT

During the year ended December 31, 2015, GSFA issued \$11.8 million in conduit debt for multi-family housing. As of December 31, 2015, GSFA has \$21.2 million of conduit debt for tax-exempt mortgage and multi-family housing revenue bonds issued and outstanding. The bonds are limited obligations of the Issuer, payable solely from the revenues and other funds and moneys pledged and assigned under the indenture. As the Issuer, GSFA is not liable for the payment of the principal of, premium (if any), or interest on the bonds.

NOTE 9 - RISK MANAGEMENT

GSFA 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 GSFA. GSFA 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.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

In May 2015, GSFA along with two affiliated entities (RCRC and NHF), were named as defendants in a summons brought by the Washington State Housing Finance Commission ("Commission"). The lawsuit alleges that NHF does not have the authority to provide homeownership financing services outside of the boundaries of California, and named GSFA as an affiliated entity of NHF. A hearing is currently scheduled for November 2016. Management believes that the lawsuit is without merit and the outcome will not have a material adverse effect on the financial position or results of operations.



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 Golden State Financing 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 Golden State Financing Authority (GSFA) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise GSFA's basic financial statements, and have issued our report thereon dated April 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GSFA'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 GSFA's internal control. Accordingly, we do not express an opinion on the effectiveness of GSFA'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 GSFA'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*.

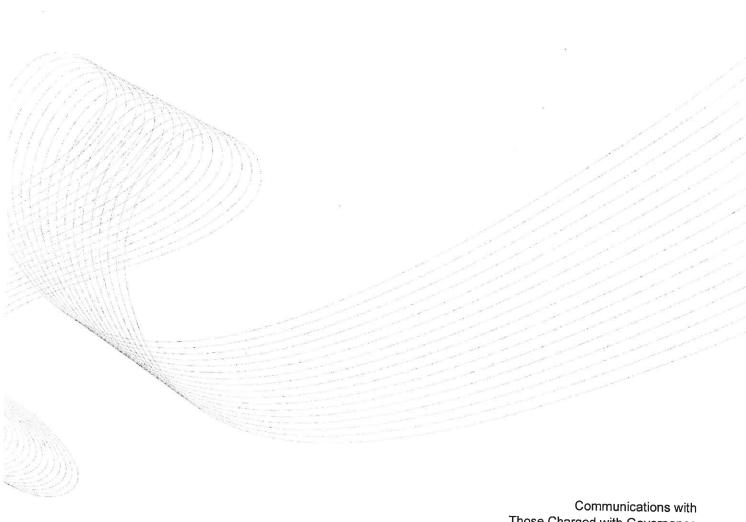
Purpose of this Report

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.

Sacramento, California

Moss Adams, LLP

April 27, 2016



Those Charged with Governance

Golden State Finance Authority

December 31, 2015

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants



To the Board of Directors and Management Golden State Finance Authority

We have audited the financial statements of Golden State Finance Authority (GSFA) as of and for the year ended December 31, 2015, and have issued our report thereon dated April 27, 2016. 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 October 14, 2015, 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 GSFA's internal control over financial reporting. Accordingly, we considered GSFA'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 November 18, 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 GSFA 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 2015. We noted no transactions entered into by GSFA 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, 2015, 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 6. Mortgage backed securities sold, not yet purchased, represent obligations of GSFA to deliver the specified security at a contract price, thereby creating a liability to purchase the security at quoted market prices. GSFA 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, 2015.

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 27, 2016.

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 GSFA'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 GSFA'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 GSFA, is not intended to be, and should not be used by anyone other than these specified parties.

Sacramento, California

Moss Adams, LLP

April 28, 2016





To:

GSFA Board of Directors

From:

Greg Norton, Executive Director

Date:

June 14, 2016

Re:

GSFA Membership Status Update

Summary

At the January 20, 2016 GSFA Board Meeting, the Board approved Resolution 16-01 fulfilling the Board's responsibilities of governance required in the Joint Exercise of Powers Agreement by documenting the process by which the Authority accepts associate members. Among other related items, the Resolution approved acceptance of the new Associate Members joining GSFA during 2016.

At the meeting, it was stated that updates will be provided at future GSFA Board of Directors Meetings on the status of membership and associate membership as appropriate. Through May 24, 2016, GSFA has added 22 additional associate member cities.

