

SB 341 Annual Report
Successor Housing Agency - Community Development
City of Escondido
Fiscal Year: July 1, 2020 - June 30, 2021

The dissolution of the California redevelopment agencies in 2012 resulted in a dramatic change to property tax finance. It eliminated the major source of local publically generated dollars earmarked for affordable housing.

The City of Escondido established a Successor Housing Agency (“SHA”) to the City of Escondido Community Development Commission (“CDC”) on January 25, 2012 by the adoption of Resolution No. 2012-16. The majority of the SHA’s assets were transferred from the CDC when it dissolved pursuant to the Dissolution Act (enacted by Assembly Bills x1 26 and 1484). All “rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, excluding any amount in the Low- and Moderate-Income Housing Fund” were transferred from the CDC to the SHA. The transferred assets consisted of loans made to the CDC and land owned by the CDC. Proceeds from these assets will be deposited into the Low- and Moderate-Income Housing Asset Fund (“Affordable Housing Fund”).

On January 1, 2014, Senate Bill 341 (“SB 341”) became effective. Senate Bill 341 (chapter 796, Statutes of 2013) previously amended Health and Safety Code (“HSC”) Section 34176 to address particular provisions and functions relating to former “redevelopment agencies” and new “housing successor” entities allowed to elect and assume particular functions of redevelopment agencies (RDAs) dissolved in 2012. SB 341 eliminated the former redevelopment agency annual report requirement due to both the Department of Housing and Community Development (“HCD”) and State Controller while RDAs were active. All successor housing entities are now required to comply with different annual report requirements. In accordance with HSC Section 34176.1(f), specific data must now be reported annually for the Affordable Housing Fund. Senate Bill 107 (chapter 325, Statutes of 2015, effective January 2016) amended HSC Section 34176.1(f) to add a new reporting item and revise one reporting item.

The housing successor shall conduct, and shall provide to its governing body, an independent financial audit of the Low and Moderate Income Housing Asset Fund within six months after the end of each fiscal year, which may be included in the independent financial audit of the host jurisdiction. If the housing successor is a city or county, it shall also include in its report pursuant to Section 65400 of the Government Code and post on its internet website all of the following information for the previous fiscal year.

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1	The amount the city, county, or city and county received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.
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During the fiscal year, the City of Escondido received a total of \$7,478,660 for reinstated loan agreements under Code Section 34191.4(b)(3)(A), twenty percent (\$1,495,732) of which was deposited into the Low and Moderate Income Housing Asset Fund in accordance with Code Section 34191.4(b)(3)(C)

2	The amount deposited to the Low and Moderate Income Housing Asset Fund, distinguishing between amounts deposited pursuant to subparagraphs (B) and (C) of paragraph (3) of subdivision (b) of Section 34191.4, amounts deposited for other items listed on the Recognized Obligation Payment Schedule, and other amounts deposited.
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The SHA deposited \$3,788,344 into the Affordable Housing Fund during fiscal year 2020-2021. This consisted of rents, promissory note and loan repayments, reimbursements and interest income.

Revenue Source	Amount
Escondido Views/Mountain Shadows Rents	\$161,375
Former CDC Promissory Note Repayments	\$1,607,031
Sale of Real Property	\$78,998
Interest Income	\$199,459
Other Revenues	<u>\$1,741,481</u>
	\$3,788,344

3	A statement of the balance in the fund as of the close of the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule from other amounts.
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Low and Moderate Housing Funds (as of July 1, 2021)	\$47,554,720
Land Held for Resale	(\$1,890,239)
Loans Receivable	<u>(\$35,107,543)</u>
Available Funds	\$10,556,938

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4	A description of expenditures from the fund by category, including, but not limited to, expenditures: (A) for monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants entered into by the redevelopment agency or the housing successor and administering the activities described in paragraphs (2) and (3) of subdivision (a), (B) for homeless prevention and rapid rehousing services for the development of housing described in paragraph (2) of subdivision (a), and (C) for the development of housing pursuant to paragraph (3) of subdivision (a).
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The SHA spent \$1,440,848 in FY 2020-2021.

