Golden State Finance Authority (GSFA)

Executive Committee Meeting

Golden State Finance Authority

Wednesday, May 9, 2018
9:30 A.M.

1215 K Street, Suite 1650
Sacramento CA 95814
916-447-4806

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

May 9, 2018 – 9:30 a.m.

Agenda

9:30 a.m.
Special Order of Business
Simultaneous Meeting
GSFA Executive Committee
NHF Board of Directors
RCRC Executive Committee

ACTION ITEMS

1. **NHF 2017 Annual Audit Exit Conference and Financial Statements**
2. **GSFA 2017 Annual Audit Exit Conference and Financial Statements** **Page 1**
3. **RCRC 2017 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 21, 2018 Meeting **Page 33**
(Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise)

III. Public Comment
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.

IV. GSFA Quarterly Reports (Discussion and possible action relative to)
Greg Norton, Executive Director
Lisa McCargar, Chief Financial Officer

a. **GSFA Budget Report (March 31, 2018)** **Page 35**
b. **GSFA Investment Report (March 31, 2018)** **Page 39**
c. **Liquidity Report as of March 31, 2018**

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

Greg Norton
Craig Ferguson, Vice President / Deputy Director

a. Other Business and Administrative Matters

VI. **Program Updates** (Discussion and possible action relative to)

Greg Norton
Craig Ferguson

VII. **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.

GOLDEN STATE
Finance Authority

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: Lisa McCargar, Chief Financial Officer
Greg Norton, Executive Director

Date: May 1, 2018

Re: GSFA 2017 Annual Audit Exit Conference and Financial Statements – **ACTION, Special Order of Business**

Summary

Attached are the Golden State Finance Authority (GSFA) financial statements as of and for the year ended December 31, 2017, 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 provide information useful to Executive Committee members in exercising their fiduciary responsibility as the Audit Committee. Moss Adams will be present to address the audit and audit approach as well as answer any questions.

Recommendation

It is recommended that the GSFA Executive Committee, acting in their capacity as the Audit Committee, review and approve the 2017 audited financial statements and communication letter as presented, for presentation and adoption by the GSFA Board of Directors.

Attachments

- GSFA 2017 Audited Financial Statements
- Communications to Those Charged with Governance

Report of Independent Auditors and Financial Statements

Golden State Finance Authority

December 31, 2017

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Table of Contents

This section presents management's discussion and analysis of Golden State Finance Authority (GSFA) financial performance for the year ended December 31, 2017. 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, 2017, by $88.4 million (net position), all of which is available to meet ongoing obligations. GSFA's total net position increased by approximately $5.6 million (up 6.8%) from December 31, 2016 to December 31, 2017, resulting from successful housing and energy and water conservation programs. As of December 31, 2017, in addition to cash resources available, assets include approximately $3.7 million in second mortgage loans receivable, net of an allowance for loan losses, approximately $9.2 million in energy grant loans receivable, and roughly $4.2 million in cash deposits that are held on behalf of the California Energy Commission (CEC). GSFA's liabilities include $12.4 million payable to the CEC and $2.5 million due to affiliated entities.

OVERVIEW OF THE FINANCIAL STATEMENTS

GSFA's basic financial statements include the (1) statement of net position, (2) statement of revenues, expenses, and changes 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 2017 are accounted for in the statement of revenues, expenses, and changes 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 basic financial statements provide additional information that is essential to a full understanding of GSFA's financial statements.

FINANCIAL ANALYSIS

Condensed Statement of Net Position
December 31, 2017 and 2016

	2017	2016	Increase (Decrease) $	Increase (Decrease) %
Assets				
Current assets	$ 279,009,692	$ 390,491,367	$ (111,481,675)	(28.5)%
Non-current assets	15,703,393	18,156,202	(2,452,809)	(13.5)%
Total assets	294,713,085	408,647,569	(113,934,484)	(27.9)%
Liabilities				
Current liabilities	206,278,939	325,825,534	(119,546,595)	(36.7)%
Net position				
Net position, unrestricted	$ 88,434,146	$ 82,822,035	$ 5,612,111	6.8%

