

California Housing Finance Fund Results June 30, 2019 Audit Committee Meeting

Presented by: Mandy L. Merchant, Principal



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



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6,100 Employees

120 Offices

9 Offices in CA

Over 50 Housing Clients

2,000 Governmental Clients

1st in Uniform Grant Audits

One CLA Promise



CLA ENGAGEMENT TEAM

- Mandy Merchant, Principal
- Gaby Miller, Director
- Liz Richardson, Senior Associate
- Ifeoma Nibo, Associate
- Joey Judson, Associate
- Kayla Oris, Associate

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Comprehensive Annual Financial Report– FY18-19

Highlights

- Letter of Transmittal
- GFOA Award
- Auditor's report
- Management discussion and analysis
- Financial statements and footnotes
- Supplementary information
- Statistical & Statutory Information



STATEMENT OF NET POSITION

	\$ CHANGE				
	2019	2018	2017	2019/2018	2018/2017
ASSETS					
Current Assets					
Cash and investments	\$ 854,568	\$ 854,438	\$ 1,089,121	\$ 130	\$ (234,683)
Program loans receivable - net	109,971	85,918	145,639	24,053	(59,721)
Other	74,887	57,437	49,635	17,450	7,802
Total current assets	1,039,426	997,793	1,284,395	41,633	(286,602)
Noncurrent Assets					
Investments	306,927	312,378	277,722	(5,451)	34,656
Program loans receivable - net	2,283,563	2,410,077	2,500,208	(126,514)	(90,131)
Capital assets	460	594	652	(134)	(58)
Other noncurrent assets	1,501	2,895	5,652	(1,394)	(2,757)
Total noncurrent assets	2,592,451	2,725,944	2,784,234	(133,493)	(58,290)
Total Assets	3,631,877	3,723,737	4,068,629	(91,860)	(344,892)
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources	\$ 17,286	\$ 23,778	\$ 25,123	\$ (6,492)	\$ (1,345)



STATEMENT OF NET POSITION

	\$ CHANGE				
	2019	2018	2017	2019/2018	2018/2017
LIABILITIES					
Current Liabilities					
Bonds payable - net	\$ 28,570	\$ 32,755	\$ 77,762	\$ (4,185)	\$ (45,007)
Notes payable	15,863	1,165	320	14,698	845
Loans payable	27,280	108,815	79,595	(81,535)	29,220
Other current liabilities	265,088	273,155	268,997	(8,067)	4,158
Total current liabilities	336,801	415,890	426,674	(79,089)	(10,784)
Noncurrent Liabilities					
Bonds payable - net	1,153,363	1,401,024	2,018,112	(247,661)	(617,088)
Notes payable	156,479	132,087	33,037	24,392	99,050
Loans payable	5,106	-	-	5,106	-
Other noncurrent liabilities	224,025	215,194	206,582	8,831	8,612
Total noncurrent liabilities	1,538,973	1,748,305	2,257,731	(209,332)	(509,426)
Total Liabilities	1,875,774	2,164,195	2,684,405	(288,421)	(520,210)
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources	25,689	18,198	8,833	7,491	9,365
NET POSITION					
Net invested in capital assets	460	594	652	(134)	(58)
Restricted net position	1,747,240	1,564,528	1,399,862	182,712	164,666
TOTAL NET POSITION	\$ 1,747,700	\$ 1,565,122	\$ 1,400,514	\$ 182,578	\$ 164,608



STATEMENT OF NET POSITION – Analysis of Changes

- \$102M decrease in program loans receivable due to principal payments offsetting any new loans.
- \$252M decrease in bonds payable is primarily due to early bond redemptions totaling \$255M offset by \$23M in new issued bonds.
- \$82M decrease in the Federal Home Loan Bank loan related to the Single Family TBA Market.
- The Net Pension Liability decreased by \$10M while the Net OPEB Liability increased by \$3M. Change is based on the actuarial assumptions, change in the allocation method for OPEB and performance of the plans in the market.
- Swap derivative liability increased \$16M due to the decrease in fair value and lower interest rates in favor of the counterparty.



STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	\$ CHANGE				
	2019	2018	2017	2019/2018	2018/2017
Operating Revenues:					
Interest income - program loans, net	\$ 138,023	\$ 128,047	\$ 147,604	\$ 9,976	\$ (19,557)
Interest income - investments, net	24,728	18,568	14,296	6,160	4,272
Realized gain on sale of securities	112,163	70,548	82,553	41,615	(12,005)
Other loan fees	20,926	18,717	18,592	2,209	125
Other revenues	45,581	7,384	(6,169)	38,197	13,553
Total Operating Revenues	341,421	243,264	256,876	98,157	(13,612)
Operating Expenses:					
Interest	47,103	49,244	64,123	(2,141)	(14,879)
Mortgage servicing fees	4,232	4,722	5,021	(490)	(299)
Salaries & general expenses	43,268	39,098	39,796	4,170	(698)
Other expenses	71,696	35,126	48,989	36,570	(13,863)
Total Operating Expenses	166,299	128,190	157,929	38,109	(29,739)
Operating Income	175,122	115,074	98,947	60,048	16,127
Non-operating Revenues & Expenses:					
Interest - positive arbitrage	4	(81)	(200)	85	119
Investment SWAP revenue (fair value)	(19,809)	30,974	45,579	(50,783)	(14,605)
Prepayment penalty	1,774	1,954	5,494	(180)	(3,540)
Other	76	3,942	409	(3,866)	3,533
Total non-operating revenues & expenses	(17,955)	36,789	51,282	(54,744)	(14,493)
Change in net position before transfers	157,167	151,863	150,229	5,304	1,634
Transfers in (out)	25,411	60,095	(341,015)	(34,684)	401,110
Increase (decrease) in net position	182,578	211,958	(190,786)	(29,380)	402,744
Net position at beginning of year	1,565,122	1,400,514	1,591,300	164,608	(190,786)
Cumulative effect of adoption of GASB 68	-	(47,350)	-	47,350	(47,350)
Net position at end of year	\$ 1,747,700	\$ 1,565,122	\$ 1,400,514	\$ 182,578	\$ 164,608



STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION – Analysis of Changes

- Increase in Net Position was \$183M in FY2019, compared to \$212M in FY2018.
- \$41.6M increase in realized gain on sale of securities due to \$14.1M increase in the realized gain on securitizations relating to the SF TBA Market and \$27.5M increase in the change of fair value in FY2019.
- Other income increased \$38.2M primarily due to growth in TBA Market Rate Program fee revenue as single family loan volume increased.
- Interest expense decreased \$2.1M due to the decrease in bond interest expense related to the decrease in bonds payable.
- Transfers in decreased by \$34.7M primarily due to a decrease in the intra-fund transfer in of HM2 and HAT funds.
- Other expenses increased \$37M primarily due to an increase in provision for loan loss and service releasing fees associated with the SF TBA Market.