Administrative Expenses (including monitoring)	\$429,242
Homeless Prevention and Rapid Rehousing	\$11,606
Development of Housing	<u>\$1,000,000</u>
	\$1,440,848

5	As described in paragraph (1) of subdivision (a), the statutory value of real property owned by the housing successor, the value of loans and grants receivable, and the sum of these two amounts.
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Real Property	\$1,969,237
Individual mobile home lots at Mountain Shadows and Escondido Views Property located at 542 W 3 rd Avenue & 201 N Pine Street	
Loans Receivable	\$35,392,050
Developer loans and homeowner loans	

6	A description of any transfers made pursuant to paragraph (2) of subdivision (c) in the previous fiscal year and, if still unencumbered, in earlier fiscal years and a description of and status update on any project for which transferred funds have been or will be expended if that project has not yet been placed in service.
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N/A – no transfers made.

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7	A description of any project for which the housing successor receives or holds property tax revenue pursuant to the Recognized Obligation Payment Schedule and the status of that project
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The Successor Housing Agency does not receive or hold property tax revenue pursuant to the ROPS.

8	For interests in real property acquired by the former redevelopment agency prior to February 1, 2012, a status update on compliance with Section 33334.16. For interests in real property acquired on or after February 1, 2012, a status update on the project.
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All real property was acquired prior to February 1, 2012. The Successor Housing Agency must initiate development activities on property acquired by the former redevelopment agency within five years after the Department of Finance confirmed the property as a housing asset (February 15, 2018).

The Successor Housing Agency was unable to develop two properties owned by the located at 542 W 3rd Avenue & 201 N Pine Street as affordable housing. The City has been in exclusive discussions with a developer since July 2017, continued past June 2021. Subsequently, the property sold to the market rate developer in December 2021. Proceeds will be used for eligible projects.

9	A description of any outstanding obligations pursuant to Section 33413 that remained to transfer to the housing successor on February 1, 2012, of the housing successor's progress in meeting those obligations, and of the housing successor's plans to meet unmet obligations. In addition, the housing successor shall include in the report posted on its Internet Web site the implementation plans of the former redevelopment agency.
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The City of Escondido, as the Successor Housing Agency of the Community Development Commission of the City of Escondido, has no unmet obligations pursuant to Section 33413.

10	The information required by subparagraph (B) of paragraph (3) of subdivision (a).
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(a) Subdivision (d) of Section 33334.3 and subdivision (a) of Section 33334.4 shall not apply. Instead, funds received from the successor agency for items listed on the Recognized Obligation Payment Schedule shall be expended to meet the enforceable obligations, and the housing successor shall expend all other funds in the Low and Moderate Income Housing Asset Fund as follows:

(3) (B) If the housing successor fails to comply with the extremely low income requirement in any five-year report, then the housing successor shall ensure that at least 50 percent of these remaining funds expended in each fiscal year following the latest fiscal year following the report are expended for the development of rental housing affordable to, and occupied by, households earning 30 percent or less of the area median income until the housing successor demonstrates compliance with the extremely low income requirement in an annual report described in subdivision (f).

26% of Escondido’s deed restricted affordable units developed in the past 5 years (7/1/2016 – 6/30/2020) have been restricted to extremely low income households earning a maximum of 30% of AMI (37 of 140 units).

Project Name	Affordable Housing Agreement Date	Number of SHA Deed-Restricted Units	Number of Extremely Low-Income (30%) Units
557-563 Aster Place	06/08/2017	0	0
Windsor Gardens	08/07/2019	130	33
Veterans Villas	07/01/2020	10	4

11	The percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the same time period.
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Twenty-six percent of the affordable units developed in the past 10 years (7/1/2011 – 6/30/2021) by the former redevelopment agency (Community Development Commission of the City of Escondido), Successor Housing Agency, and the City of Escondido (predominantly using federal HOME funds) have been restricted to seniors (130 of 500 units).