The condensed statement of net position reflects a snapshot of GSFA's financial position at a given moment in time. Changes in net position over time are an indicator of whether the financial condition of GSFA is improving or declining. As of December 31, 2017, GSFA's net position was $88,434,146, an increase of $5,612,111 (up 6.8%) from December 31, 2016. The decrease in current assets of $111,481,675 (down 28.5%) and the decrease in current liabilities of $119,546,595 (down 36.7%) resulted primarily from decreased receivables and payables associated with estimated proceeds and obligations of mortgage-backed securities to be settled at a future date. The receivables and payables declined as a result of decreased origination volume heading into 2018, reflecting changing interest rate and market conditions related to housing program. The decrease in noncurrent assets is primarily due to energy loan and second mortgage principal repayments.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2017 and 2016

	2017	2016	Increase (Decrease) $	%
Operating revenues				
Housing program and other revenue	$ 69,968,998	$ 63,531,228	$ 6,437,770	10.1%
Energy program revenue	2,462,351	2,917,980	(455,629)	(15.6)%
Administrative service fee revenue	138,673	2,152,764	(2,014,091)	(93.6)%
Grant fees	270,750	316,550	(45,800)	(14.5)%
Total operating revenues	72,840,772	68,918,522	3,922,250	5.7%
Operating expenses				
Housing program expenses	60,188,177	54,922,297	5,265,880	9.6%
Energy program expenses	945,000	-	945,000	100.0%
Other administrative expenses	6,169,647	5,386,656	782,991	14.5%
Grant costs	265,050	301,150	(36,100)	(12.0)%
Total operating expenses	67,567,874	60,610,103	6,957,771	11.5%
Operating income	5,272,898	8,308,419	(3,035,521)	(36.5)%
Non-operating revenues (expenses)				
Interest income	395,065	222,454	172,611	77.6%
Gain (loss) on investments	(55,852)	6,737	(62,589)	(929.0)%
Total non-operating revenues	339,213	229,191	110,022	48.0%
Change in net position	5,612,111	8,537,610	(2,925,499)	(34.3)%
Net position, beginning of year	82,822,035	74,284,425	8,537,610	11.5%
Net position, end of year	$ 88,434,146	$ 82,822,035	$ 5,612,111	6.8%

The condensed statement of revenues, expenses, and changes in net position reflects activity that has occurred during the fiscal period covered by this report. For the year ended December 31, 2017, GSFA's operating revenues increased by $3,992,250 (up 5.7%) from the year ended December 31, 2016. The increase in revenue was a net result of higher down payment assistance gift program revenue, up $7 million, offset by a $2 million decline in administrative fee revenue associated with reduced third-party use of GSFA's trading platform. The growth of GSFA's housing program was driven by greater exposure of the product to professionals and homebuyers, whereas utilization of GSFA's trading platform by National Homebuyers Fund, Inc. (NHF), an affiliated contracting entity, declined. GSFA experienced an increase in operating expenses of $6,957,771 (up 11.5%) for the same period. Primary components include a $5.3 million increase in housing gift expenses directly associated with increased gift housing program activity, $945,000 in expenses paid to administer the energy efficiency program, and a $1 million contribution to two member counties for disaster wildfire relief, included in other administrative expenses.

BUDGETARY COMPARISON

Comparison of Budget and Actual Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2017

	Budget	Actual	Actual Over (Under) Budget $	Actual Over (Under) Budget %
Operating revenues				
Housing program and other revenue	$ 50,974,000	$ 69,968,998	$ 18,994,998	37.3%
Energy program revenue	3,000,000	2,462,351	(537,649)	(17.9)%
Administrative service fee revenue	750,000	138,673	(611,327)	(81.5)%
Grant fees	300,000	270,750	(29,250)	(9.8)%
Total operating revenues	55,024,000	72,840,772	17,816,772	32.4%
Operating expenses				
Housing program expenses	42,700,000	60,188,177	17,488,177	41.0%
Energy program expenses	-	945,000	945,000	100.0%
Other administrative expenses	6,823,917	6,169,647	(654,270)	(9.6)%
Grant costs	300,000	265,050	(34,950)	(11.7)%
Total operating expenses	49,823,917	67,567,874	17,743,957	35.6%
Operating income	5,200,083	5,272,898	72,815	1.4%
Non-operating revenues	207,000	339,213	132,213	63.9%
Change in net position	$ 5,407,083	$ 5,612,111	$ 205,028	3.8%

