

**SB 341 Annual Report**  
**Housing Successor Agency of the Community Development Commission**  
**of the City of Escondido**  
**Fiscal Year: July 1, 2022 – June 30, 2023**

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 Web site all of the following information for the previous fiscal year.

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<b>1</b>	<b>The amount the city, county, or city and county received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.</b>
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N/A, no amounts were received pursuant to that section.

<b>2</b>	<b>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.</b>
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The SHA deposited \$1,099,133 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	\$156,086
Former CDC Promissory Note Repayments	\$593,568
Sale of Real Property	\$78,998
Interest Income	\$245,323
Other Revenues	<u>\$25,158</u>
	\$1,099,133

<b>3</b>	<b>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.</b>
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Low and Moderate Housing Funds (as of July 1, 2021)	\$48,930,980
Land Held for Resale	(\$901,732)
Loans Receivable	<u>(\$37,679,488)</u>
Available Funds	\$10,349,760

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<b>4</b>	<p><b>A description of expenditures from the fund by category, including, but not limited to, expenditures:</b></p> <p><b>(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></p> <p><b>(B) for homeless prevention and rapid rehousing services for the development of housing described in paragraph (2) of subdivision (a), and</b></p> <p><b>(C) for the development of housing pursuant to paragraph (3) of subdivision (a).</b></p>
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The SHA spent \$8,956,399 in FY 2022-2023.

Administrative Expenses (including monitoring)	\$541,261
Homeless Prevention and Rapid Rehousing	\$4,656,527
Development of Housing	<u>\$3,758,611</u>
<b>\$8,956,399</b>	

<b>5</b>	<p><b>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.</b></p>
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Real Property	\$901,732
Individual mobile home lots at Mountain Shadows and Escondido Views Property located at 542 W 3 <sup>rd</sup> Avenue & 201 N Pine Street	
Loans Receivable	\$37,679,488
Developer loans and homeowner loans	

<b>6</b>	<p><b>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.</b></p>
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N/A – no transfers made.

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<b>7</b>	<b>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</b>
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The Successor Housing Agency does not receive or hold property tax revenue pursuant to the ROPS.

<b>8</b>	<b>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.</b>
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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 Housing Successor Agency was unable to develop two properties owned by the located at 542 W 3<sup>rd</sup> 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.

<b>9</b>	<b>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.</b>
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The City of Escondido, as the housing successor agency of the Community Development Commission of the City of Escondido, has no unmet obligations pursuant to Section 33413.

<b>10</b>	<b>The information required by subparagraph (B) of paragraph (3) of subdivision (a).</b>
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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).

31% of Escondido’s deed restricted affordable units developed in the past 5 years (7/1/2018 – 6/30/2023) have been restricted to extremely low-income households earning a maximum of 30% of AMI (62 of 199 units).

<b>Project Name</b>	<b>Affordable Housing Agreement Date</b>	<b>Number of SHA Deed-Restricted Units</b>	<b>Number of Extremely Low-Income (30%) Units</b>
Windsor Gardens	08/07/2019	130	33
Veterans Villas	07/01/2020	10	4
Valley Senior	12/6/2021	49	25
Habitat-El Norte	9/15/2022	10	

<b>11</b>	<b>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.</b>
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34.22% of the affordable units developed in the past 10 years (7/1/2013 – 6/30/2023) by the former redevelopment agency (Community Development Commission of the City of

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Escondido), housing successor agency, and the City of Escondido (predominantly using federal HOME funds) have been restricted to seniors (179 of 523 units).

<b>Project Name</b>	<b>Afford. Housing Agreement Date</b>	<b>Number of Units</b>	<b>Age Restrictions</b>
Crossings @ Escondido Manor	04/15/2015	44	None
Cypress Cove	08/06/2015	200	None
Solutions Escondido	12/17/2015	33	None
557-563 Aster Place	06/08/2017	4	None
Windsor Gardens	08/07/2019	130	62+
Veterans Villas	07/01/2020	53	None
Valley Senior	12/6/2021	49	62+
Habitat-El Norte	9/15/2022	10	None

<b>12</b>	<b>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.</b>
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The Successor Housing Agency has an excess surplus of \$5,219,203. The Successor Housing Agency had an excess surplus in 2022 of \$7,732,884.