The current list of GSFA members and associate members (attached) is provided for the Board of Directors' information. Currently GSFA membership includes thirty-three regular member counties. Additionally, GSFA membership includes twenty-two associate member counties, one hundred fifty-six associate member cities and one associate member joint powers authority.

Attachments

GSFA Member and Associate Member List



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

MEMBERS

Alpine County
Amador County
Butte County
Calaveras County
Colusa County
Del Norte County
El Dorado County
Glenn County
Humboldt County
Imperial County
Inyo County

Lake County
Lassen County
Madera County
Mariposa County
Mendocino County
Merced County
Modoc County
Mono County
Napa County
Nevada County
Placer County

Plumas County
San Benito County
Shasta County
Sierra County
Siskiyou County
Sutter County
Tehama County
Trinity County
Tuolumne County
Yolo County
Yuba County

ASSOCIATE MEMBERS

Alameda County
Contra Costa County
Fresno County
Kern County
Kings County
Marin County
Monterey County
Orange County

Riverside County
Sacramento County
San Bernardino County
San Diego County
San Francisco County
San Joaquin County
San Luis Obispo County
San Mateo County

Santa Cruz County Solano County Sonoma County Stanislaus County Tulare County Ventura County

ASSOCIATE MEMBER JOINT POWERS AUTHORITY (JPA)

Independent Cities Finance Authority (ICFA)

ASSOCIATE MEMBER CITIES

Aliso Viejo (Orange County)
Alturas (Modoc County)
American Canyon (Napa County)
Angels Camp (Calaveras County)
Antioch (Contra Costa County)
Arcata (Humboldt County)
Atwater (Merced County)
Avenal (Kings County)
Bakersfield (Kern County)
Baldwin Park (Los Angeles County)

Beaumont (Riverside County)
Bell (Los Angeles County)
Bellflower (Los Angeles County)
Belvedere (Marin County)
Benicia (Solano County)
Brea (Orange County)
Brentwood (Contra Costa County)
Buena Park (Orange County)
Burlingame (San Mateo County)
Calabasas (Los Angeles County)



ASSOCIATE MEMBER CITIES (continued)

Camarillo (Ventura County) Campbell (Santa Clara County) Carlsbad (San Diego County) Carson (Los Angeles County) Chino (San Bernardino County) Chula Vista (San Diego County) Citrus Heights (Sacramento County)

Clovis (Fresno County)

Colton (San Bernardino County) Compton (Los Angeles County)

Concord (Contra Costa County)

Corcoran (Kings County) Corning (Tehama County) Corona (Riverside County) Costa Mesa (Orange County) Crescent City (Del Norte County) Danville (Contra Costa County) Del Mar (San Diego County)

Dunsmuir (Siskiyou County) El Cajon (San Diego County)

El Segundo (Los Angeles County)

Elk Grove (Sacramento County)

Encinitas (San Diego County) Escondido (San Diego County)

Eureka (Humboldt County)

Fairfax (Marin County)

Fairfield (Solano County) Firebaugh (Fresno County)

Fontana (San Bernardino County)

Fort Bragg (Mendocino County)

Fortuna (Humboldt County)

Foster City (San Mateo County)

Fountain Valley (Orange County)

Fresno (Fresno County) Galt (Sacramento County)

Garden Grove (Orange County) Gardena (Los Angeles County

Glendale (Los Angeles County)

Giendora (Los Angeles County)

Hanford (Kings County)

Hawthorne (Los Angeles County)

Hayward (Alameda County)

Hesperia (San Bernardino County)

Highland (San Bernardino County) Huntington Beach (Orange County)

Huron (Fresno County)

Imperial Beach (San Diego County)

Ione (Amador County)

Irwindale (Los Angeles County)

Jackson (Amador County)

La Habra (Orange County)

La Mesa (San Diego County)

Lafayette (Contra Costa County)

Lake Forest (Orange County)

Lancaster (Los Angeles County)

Larkspur (Marin County)

Lemon Grove (San Diego County)

Lemoore (Kings County) Lomita (Los Angeles County)

Long Beach (Los Angeles County)

Los Angeles (Los Angeles County)

Lynwood (Los Angeles County)

Madera (Madera County) Malibu (Los Angeles County)

Manteca (San Joaquin County)