Operating revenues exceeded budget by $17,816,772 and GSFA's change in net position of $5,612,111 exceeded budget by $205,028, an increase of 3.8%, due primarily to increased housing program activity. Specifically, GSFA's down payment assistance program experienced growth as more professionals learned about the product and offered it to qualified homebuyers. Demand for the energy efficiency and water conservation program tapered off in part due to market challenges, resulting in nearly $2.5 million of revenue but less than the budget of $3,000,000. GSFA's operating expenses exceeded budget by $17,743,957, an increase of 35.6%, due to costs associated with increased housing program activity and energy program expenses paid to administer the program. GSFA's other administrative expenses were less than budget by $654,270. The most significant components include contract service and performance fees, business development and expansion fees, and a $1 million Disaster Relief grant that was contributed to counties that experienced wildfire disasters.

FUTURE ECONOMIC OUTLOOK

GSFA's 2018 budget provides for continued growth and use of organization programs, with revenues budgeted to increase $4 million (7.4%). The projections approved by the Board of Directors include an increase of $5.2 million in revenue associated with the housing gift program as demand remained strong and even more professionals and homebuyers learned about and utilized the products during 2017. GSFA continued to modify the program based on customer preferences, the changing interest rate environment, and market conditions. The energy efficiency and water conservation program will also continue to expand into new communities, however, a decline in revenue is budgeted as a result of industry challenges and competition. The energy program serves residential and commercial customers.

As a result of past second mortgage down payment assistance programs, discontinued in late 2013, a balance of $3.9 million of amortizing second mortgages remain at December 31, 2017. This balance is expected to decline in 2018 and beyond. GSFA's down payment assistance gift program, implemented in late 2010, contributed to $6.9 million of growth in 2017 and is budgeted to grow approximately 10.3% in 2018. To remain competitive and continue to provide effective programs, it will be necessary for the organization to continue to be innovative in the development and modification of such programs.

As of December 31, 2017, GSFA had approximately $88.9 million in net position available including $94.8 million in cash and cash equivalents, inclusive of $4.4 million held on behalf of the CEC and Pacific Gas & Electric (PG&E) associated with energy efficiency programs. It is anticipated that continued investment in existing and new housing, energy and other water conservation, and capital finance programs will lead to strong operating revenues in 2018, with revenues from housing and energy programs budgeted to increase by approximately $4.2 million.

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.

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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 Finance Authority (GSFA) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise 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 financial position of GSFA as of December 31, 2017, and the changes in its net 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 management's discussion and analysis on pages 1 through 5 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 which 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 17, 2018, 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.

Moss Adams, LLP

Sacramento, California
April 17, 2018

Basic Financial Statements

Golden State Finance Authority
Statement of Net Position
December 31, 2017

ASSETS		
Current assets		
Cash and cash equivalents	$	94,343,638
Restricted cash		250,000
Accounts receivable, proceeds from sale of securities		183,629,456
Accounts receivable		735,532
Interest receivable		23,856
Prepaid expenses		27,210
Total current assets		279,009,692
Non-current assets		
Energy grant loans receivable		9,158,886
Restricted cash		157,779
Notes receivable		2,700,000
Second mortgage loans receivable, net of allowance for loan losses of $300,000		3,686,728
Total assets	$	294,713,085
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	$	5,420,217
Accounts payable, securities to be purchased, at fair value		183,435,235
Accounts payable to California Energy Commission		12,422,122
Accounts payable to affiliated entities		2,533,031
Accrued liabilities		837,000
Unearned revenue		1,631,334
Total liabilities		206,278,939
Net position, unrestricted		88,434,146
Total liabilities and net position	$	294,713,085

The accompanying notes are an integral part of these financial statements.