The Escondido Successor Housing Agency is committed to using these funds to develop affordable housing. During FYE 6/30/2022, there were two projects under construction, one using Successor Housing Agency Funds (\$4,000,000) and one using federal HOME funds (\$1,000,000). During FYE 2023, the City intends to release an RFP for the development of affordable units in combination with \$1.5 million that is part of the HOME-ARP allocation.

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

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South Escondido Blvd in Escondido. These funds were expended in early July 2020. \$1,000,000 in HOME funds were committed to a San Diego Habitat for Humanity homeownership project in December 2019, and were expended in 2022-2023. 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 for homeless households. An Affordable Housing Loan Agreement for this project was executed on December 6, 2021. Construction is now complete and funds have been expended.

13	<p><b>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:</b></p> <p><b>(A) The number of those units</b></p> <p><b>(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.</b></p> <p><b>(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</b></p> <p><b>(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.</b></p>
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See attached Successor Housing Agency Homeownership Inventory.

# SUCCESSOR HOUSING AGENCY HOMEOWNERSHIP INVENTORY

Fiscal Year	LOANS CLOSED PRIOR TO FEB 2012							LOANS CLOSED AFTER FEB 2012			LOANS CLOSED FY 2022/23			
	1121 FTHB LOANS (>80% AMI)							02/2012 through 06/2022			07/2022 through 06/2023			
	Loans Issued	Paid in Full		Voided	Foreclosure	Short-Sale		Paid in Full	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale	
1992-93	0	178,050	10	10	(178,050)									
1996-97														
1999-00	1	216,000	36	34	(204,000)	1	(6,000)							
2000-01	0	276,000	46	46	(276,000)									
2001-02	0	90,000	15	12	(72,000)	2	(12,000)				1	(6,000)		
2002-03	0	290,000	29	23	(230,000)	4	(40,000)	2	(20,000)					
2003-04	1	150,000	15	10	(100,000)	2	(20,000)	1	(10,000)					
2004-05	0	50,000	2					1	(25,000)	1	(25,000)			
2005-06	0	50,000	2					1	(25,000)	1	(25,000)			
2006-07	3	400,000	16			1	(25,000)	2	(75,000)	7	(175,000)	3	(50,000)	
2007-08	14	1,350,000	54	1	(25,000)	4	(100,000)	33	(825,000)	2	(50,000)			
2008-09	14	1,592,365	128	9	(104,600)	13	(145,750)	86	(1,080,870)	3	(41,250)	2	(30,000)	
2009-10	11	840,732	71			6	(71,875)	52	(608,821)		1	(7,857)	1	(15,000)
2010-11	9	634,605	50			2	(31,740)	39	(480,090)					
2011-12	8	412,753	34			4	(44,750)	22	(263,353)					
<b>Totals</b>		6,530,505	508	145	(1,189,650)	39	(497,115)	1	(10,000)	0		0		
								238	(3,403,134)	15	(326,250)	6	(87,857)	
											3	(33,000)	0	
												0	0	

**61**      **983,499**

	1106 FTHB LOANS (<80% AMI)					02/2012 through 06/2022			07/2022 through 06/2023			
	Loans Issued	Paid in Full		Voided	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale
1996-97	1	51,310	20	19	(48,310)							
2008-09	4	375,000	15			2	(50,000)	6	(150,000)	3	(75,000)	
		426,310										
			35	19	(48,310)	2	(50,000)	0	0	0	0	0
						0	0	0	6	(150,000)	3	(75,000)
										0	0	0

**5**      **103,000**

	1131 ESC VIEWS/MTN SHADOW LOTS					02/2012 through 06/2022			07/2022 through 06/2023			
	Loans Issued	Paid in Full		Voided	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale
2002-03	2	380,536	8	6	(284,315)							
2003-04	6	946,833	19	8	(391,039)			5	(235,348)			
2004-05	4	422,024	7	4	(238,003)			1	(55,682)			
		1,749,393										
			34	18	(913,357)	0	0	0	(291,030)	0	0	0
						0	0	0		0	0	0