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Project Name	Afford. Housing Agreement Date	Number of Units	Age Restrictions
Avocado Court Crossings @ Escondido Manor	03/07/2012	36	None
Cypress Cove	04/15/2015	44	None
Solutions Escondido	08/06/2015	200	None
557-563 Aster Place	12/17/2015	33	None
Windsor Gardens	06/08/2017	4	None
Veterans Villas	08/07/2019	130	62+
	07/01/2020	53	None

12	The amount of any excess surplus, the amount of time that the successor agency has had excess surplus and the housing successor's plan for eliminating the excess surplus.
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The Successor Housing Agency has an excess surplus of \$5,540,695. The Successor Housing Agency had an excess surplus in 2019 (\$4,009,191) and 2020 (\$5,233,419)

The Escondido Successor Housing Agency is committed to using these funds to develop affordable housing. During FYE 6/30/2021, there were two projects in the pipeline, one using Successor Housing Agency Funds (\$4,000,000) and one using federal HOME funds (\$1,000,000).

Commitment of Successor Housing Agency funds was delayed due to a failed project. In March 2019, the City released a Request for Proposals seeking to provide long-term affordable rental housing or first-time homebuyer opportunities on March 21, 2019. Three proposals were received. On July 17, 2019, City Council approved funds for all three projects. Veterans Village of San Diego received a commitment of \$1,000,000 from the Affordable Housing Fund for the construction a new 54-unit development on South Escondido Blvd in Escondido. These funds were expended in early July 2020. \$1,000,000 in HOME funds were conditionally committed to a San Diego Habitat for Humanity homeownership project in December 2019. National CORE received a conditional commitment (not to exceed \$3,178,000) for the acquisition and rehabilitation of a 71-unit market rate development dependent on receiving commitments from other funding sources. This project was terminated in December 2019 by the developer.

A new RFP was release on March 26, 20220. On July 25, 2020, City Council conditionally committed \$4,000,000 to Valley Senior Village Apartments, a 50-unit new construction senior affordable housing development which will include 25 units reserved

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for homeless households. An Affordable Housing Loan Agreement for this project was executed on December 6, 2021. Construction (and spending) will begin in early 2022.

13	<p>An inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3. This inventory shall include all of the following:</p> <ul style="list-style-type: none">(A) The number of those units(B) In the first report pursuant to this subdivision, the number of units lost to the portfolio after February 1, 2012, and the reason or reasons for those losses. For all subsequent reports, the number of the units lost to the portfolio in the last fiscal year and the reason for those losses.(C) Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund(D) Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.
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See attached Successor Housing Agency Homeownership Inventory.

SUCCESSOR HOUSING AGENCY HOMEOWNERSHIP INVENTORY

LOANS CLOSED PRIOR TO FEB 2012

LOANS CLOSED AFTER FEB 2012

LOANS CLOSED FY 2020/21

Fiscal Year	1121 FTHB LOANS (>80% AMI)						02/2012 through 06/2020			07/2020 through 06/2021		
	Loans Issued	Paid in Full		Voided	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale
1992-93	178,050	10	10	(178,050)								
1996-97												
1999-00	216,000	36	34	(204,000)	1	(6,000)						
2000-01	276,000	46	46	(276,000)								
2001-02	90,000	15	12	(72,000)	2	(12,000)						
2002-03	290,000	29	23	(230,000)	4	(40,000)	1	(10,000)				
2003-04	150,000	15	10	(100,000)	2	(20,000)	1	(10,000)	1	(10,000)		
2004-05	50,000	2							1	(25,000)	1	(25,000)
2005-06	50,000	2					1	(25,000)	1	(25,000)		
2006-07	400,000	16			1	(25,000)	1	(50,000)	7	(175,000)	3	(50,000)
2007-08	1,350,000	54	1	(25,000)	4	(100,000)	25	(625,000)	2	(50,000)	5	(125,000)
2008-09	1,592,365	128	9	(104,600)	13	(145,750)	77	(939,335)	3	(41,250)	2	(30,000)
2009-10	840,732	71			6	(71,875)	49	(580,097)			1	(7,857)
2010-11	634,605	50			2	(31,740)	38	(470,640)			1	(9,450)
2011-12	412,753	34			4	(44,750)	18	(219,858)			3	(32,995)
Totals	6,530,505	508	145	(1,189,650)	39	(10,000)	0	(2,919,930)	15	(326,250)	(87,857)	(268,054)
												0