Golden State Finance Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year ended December 31, 2017

Operating revenues		
Housing program revenue	$	68,986,155
Energy program revenue		2,462,351
Administrative service fee revenue		138,673
Issuer fees		122,672
Mortgage interest		364,511
Grant fees		270,750
Bond and program residual funds		495,660
Total operating revenues		72,840,772
Operating expenses		
Accounting and auditing		31,792
Business development and expansion		57,365
Community relations		1,001,691
Consultants		218,786
Contract performance fee		1,953,908
Contract support services		2,399,000
Energy program expenses		945,000
Grant costs		265,050
Insurance		37,408
Legal fees		145,208
Provision for loan losses		47,413
Gift program		60,188,177
Promotion and marketing		12,089
Rent		94,481
Travel		21,097
Miscellaneous		149,409
Total operating expenses		67,567,874
Operating income		5,272,898
Non-operating revenues		
Interest income		395,065
Loss on investments		(55,852)
Total non-operating revenues		339,213
Change in net position		5,612,111
Net position, beginning of year		82,822,035
Net position, end of year	$	88,434,146

The accompanying notes are an integral part of these financial statements.

Golden State Finance Authority
Statement of Cash Flows
Year ended December 31, 2017

Cash flows from operating activities		
Cash receipts from loan and grant programs	$	74,802,674
Cash receipts from bond and residual funds		609,129
Cash paid for contract services		(4,352,908)
Cash paid for services and supplies		(68,795,267)
Net cash provided by operating activities		2,263,628
Cash flows from investing activities		
Interest received and gain on investments		332,602
Net cash provided by investing activities		332,602
Decrease in cash and cash equivalents		2,596,230
Cash and cash equivalents, beginning of year		92,155,187
Cash and cash equivalents, end of year	$	94,751,417
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$	5,272,898
Provision for loan losses		47,413
Adjustments to reconcile operating income to net cash provided by operating activities:		
Increase in accounts receivable		(214,013)
Decrease in energy grant loans		1,728,149
Decrease in second mortgage loans receivable		1,260,729
Increase in accounts receivable for securities sold at fair value, net of accounts payable, and proceeds from sale of securities		903,744
Increase in notes receivables		(700,000)
Decrease in prepaid expenses		278
Decrease in unearned revenue		(347,707)
Decrease in accounts payable		(6,196,501)
Increase in accounts payable to California Energy Commission		150,292
Increase in accounts payable to affiliated entities		358,346
Net cash provided by operating activities	$	2,263,628

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity – Golden State Finance Authority (GSFA), a California joint powers authority, is an organization of certain political subdivisions of the state of California, engaged in the exercise of essential government functions. 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, the purpose of which is to provide financing for the acquisition, construction, improvement, and rehabilitation of real property in accordance with applicable provisions of law for the benefit of residents and communities. GSFA is governed by representatives of its member counties which are counties in California having an interest in the general and specific purposes of GSFA, each of which appoints an elected county supervisor, which comprises the Board of Directors. 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. An additional 22 counties and over 200 cities are associate members of GSFA.

GSFA programs are designed to provide assistance for adequate, safe, and sanitary residential housing. GSFA makes competitively priced financing opportunities available for homebuyers for the purchase or refinancing 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 and multi-family financing.

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.

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 nonoperating 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, bond issuance fees, ongoing issuer fees, and bond residuals associated with its affordable housing loan and energy efficiency/water conservation financing programs. Interest income earned on second mortgage loans and capital gains income from sales of mortgage-backed securities are also reported as operating income. Operating expenses of GSFA include the cost of providing services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting standards – 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.

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 2017, GSFA received $364,511 in interest from these assets. As of December 31, 2017, $3,686,728 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 income 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 housing-related revenues are presented separately.

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 Home Loan Mortgage Corporation (FHLMC) 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 gift program (Note 6).

Fair value measurements – GSFA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments in CalTrust and LAIF of $19.8 million are valued at net asset value and therefore excluded from the fair value hierarchy.