Martinez (Contra Costa County)

Mill Valley (Marin County)

Mission Viejo (Orange County)

Montclair (San Bernardino County)

Moorpark (Ventura County)

Morro Bay (San Luis Obispo County)

Mount Shasta (Siskiyou County)

Napa (Napa County)

National City (San Diego County)

Newport Beach (Orange County)

Novato (Marin County)

Oakland (Alameda County)

Oakley (Contra Costa County)

Oceanside (San Diego County)

Orland (Glenn County)

Oroville (Butte)

Palmdale (Los Angeles County)

Paramount (Los Angeles County)

Placerville (El Dorado County)

Point Arena (Mendocino County)

Porterville (Tulare County)

Poway (San Diego County)

Rancho Cordova (Sacramento County)

Redondo Beach (Los Angeles County)

Redwood City (San Mateo County)

Reedley (Fresno County)

Rialto (San Bernardino County)

Rio Dell (Humboldt County)

Rolling Hills Estates (Los Angeles County)

Sacramento (Sacramento County)

Salinas (Monterey County)

San Anselmo (Marin County)

San Diego (San Diego County)

Golden State Finance Authority (GSFA)

1215 K Street, Suite 1650 · Sacramento, California 95814

Phone: (855) 740-8422 · Fax: (916) 444-3219 · www.gsfahome.org

ASSOCIATE MEMBER CITIES (continued)

San Fernando (Los Angeles County)

San Jacinto (Riverside County)

San Jose (Santa Clara County)

San Luis Obispo (San Luis Obispo County)

San Marino (Los Angeles County)

San Mateo (San Mateo County)

San Rafael (Marin County)

San Ramon (Contra Costa County)

Santa Ana (Orange County)

Santa Fe Springs (Los Angeles County)

Santa Monica (Los Angeles County)

Santee (San Diego County)

Sausalito (Marin County)

Shasta Lake (Shasta County)

Solana Beach (San Diego County)

South San Francisco (San Mateo County)

Stockton (San Joaquin County)

Suisun City (Solano County)

Taft (Kern County)

Tehama (Tehama County)

Thousand Oaks (Ventura County)

Tiburon (Marin County)

Torrance (Los Angeles County)

Tracy (San Joaquin County)

Trinidad (Humboldt County)

Twentynine Palms (San Bernardino County)

Ukiah (Mendocino County)

Union City (Alameda County)

Upland (San Bernardino County)

Vacaville (Solano County)

Vallejo (Solano County)

Ventura (Ventura County)

Vista (San Diego County)

Waterford (Stanislaus County)

Westminster (Orange County)

Williams (Colusa County)

Willits (Mendocino County)

Willows (Glenn County)

			,	

DELEGATE EXPENSE CLAIM

			ed By: ode:	Approved By: G / L Code: Amount:						p. s. nent To:	Mail Payment To: Name: Address: City, Zip:
proval,	er without prior ap	\$8 for breakfast, \$12 for lunch, and \$25 for dinner without prior approval,	nay not exceed \$8	lowances may not Office Use Only:	night. Meal a	n of \$112 per	to a maximun	d other fees, up	lodging expense, inclusive of room rate, occupancy tax and other fees, up to a maximum of \$112 per night. Meal allowances may not exceed except as noted in the Travel and Expense Policy. Supervisor's Signature Office Use Only:	lodging expense, inclus except as noted in the except as solution in the Supervisor's Signature	except as except as
clude	nbursement will in	Provide documentation for expenses as required in the Travel and Expense Policy for Delegates. Mileage expenses may not exceed \$0.54 per mile. For lodging in the Sacramento area, reimbursement will include	*xceed \$0.54 per r	s may not e	eage expense	elegates. Mil	se Policy for D	vel and Expens	tion for expenses as required in the Tra	ocumentati	Provide d
EXPENSES	Amount	Description of Expense	Miles Amount	Miles	Dinner	Lunch	Breakfast		(Where Expenses Were Incurred)	Time	Date
	EXPENSE	TRANSPORTATION, FEE or OTHER EXPENSE	MILEAGE	2		MEALS		LODGING	LOCATION	Year	Month/Year
							:		Purpose of Trip, Details and Remarks:	e of Trip, [Purpose
	Phone Number		;			County	•				Name