76 **1,231,649**

1106 FTHB LOANS (<80% AMI)						02/2012 through 06/2020			07/2020 through 06/2021		
Loans Issued	Paid in Full		Voided	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale
1996-97	51,310	20	19	(48,310)							
2008-09	375,000	15			2	(50,000)	5	(125,000)	3	(75,000)	
Totals	426,310	35	19	(48,310)	2	(50,000)	0	(125,000)	3	(75,000)	0
											0

6 **128,000**

1131 ESC VIEWS/MTN SHADOW LOTS						02/2012 through 06/2020			07/2020 through 06/2021		
Loans Issued	Paid in Full		Voided	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale
2002-03	380,536	8	6	(284,315)							
2003-04	946,833	19	8	(391,039)		4	(194,085)		1	(41,263)	
2004-05	422,024	7	4	(238,003)					1	(55,682)	
Totals	1,749,393	34	18	(913,357)	0	0	0	0	2	(96,945)	0
											0

10 **545,006**

1102 MTN SHADOWS MPROP LOANS						02/2012 through 06/2020			07/2020 through 06/2021		
Loans Issued	Paid in Full		Voided	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale
1991-1994	1,164,676	53	38	(856,606)	1	(11,100)	2	(23,137)	4	(88,185)	
Totals	1,164,676	53	38	(856,606)	0	(11,100)	(23,137)	(88,185)	0	0	0
											0

8 **185,648**

LOANS CLOSED PRIOR TO FEB 2012

LOANS CLOSED AFTER FEB 2012

LOANS CLOSED FY 2020/21

1101 ESCONDIDO VIEWS MPROP LOANS										02/2012 through 06/2020			07/2020 through 06/2021			
Loans Issued		Paid in Full		Voided	Foreclosure	Short-Sale		Paid in Full		Foreclosure	Short-Sale	Paid in Full		Foreclosure	Short-Sale	
1991-1994	7	1,335,678	69	43	(854,671)	5	(67,251)	1	(1,244)	13	(257,962)					
		1,335,678	69	43	(854,671)	0	(67,251)	1	(1,244)	(257,962)	0	0	0	0	0	0

154,551

1127 RANCHO ESCONDIDO MPROP LOANS										02/2012 through 06/2020			07/2020 through 06/2021			
Loans Issued		Paid in Full		Voided	Foreclosure	Short-Sale		Paid in Full		Foreclosure	Short-Sale	Paid in Full		Foreclosure	Short-Sale	
1987	0	355,224	32	25	(276,614)	5	(51,973)	1	(4,302)	1	(22,335)					
		355,224	32	25	(276,614)	0	(51,973)	1	(4,302)	(22,335)	0	0	0	0	0	0