GSFA has the following recurring fair value measurements as of December 31, 2017:

- Money market funds (Level 2 inputs)
- Accounts payable, securities to be purchased, are valued using quoted market prices (Level 1)

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, 2017.

- *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, 2017.

- *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, 2017.

- *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 revenues such as housing program, energy program, administrative services, bond residuals, 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, 2017, is as follows:

Deposits with financial institutions (including $157,779 restricted cash)	$	6,212,869
Collateral account		1,489,727
Collateral account – restricted		250,000
Money market funds		4,220,605
Brokerage account		62,804,948
Total cash		74,978,149
LAIF		186,558
CalTRUST		19,586,710
Total cash equivalents (highly liquid investments)		19,773,268
Total cash and cash equivalents, including restricted cash	$	94,751,417

Deposits and 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, 2017, 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.

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, 2017 cash balances of $157,779 were restricted.

Collateral account – GSFA has funds held with a securities firm. The funds represent collateral for the sales agreements of 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, 2017, a portion of the funds on deposit with the securities firm represented collateral for a net unsecured forward exposure, and $250,000 of those funds have therefore been presented as restricted cash in the statement of net position. Funds at the securities firm are not insured.

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 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 investments in money market funds were rated at AAA by Standard & Poor's.

Highly liquid investments – As of December 31, 2017, GSFA also maintains highly liquid investment accounts with CalTRUST in the amount of $19,586,710. 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, 2017, exceeded $2.8 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 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.

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 24-hour 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, CA 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 3.59% 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, 2017, are as follows:

Second mortgages	$	3,986,728
Allowance for loan losses		(300,000)
Total second mortgage loans receivable, net of allowance for loan losses	$	3,686,728

Activity in the allowance for loan losses for the year ended December 31, 2017, is as follows:

Balance, beginning of year	$	300,000
Charge-offs		(66,386)
Recoveries		18,973
Provision for loan losses		47,413
Balance, end of year	$	300,000

NOTE 4 – NOTES RECEIVABLE

Notes receivable represent $2,700,000 in loans outstanding as part of GSFA's multi-family housing finance and rehabilitation housing program. As the issuer of conduit revenue bonds, GSFA loaned various amounts to the developer of the 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 beginning August 2050 through December 2051. No provision for losses has been deemed necessary. See Note 8 – Conduit Debt.

NOTE 5 – RELATED–PARTY TRANSACTIONS

For the year ended December 31, 2017, 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 and energy program success and provides an incentive to RCRC. The total expense of $4,352,908 for the year ended December 31, 2017, includes the monthly fee and performance fee. At December 31, 2017, GSFA has recorded a payable of $1,968,357 to RCRC for the 2017 performance fee and other services. The support services agreement calls for a flat fee of $199,917 a month to operate and administer GSFA operations.

Also for 2017, GSFA entered into a service agreement with National Homebuyers Fund, Inc. (NHF), whereby NHF manages GSFA's housing and energy programs and residential energy loan servicing. For the year ended December 31, 2017, GSFA incurred approximately $3.7 million for such housing-related services, which are included in gift program expenses. At December 31, 2017, $564,674 is payable to NHF for proceeds from MBS trades and housing and energy program related services. Expenses incurred for residential energy administration were approximately $265,000. Also, GSFA charges a fee to NHF for the use of its trading platform. Fees earned are reported as administrative service fee revenue in the statement of revenues, expenses, and changes in net position.

The support service agreements with both RCRC and NHF are annual agreements, expiring on December 31 of each year, with successive one-year automatic renewals until terminated by either party. The annual agreements are revised for fee and scope as need and are approved by the applicable Board of Directors.

NOTE 6 – DOWN PAYMENT ASSISTANCE GIFT PROGRAM

GSFA implemented the down payment assistance gift program in October 2010, targeting low to moderate income homebuyers. The gift program provides a down payment assistance grant ranging up to 5% of the home purchase price. GSFA has partnered with lenders to market the program to homebuyers.

As part of this program, GSFA purchases pools of government backed 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 TBA GNMA and FNMA securities, in which GSFA has committed to deliver securities at contracted prices at a future date. The entity has recorded a receivable of approximately $184 million for the estimated proceeds from the sale. GSFA has also recorded a liability of approximately $183 million to purchase the securities at prevailing prices at December 31, 2017, in order to fulfill the future obligation.