**10**      **545,006**

	1102 MTN SHADOWS MPROP LOANS					02/2012 through 06/2022			07/2022 through 06/2023			
	Loans Issued	Paid in Full		Voided	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale	Paid in Full	Foreclosure	Short-Sale
1991-1994	8	1,164,676	53	38	(856,606)			1	(11,100)	2	(23,137)	
		1,164,676										
			53	38	(856,606)	0	0	1	(11,100)	2	(23,137)	0
						1	(11,100)	2	(23,137)	4	(88,185)	0
										0	0	0

**8**      **185,648**

Notes

**LOANS CLOSED PRIOR TO FEB 2012**

**LOANS CLOSED AFTER FEB 2012**

**LOANS CLOSED FY 2022/23**

<b>1101 ESCONDIDO VIEWS MPROP LOANS</b>										02/2012 through 06/2022						07/2022 through 06/2023		
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			(854,671)	0	(67,251)	(1,244)		(257,962)	0	0	0	0	0	0	0	
		69	43		0	5	1		13	0	0	0	0	0	0	0	0	

7 **154,551**

<b>1127 RANCHO ESCONDIDO MPROP LOANS</b>										02/2012 through 06/2022						07/2022 through 06/2023		
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			(276,614)	0	(51,973)	(4,302)		(22,335)	0	0	0	0	0	0	0	
		32	25		0	5	1		1	0	0	0	0	0	0	0	0	

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<b>1104/1103 REHAB LOANS (SINGLE FAMILY/MOBILEHOME)</b>										02/2012 through 06/2022						07/2022 through 06/2023		
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	(4,793)	1	(5,500)				
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	4	651,318.82	37	32	(584,267)										1	(18,052)		
2000-01	3	315,696.00	24	13	(190,001)		1	(8,000)			6	(69,785)	1	(7,050)				
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	0	108,439.72	6	4	(60,267)						1	(23,314)			1	(24,859)		
2004-05	3	76,795.00	9	2	(10,922)						3	(23,570)	1	(8,000)				
2005-06	8	710,667.00	34	6	(148,355)	1	(34,022)	1	(19,971)		9	(192,547)	4	(76,355)	3	(60,509)	2	(39,568)
2006-07	9	637,495.00	27	4	(101,365)			1	(20,000)		12	(288,564)			(10,000)	1	(19,913)	
2007-08	12	519,613.00	23	rlds	(6,619)						7	(194,693)	1	(19,697)	1	(4,920)	2	(39,450)
2008-09	6	489,723.00	21	1	(38,055)						9	(211,392)	3	(57,247)	1	(498)	1	(17,085)
2009-10	4	247,671.00	13	rlds	(1,831)						4	(72,661)	4	(75,000)			1	(19,830)
2010-11	10	449,191.00	21	rlds	(12,981)	1	(20,000)				8	(154,370)	1	(20,000)	1	(6,500)		
2011-12	2	186,000.00	10	rlds	(9,752)	1	(20,000)				6	(120,931)			1	(3,137)		
<b>Totals</b>		7,702,655	499	259	(3,671,941)	(74,022)	(201,706)	(17,866)			(1,635,229)	(294,249)	(100,811)	(178,757)	0	0	0	

83 **1,528,075.39**



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escondido (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, 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.

We did not audit the financial statements of the California Center for the Arts, Escondido Foundation, which represent 100% percent of the assets, net position, and revenues of the 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 California Center for the Arts, Escondido Foundation is based solely on the report of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matters***

##### ***Change in Accounting Principle***

As described in Note 1S to the financial statements, effective July 1, 2022, the City adopted new accounting guidance, GASB No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of this standard did not impact beginning net positions or fund balances. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we (continued):

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

***Auditors' Responsibilities for the Audit of the Financial Statements (Continued)***

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules for the general fund and major special revenue funds, schedules of changes in net pension liability and related ratios, and schedules of plan contributions for the miscellaneous and safety plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

***Supplementary 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 combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable Mayor and Members of the City Council  
City of Escondido

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2024, 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 cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Irvine California  
February 29, 2024