0

1104/1103 REHAB LOANS (SINGLE FAMILY/MOBILEHOME)										02/2012 through 06/2020			07/2020 through 06/2021					
Loans Issued		Paid in Full		Voided	Foreclosure	Short-Sale		Paid in Full		Foreclosure	Short-Sale	Paid in Full		Foreclosure	Short-Sale			
1989-90	5	404,806.64	43	29	(311,079)	7	(31,924)	1	(434)	1	(4,500)							
1990-91	2	418,423.46	38	27	(320,415)	4	(18,593)	2	(7,437)	1	(19,805)	2	(25,400)					
1991-92	4	268,848.68	25	16	(170,831)	3	(16,963)			1	(5,500)		1	(4,793)				
1992-93	0	206,883.37	18	13	(124,808)	2	(11,761)			2	(55,069)		1	(15,247)				
1993-94	1	181,124.44	14	9	(109,500)	2	(11,624)			2	(40,000)							
1994-95	0	105,512.00	12	8	(81,466)	3	(17,536)			1	(6,500)							
1995-96	3	200,315.27	17	9	(120,489)	4	(25,999)			1	(19,883)							
1996-97	0	185,254.00	19	16	(165,044)	2	(12,835)			1	(6,500)							
1997-98	2	343,104.00	27	21	(275,989)	1	(6,500)			3	(47,690)							
1998-99	0	404,884.75	28	25	(379,174)			1	(4,500)	2	(21,211)							
1999-00	5	651,318.82	37	32	(584,267)													
2000-01	3	315,696.00	24	13	(190,001)	1	(8,000)			5	(61,785)	1	(7,050)		1	(8,000)		
2001-02	3	350,881.00	18	14	(272,881)					1	(25,000)							
2002-03	2	240,008.00	15	10	(175,852)			1	(5,495)	2	(32,451)							
2003-04	1	108,439.72	6	4	(60,267)					1	(23,314)							
2004-05	3	76,795.00	9	2	(10,922)					3	(23,570)			1	(8,000)			
2005-06	10	710,667.00	34	6	(148,355)	1	(34,022)	1	(19,971)	8	(187,767)	4	(76,355)	3	(60,509)	1	(4,780)	
2006-07	11	637,495.00	27	4	(101,365)	1	(20,000)			10	(248,818)			(10,000)	1	(20,000)		
2007-08	14	519,613.00	23	rfds	(6,619)					6	(174,788)	1	(19,697)	1	(4,920)	1	(19,905)	
2008-09	8	489,723.00	21	1	(38,055)					8	(195,364)	3	(57,247)	1	(498)			
2009-10	5	247,671.00	13	rfds	(1,831)					3	(53,031)	4	(75,000)		1	(19,630)		
2010-11	13	449,191.00	21	rfds	(12,981)	1	(20,000)			4	(74,788)	1	(20,000)	1	(6,500)	1	(20,000)	
2011-12	2	186,000.00	10	rfds	(9,752)	1	(20,000)			5	(102,907)		1	(3,137)	1	(18,024)		
Totals		7,702,655	499	259	(3,671,941)	3	(74,022)	31	(201,706)	5	(17,866)	70	(1,424,741)	(286,249)	(100,811)	(115,132)	(8,000)	0

1,802,187.89



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Escondido
Escondido, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escondido, California (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of California Center for the Arts, Escondido Foundation (the "Foundation"), which represent 100% of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

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 of 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Implementation of GASB Statement No. 84

As discussed in Note 1 to the financial statements, the City implemented GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation, the City converted the former agency funds, which previously reported assets and liabilities only, to custodial funds and reported a restatement of its net position in the amount of \$1,611,817. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedules of Changes in Net Pension Liability and Related Ratios, and Schedules of Plan Contributions on pages 19 through 32 and 104 through 115 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Escondido
Escondido, California
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The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 City's 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 the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
December 27, 2021

CITY OF ESCONDIDO

**Balance Sheet
Governmental Funds
June 30, 2021**

	Major Funds			Total Governmental Funds
	General	Successor Agency Housing	Nonmajor Governmental Funds	
ASSETS				
Cash and investments	\$ 35,431,330	\$ 10,270,526	\$ 49,530,597	\$ 95,232,453
Receivables (net):				
Accounts	3,707,991	175	6,452	3,714,618
Interest	74,088	10,122,105	6,315,032	16,511,225
Taxes	10,732,277	-	37,313	10,769,590
Loans	11,449,680	35,392,050	17,510,248	64,351,978
Due from other governments	203,555	-	4,450,443	4,653,998
Due from Successor Agency	2,742,953	-	990,638	3,733,591
Due from other funds	1,622,563	-	-	1,622,563
Inventory, at cost	-	-	14,109	14,109
Prepaid items	69,264	-	17,970	87,234
Deposits	-	-	219,334	219,334
Land held for resale	-	1,890,239	-	1,890,239
Advances to other funds	-	-	200,000	200,000
Restricted assets:				
Cash and investments	15,301,704	-	-	15,301,704
Cash and investments with fiscal agent	-	-	1	1
Total Assets	\$ 81,335,405	\$ 57,675,095	\$ 79,292,137	\$ 218,302,637
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,561,103	\$ 233	\$ 1,011,312	\$ 2,572,648
Deposits payable	11,779,004	9,450	2,628,357	14,416,811
Retentions payable	-	-	50,930	50,930
Accrued expenditures	3,340,687	10,136	111,733	3,462,556
Due to other funds	-	-	1,622,563	1,622,563
Unearned revenue	-	-	304,967	304,967
Advances from other funds	200,000	-	-	200,000
Total Liabilities	16,880,794	19,819	5,729,862	22,630,475
Deferred Inflows of Resources:				
Unavailable revenue	15,734,215	10,100,556	10,488,117	36,322,888
Total Deferred Inflows of Resources	15,734,215	10,100,556	10,488,117	36,322,888
Fund Balances:				
Nonspendable	69,264	-	282,413	351,677
Restricted	15,301,704	47,554,720	59,712,240	122,568,664
Committed	17,392,319	-	5,171,026	22,563,345
Assigned	14,423,119	-	-	14,423,119
Unassigned (deficit)	1,533,990	-	(2,091,521)	(557,531)
Total Fund Balances	48,720,396	47,554,720	63,074,158	159,349,274
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 81,335,405	\$ 57,675,095	\$ 79,292,137	\$ 218,302,637