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 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, 2017, $648,258 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, 2017.

During 2017, GSFA generated revenue for servicing the outstanding loans under a separate agreement. GSFA invoiced $265,050 for loan servicing during the year for allowable expenses incurred.

Energy Upgrade California – 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, 2017, the LLR is $157,779 and is included in restricted cash.

Other program – GSFA also maintains an agreement with a provider to participate in a program to finance energy efficiency, renewable energy improvements, and water conservation improvements on residential and commercial properties in California. The actual loans are financed by the provider, and GSFA earns a cost recovery fee for administrative services performed under the program. For the year ended December 31, 2017, GSFA recorded $2,462,351 in revenue associated with this program.

NOTE 8 – CONDUIT DEBT

During the year ended December 31, 2017, GSFA issued $19.3 million in conduit debt for multi-family housing. As of December 31, 2017, GSFA has $122 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.

Bond residuals from a portion of the above-mentioned debt resulted in approximately $496,000 due to the sale of the related MBS and is included in bond and program residual funds in the statement of revenues, expenses, and changes in net position.

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 that 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 has been no significant reduction in coverage compared to prior year and there have been no settlements in excess of coverage for the prior 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 in the state of Washington, and named GSFA as an affiliated entity of NHF. Subsequent to year end, a Washington state judge ruled that NHF did not have the authority to offer services in the state of Washington, which has no impact on GSFA's operations. NHF is in the process of appealing the decision. Management of GSFA believes that the ruling is invalid and the outcome will not have a material adverse effect on the financial position or results of operations.

MOSSADAMS

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 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 Golden State Finance Authority (GSFA) as of and for the year ended December 31, 2017, and the related notes to basic financial statements, which collectively comprise GSFA's basic financial statements, and have issued our report thereon dated April 17, 2018.

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.

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, and 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 17, 2018

MOSSADAMS

Communication with
Those Charged with Governance

Golden State Finance Authority

December 31, 2017

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Communication with Those Charged with Governance

To the Executive Committee, 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, 2017, and have issued our report thereon dated April 17, 2018. 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 9, 2017, 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 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 15, 2017.

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 2017. 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 transactions 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 were:

> 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, 2017, 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 Notes 1 and 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, 2017.

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 17, 2018.

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

Moss Adams, LLP

Sacramento, California
April 26, 2018

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

February 21, 2018 – 11:00 a.m.

Executive Committee Members:

Supervisor Kevin Cann, Mariposa County
Supervisor Randy Hanvelt, Tuolumne County
Supervisor Rex Bohn, Humboldt County
Supervisor Matt Kingsley, Inyo County
Supervisor Bob Williams, Tehama County
Supervisor Michael Kobseff, Siskiyou County
Supervisor Aaron Albaugh, Lassen County
Supervisor Diane Dillon, Napa County
Supervisor Stacy Corless, Mono County
Supervisor Daron McDaniel, Merced 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 11:05 a.m. A quorum was determined at that time; those present were as follows:

Supervisors in Attendance	County
Kevin Cann	Mariposa
Randy Hanvelt	Tuolumne
Rex Bohn	Humboldt
Bob Williams	Tehama
Michael Kobseff	Siskiyou
Aaron Albaugh	Lassen
Diane Dillon	Napa
Stacy Corless	Mono
Daron McDaniel	Merced

Absent Members

Matt Kingsley	Inyo

Others in Attendance

Greg Norton, Executive Director
Craig Ferguson, Deputy Director
Lisa McCargar, Chief Financial Officer
Sarah Bolnik, RCRC Business Development
Justin Caporusso, RCRC Vice President External Affairs
Paul A. Smith, RCRC Vice President Governmental Affairs
Arthur Wylene, RCRC Governmental Affairs Legal Counsel

Approval of Minutes of the November 15, 2017 Meeting

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

Supervisor Randy Hanvelt, Tuolumne County, motioned to approve the minutes of the November 15, 2017 GSFA Executive Committee Meeting. Supervisor Diane Dillon, Napa County, seconded the motion. Motion passed.