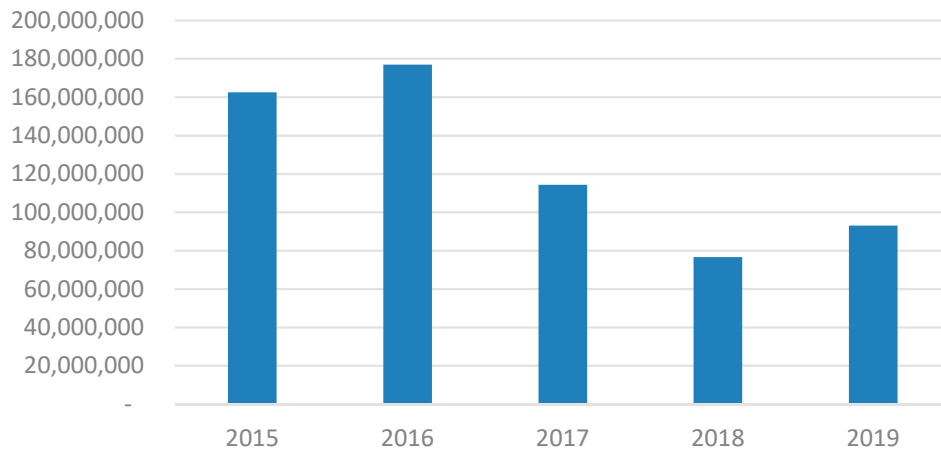


COMPARATIVE ANALYTICS

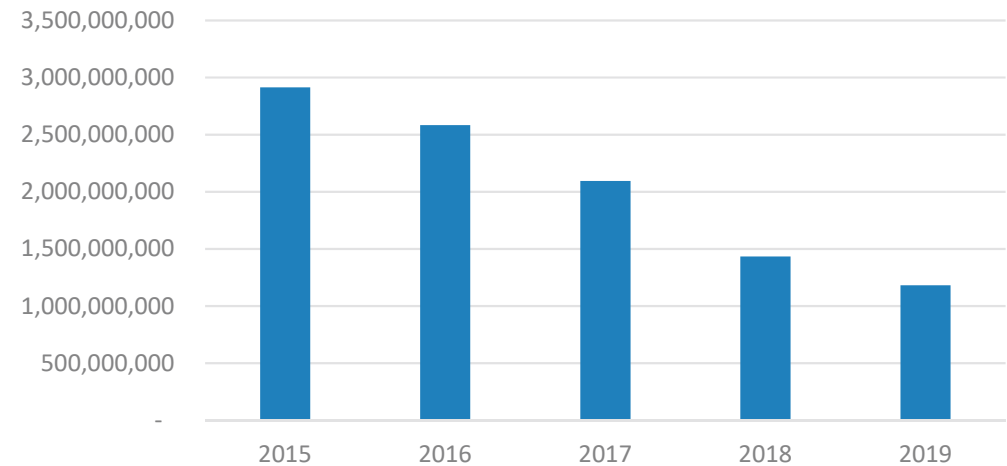


INTEREST RATE SWAPS & BONDS PAYABLE

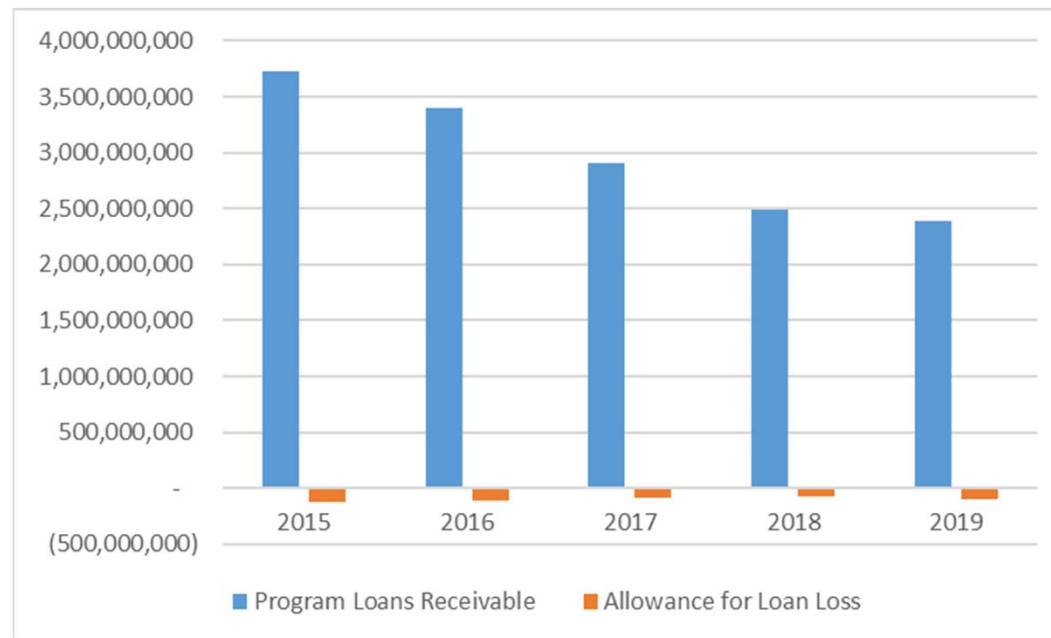
Derivative swap liability



Bonds Payable



PROGRAM LOANS RECEIVABLE



SINGLE AUDIT REPORT

Program Tested

- Section 8 Program

Single Audit Finding

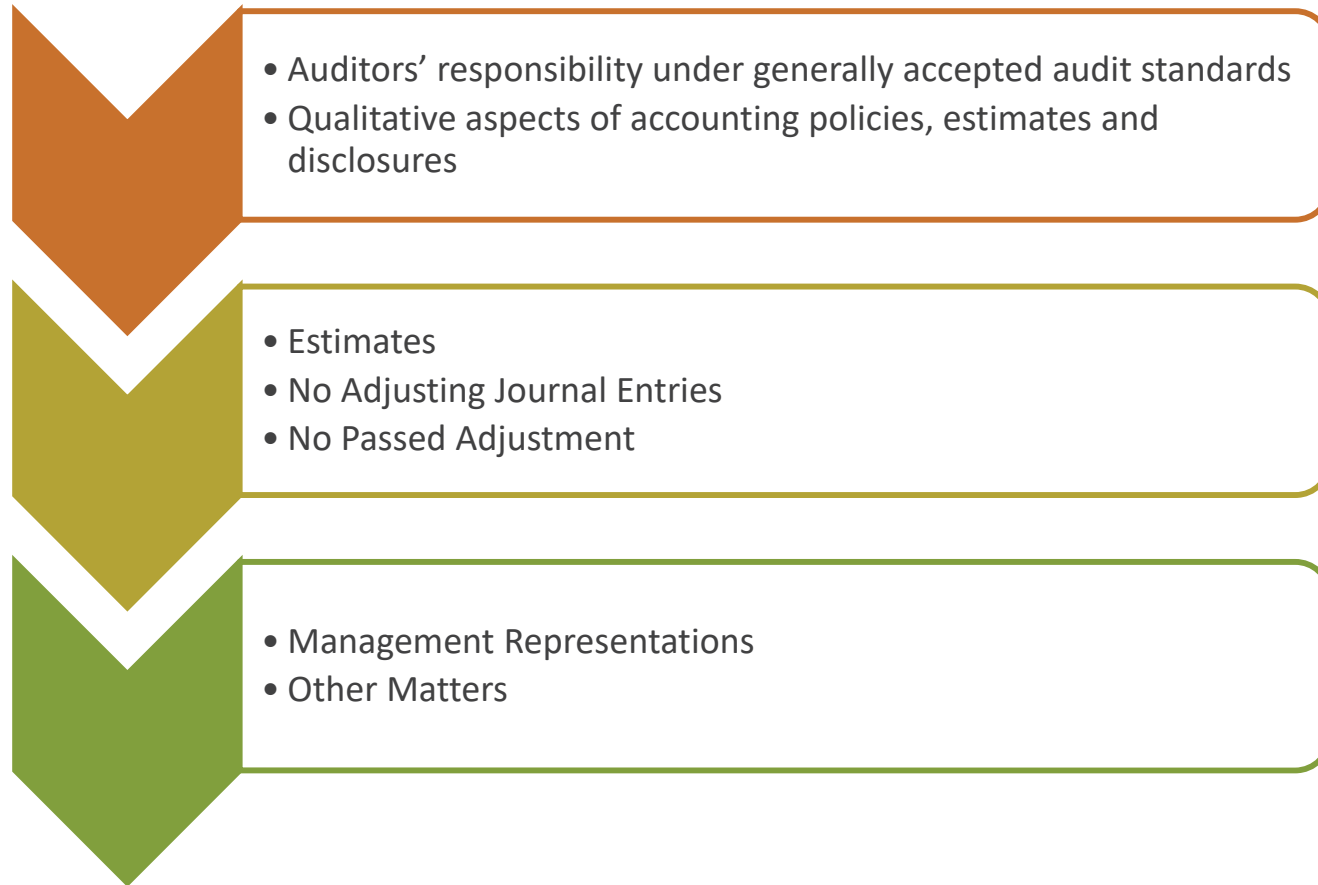
- Replacement Reserve

Financial Statements

- No Findings



AUDITOR COMMUNICATION



What's Coming in the Future?

- GASB 87 – Leases
 - This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows/outflows of resources based on the payment provisions of the contract. Under this statement, the lessee is required to recognize a lease liability and an intangible right-to-lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources.
- Impact on CaLHFA







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Special thanks to CalHFA's staff during the 2019 audit

Questions?