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2021

Fund balances for governmental funds		\$ 159,349,274
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Amount reported in government-wide statement of net position:		
Capital assets, not being depreciated	\$ 78,935,651	
Capital assets, being depreciated, net	207,978,240	
Less: amount reported in internal services fund	(8,420,642)	278,493,249
A portion of the unavailable revenue is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.		
		36,322,888
Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the Statement of Net Position.		
Total internal service fund net position	10,304,363	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	1,229,452	11,533,815
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Noncurrent liabilities allocated from internal service funds are included in the internal service fund adjustment above.		
Compensated absences	(7,311,294)	
Claims payable	(17,528,800)	
Loans	(1,831,313)	
Leases	(941,695)	
Bonds	(55,800,000)	
Bond premium	(6,531,476)	
Bond discount	5,329	
Deferred gain on refunding	(322,215)	
Deferred loss on refunding	31,773	
Less: amount reported in internal services fund	17,890,269	(72,339,422)
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds. The net pension liability allocated from internal service funds are included in the internal service fund adjustment above.		
Aggregate net pension liability	(222,113,105)	
Less: amount reported in internal services fund	11,268,921	(210,844,184)
Deferred outflows and deferred inflows of resources related to pensions are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds		
Deferred outflows of resources related to pensions	32,212,044	
Deferred inflows of resources related to pensions	(626,450)	
Less: amount reported in internal services fund	(1,643,756)	29,941,838
Interest payable on noncurrent liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		(959,525)
Net position of governmental activities		\$ 231,497,933

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds			Total Governmental Funds
	General Fund	Successor Agency Housing	Nonmajor Governmental Funds	
Revenues:				
Sales tax	\$ 44,295,507	\$ -	\$ -	\$ 44,295,507
Property taxes	31,209,631	-	5,052,910	36,262,541
Other taxes	14,142,701	-	2,641,621	16,784,322
Licenses and permits	2,433,872	-	-	2,433,872
Fines and forfeits	864,799	-	-	864,799
Intergovernmental	5,100,302	-	15,876,484	20,976,786
Charges for services	10,954,833	-	8,317,489	19,272,322
Special assessments	-	-	844,356	844,356
Lease income	4,131,577	161,375	-	4,292,952
Investment income	7,768,404	1,113,338	594,862	9,476,604
Miscellaneous	573,250	212,750	42,754	828,754
Total Revenues	121,474,876	1,487,463	33,370,476	156,332,815
Expenditures:				
Current:				
General government	6,418,130	-	3,776,025	10,194,155
Public safety	71,492,705	-	2,044,570	73,537,275
Public works	12,299,384	-	2,563,185	14,862,569
Community services	9,584,866	-	3,379,883	12,964,749
Community development	4,011,247	440,848	390,872	4,842,967
Capital outlay	194,308	-	4,717,898	4,912,206
Debt service:				
Principal retirements	548,922	-	2,388,005	2,936,927
Interest and fiscal charges	78,470	-	2,818,607	2,897,077
Total Expenditures	104,628,032	440,848	22,079,045	127,147,925
Excess (Deficiency) of Revenues Over Expenditures	16,846,844	1,046,615	11,291,431	29,184,890
Other Financing Sources (Uses):				
Sale of capital assets	261,625	-	-	261,625
Transfers in	2,085,000	1,520,732	6,538,970	10,144,702
Transfers (out)	(7,561,772)	-	(3,065,000)	(10,626,772)
Total Other Financing Sources (Uses)	(5,215,147)	1,520,732	3,473,970	(220,445)
Net Change in Fund Balance	11,631,697	2,567,347	14,765,401	28,964,445
Fund Balances:				
Beginning of Year	37,088,699	44,987,373	48,308,757	130,384,829
End of Year	<u>\$ 48,720,396</u>	<u>\$ 47,554,720</u>	<u>\$ 63,074,158</u>	<u>\$ 159,349,274</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF ESCONDIDO
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds: \$ 28,964,445