Public Comment
None

Quarterly Budget and Investment Reports for GSFA
Lisa McCargar, Chief Financial Officer, presented the Investment Report, the Budget Report, and the Liquidity Report for period ending December 31, 2017.

Re-Appointment of the GSFA Vice Chair
Greg Norton, GSFA Executive Director, reported to the Executive Committee the need for re-appointment of the GSFA Vice Chair for 2018. Supervisor Randy Hanvelt, Tuolumne County was appointed the GSFA Vice Chair for 2018 at the January 17, 2018 GSFA Board of Directors Meeting. With this position, Supervisor Hanvelt would hold two seats on the NHF Board of Directors. Supervisor Hanvelt is currently serving as the 2018 RCRC First Vice Chair which also provides a seat on the NHF Board of Directors.

Recommendation
It is recommended that the GSFA Executive Committee:
Approve the 2018 GSFA Vice Chair per the nomination of the RCRC Chair, and direct the GSFA Executive Director to make the same recommendation to the GSFA Board of Directors.

Supervisor Randy Hanvelt, Tuolumne County, motioned to approve the nomination of Supervisor Bob Williams as the GSFA Vice Chair for 2018. Supervisor Michael Kobseff, Siskiyou County, seconded the motion. Motion passed.

Program Updates
Craig Ferguson, Vice President, provided an update on the existing GSFA programs to the Executive Committee.

Greg Norton provided an update on recent Economic Development activity. Mr. Norton reported that staff is being asked to sit on multiple different working groups and task forces, but are choosing to be only be actively involved in groups that are action focused vs discussion focused. The priorities for staff remain rural infrastructure, broadband deployment, and economic development.

Adjournment
Chair, Supervisor Kevin Cann, Mariposa County, adjourned the meeting of the GSFA Executive Committee at 11:58 a.m.

Golden State Finance Authority

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: May 1, 2018

Re: GSFA Budget Report (March 31, 2018)

Summary

The Statement of Revenues and Expenses for GSFA provides a budget to actual comparison for the quarter ended March 31, 2018.

Attachment

- GSFA Statement of Revenues and Expenses, Budget vs. Actual, for the quarter ended March 31, 2018.

GOLDEN STATE FINANCE AUTHORITY
Statement of Revenue and Expenses
Budget Vs. Actual - Unaudited
For the Quarter Ended March 31, 2018

Income:	2018 Annual Budget	Quarter Ended March 31, 2018 Budget	Quarter Ended March 31, 2018 Actual	Varaiance Favorable/ (Unfavorable)	Percent Favorable/ (Unfavorable)
Housing Program Revenue	$ 56,300,000	$ 14,075,001	$ 13,704,763	$ (370,238)	-2.63%
Energy Program Revenue	2,005,000	501,249	431,698	(69,551)	-13.88%
Grant Reimbursed Costs	250,000	62,499	61,332	(1,167)	-1.87%
Interest Income and Capital Gain/(Loss)	320,000	80,001	67,841	(12,160)	-15.20%
Ongoing Issuer Fees	60,000	15,000	9,695	(5,305)	-35.37%
2nd Mortgage Interest	300,000	75,000	82,422	7,422	9.90%
Miscellaneous Income	-	-	970	970	0.00%
Total Income	$ 59,235,000	$ 14,808,750	$ 14,358,721	$ (450,029)	-3.04%
Expenditures:					
Accounting & Auditing	$ 30,000	$ 7,500	$ 15,660	$ (8,160)	-108.80%
Business Development and Expansion	100,000	24,999	19,941	5,058	20.23%
Custodian/Trustee	30,000	7,500	-	7,500	100.00%
Consultants	225,000	56,250	56,533	(283)	-0.50%
Contract Performance Fee	1,750,000	437,499	-	437,499	100.00%
Dues, Fees & Subscriptions	5,000	1,251	4,407	(3,156)	-252.28%
Grant Costs	250,000	62,499	61,332	1,167	1.87%
Insurance	37,500	9,375	9,207	168	1.79%
Infrastructure Program	200,000	50,001	30,000	20,001	40.00%
Legal Services	250,000	62,499	20,966	41,533	66.45%
Loan Losses	100,000	24,999	49,208	(24,209)	-96.84%
Multi Family Bonds	5,000	1,251	-	1,251	100.00%
Energy Servicing Program	600,000	150,000	145,900	4,100	2.73%
Gift Program	47,000,000	11,750,001	11,592,535	157,466	1.34%
Grant Fund - California Disaster Assistance	1,000,000	249,999	-	249,999	100.00%
Pipeline Services	180,000	45,000	60,000	(15,000)	-33.33%
DPA Program Management	2,500,000	624,999	381,171	243,828	39.01%
Printing and Duplication	1,000	249	-	249	100.00%
Promotion and Marketing	75,000	18,750	1,964	16,786	89.53%
Rent	132,200	33,051	33,311	(260)	-0.79%
Contract Support Services	2,633,000	658,251	658,251	-	0.00%
Sponsorships	100,000	24,999	6,800	18,199	72.80%
Board Member Travel and Reimbursements	15,000	3,750	-	3,750	100.00%
Travel	40,000	9,999	713	9,286	92.87%
Other Expenses	7,000	1,749	1,688	61	3.49%
Total Expenditures	$ 57,265,700	$ 14,316,420	$ 13,149,587	$ 1,166,833	8.15%
Net Revenues Over Expenditures	$ 1,969,300	$ 492,330	$ 1,209,134	$ 716,804	145.59%