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, contributed capital assets, retirements, and capital related expenditures exceeded depreciation in the current period. Capital asset activity from internal service funds are reported in the internal service activity below.

Capital outlay	\$ 4,912,206	
Depreciation, net of \$3,695,504 from Internal Service Funds	(13,625,840)	
Contributed capital assets	<u>5,309,476</u>	(3,404,158)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (2,787,466)

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The net revenue of internal service funds was reported with governmental activities.

Total internal service fund change in net position	(1,336,348)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>287,480</u>	(1,048,868)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position.

Change in compensated absences	51,773	
Change in pension liability	(7,095,785)	
Principal retirements	2,936,927	
Accrued interest	<u>495,180</u>	<u>(3,611,905)</u>

Change in net position of governmental activities \$ 18,112,048

**City of Escondido Community Development Commission
Excess Surplus Calculation
For the Fiscal Year Ended June 30, 2021**

	Low and Moderate Housing Funds All Project Areas June 30, 2020	Low and Moderate Housing Funds All Project Areas June 30, 2021
Opening Fund Balance	\$ 44,987,373	\$ 47,554,720
Less Unavailable Amounts:		
Land held for resale	\$ (1,969,237)	\$ (1,890,239)
Loans Receivable	<u>(35,107,543)</u>	<u>(35,392,050)</u>
	<u>(37,076,780)</u>	<u>(37,282,289)</u>
Available Housing Successor Funds	\$ 7,910,593	\$ 10,272,431
Limitation (greater of \$1,000,000 or four years deposits)		
Aggregate amount deposited for last four years:		
2020 - 2021	\$ -	\$ 2,567,347
2019 - 2020	685,897	685,897
2018 - 2019	874,408	874,408
2017 - 2018	604,084	604,084
2016 - 2017	512,785	-
Total	<u>\$ 2,677,174</u>	<u>\$ 4,731,736</u>
Base Limitation	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Greater amount	<u>2,677,174</u>	<u>4,731,736</u>
Computed Excess/Surplus	<u>\$ 5,233,419</u>	<u>\$ 5,540,695</u>

SB 341 Compliance Reporting Sources & Uses

6/30/2021

#1 Amount Deposited:

Fund 283	4611 / 4612	Rents - Esc Views/Mtn Shadows		\$	161,375
Fund 281	1101 / 1102	Loan Repayments (w/o writeoffs)	\$	9,834	
	1103 / 1104	Loan Repayments (w/o writeoffs)		125,132	
	1106 / 1121	Loan Repayments (w/o writeoffs)		268,054	
	1131	Loan Repayments (w/o writeoffs)		112,473	
	1127	Loan Repayments (w/o writeoffs)		5,000	
	4608	Interest from Loan repayments		<u>1,086,538</u>	1,607,031
	1200	SERAF Repayment			-
	3010 / 4981	Sale of Property			78,998
Fund 281	4609 / 4980	Interest on Investment	\$	196,025	
Fund 283	4609	Interest on Investment		<u>3,434</u>	199,459
Fund 281	4918/4925/4990/4999	Other Revenues			<u>1,741,481</u>
					<u>\$ 3,788,344</u>

#3 Administration Expense:

Fund 283	5000's		\$	149,087	
Fund 281	5000's Less 5136 & ESGHUD	(with writeoff expenditure)		245,655	\$ 394,742
	5136	rental subsidy			34,500
	ESGHUD	Homelessness Prevention			11,606
	1100's	Development of Housing (VVSD)			1,000,000
	1100's	Development of Housing			-
					<u>\$ 1,440,848</u>