Golden State Finance Authority
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To:	GSFA Executive Committee
From:	Greg Norton, Executive Director Lisa McCargar, Controller/Chief Financial Officer
Date:	May 1, 2018
Re:	GSFA Investment Report (March 31, 2018)

Summary

In accordance with GSFA's investment policy, we are providing the GSFA investment report. This report provides a summary of investment transactions from December 31, 2017 to March 31, 2018. In addition, the report provides the 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 as of March 31, 2018

GOLDEN STATE FINANCE AUTHORITY
Investment Report
As of March 31, 2018

	Total	CalTRUST Short-Term	CalTRUST Medium-Term	LAIF
Balance 12/31/17	$ 19,797,123	$ 7,539,968	$ 12,070,031	$ 187,124
Additions	-	-	-	
Withdrawals	-	-	-	
Interest (includes accrued)	81,630	28,836	52,098	696
Capital Gain/(Loss)	(84,594)	-	(84,594)	-
Balance 12/31/17	$ 19,794,159	$ 7,568,804	$ 12,037,535	$ 187,820

Yield:	Short Term	Mid Term	LAIF
Annualized One Year	1.28%	1.50%	1.43%
Average Maturity (days)	270	741	183
90 Day Treasury Bill Rate	1.73%		

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

DELEGATE EXPENSE CLAIM

Name ____________________ County ____________________ Phone Number ____________________

Purpose of Trip, Details and Remarks:

Month/Year		LOCATION	LODGING	MEALS			MILEAGE POV @ $0.54.5/ mile		TRANSPORTATION, FEE or OTHER EXPENSE		TOTAL EXPENSES
Date	Time	(Where Expenses Were Incurred)		Breakfast	Lunch	Dinner	Miles	Amount	Description of Expense	Amount	

Provide documentation for expenses as required in the Travel and Expense Policy for Delegates. Mileage expenses may not exceed $0.54.5 per mile. For lodging in the Sacramento area, reimbursement will include lodging expense, inclusive of room rate, occupancy tax and other fees, up to a maximum of $128 per night. Meal allowances may not exceed $15 for breakfast, $15 for lunch, and $34 for dinner without prior approval, except as noted in the Travel and Expense Policy. Reciepts for **ALL** requested reimbursements must be attached to this expense claim.

____
Supervisor's Signature

Mail Payment To:

Name: ____________________

Address: ____________________

City, Zip: ____________________

Office Use Only:

Approved By: ____________________

G / L Code: 6890-01

Amount: ____________________