# CITY OF ESCONDIDO

## Balance Sheet Governmental Funds June 30, 2023

ASSETS	Major Funds			Nonmajor Governmental Funds
	General	Successor Agency Housing	American Rescue Plan Act	
Cash and investments	\$ 33,878,745	\$ 10,337,848	\$ 31,782,242	\$ 46,463,288
Receivables (net):				
Accounts	5,111,476	-	-	2,667,282
Interest	967,238	11,333,753	-	7,316,518
Taxes	9,936,480	-	-	55,964
Loans	11,000,000	37,679,488	-	17,865,669
Leases	46,279,788	-	-	-
Due from other governments	808,170	-	-	9,279,299
Due from Successor Agency	-	-	-	924,657
Due from other funds	985,751	-	-	-
Inventory, at cost	-	-	-	13,976
Prepaid items	-	-	-	532,613
Deposits	-	-	-	67,750
Land held for resale	-	901,732	-	-
Advances to other funds	-	-	-	540,956
Restricted assets:				
Cash and investments	31,788,596	-	-	-
Cash and investments with fiscal agent	-	-	-	6,034,016
<b>Total Assets</b>	<b>\$ 140,756,244</b>	<b>\$ 60,252,821</b>	<b>\$ 31,782,242</b>	<b>\$ 91,761,988</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 2,133,531	\$ 8,650	\$ 358,962	\$ 3,350,116
Deposits payable	7,205,808	9,450	-	29,292
Retentions payable	-	-	17,372	80,128
Accrued expenditures	1,937,746	3,615	392	29,180
Due to other funds	-	-	-	985,751
Unearned revenue	-	-	31,405,516	11,107,589
Advances from other funds	200,000	-	-	340,956
<b>Total Liabilities</b>	<b>11,477,085</b>	<b>21,715</b>	<b>31,782,242</b>	<b>15,923,012</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	13,218,141	11,300,126	-	15,548,505
Deferred inflows of resources related to leases	45,184,630	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>58,402,771</b>	<b>11,300,126</b>	<b>-</b>	<b>15,548,505</b>
<b>Fund Balances:</b>				
Nonspendable	200,000	-	-	865,418
Restricted	37,362,692	48,930,980	-	57,546,358
Committed	17,502,003	-	-	5,238,175
Assigned	2,951,528	-	-	-
Unassigned (deficit)	12,860,165	-	-	(3,359,480)
<b>Total Fund Balances</b>	<b>70,876,388</b>	<b>48,930,980</b>	<b>-</b>	<b>60,290,471</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 140,756,244</b>	<b>\$ 60,252,821</b>	<b>\$ 31,782,242</b>	<b>\$ 91,761,988</b>

See Accompanying Notes to Basic Financial Statements.

**CITY OF ESCONDIDO**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2023**

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	Total Governmental Funds
<b>ASSETS</b>	
Cash and investments	\$ 122,462,123
Receivables (net):	
Accounts	7,778,758
Interest	19,617,509
Taxes	9,992,444
Loans	66,545,157
Leases	46,279,788
Due from other governments	10,087,469
Due from Successor Agency	924,657
Due from other funds	985,751
Inventory, at cost	13,976
Prepaid items	532,613
Deposits	67,750
Land held for resale	901,732
Advances to other funds	540,956
Restricted assets:	
Cash and investments	31,788,596
Cash and investments with fiscal agent	6,034,016
<b>Total Assets</b>	<b>\$ 324,553,295</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 5,851,259
Deposits payable	7,244,550
Retentions payable	97,500
Accrued expenditures	1,970,933
Due to other funds	985,751
Unearned revenue	42,513,105
Advances from other funds	540,956
<b>Total Liabilities</b>	<b>59,204,054</b>
<b>Deferred Inflows of Resources:</b>	
Unavailable revenue	40,066,772
Deferred inflows of resources related to leases	45,184,630
<b>Total Deferred Inflows of Resources</b>	<b>85,251,402</b>
<b>Fund Balances:</b>	
Nonspendable	1,065,418
Restricted	143,840,030
Committed	22,740,178
Assigned	2,951,528
Unassigned (deficit)	9,500,685
<b>Total Fund Balances</b>	<b>180,097,839</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 324,553,295</b>

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, 2023**

	Major Funds			Nonmajor Governmental Funds
	General Fund	Successor Agency Housing	American Rescue Plan Act	
<b>Revenues:</b>				
Sales tax	\$ 47,103,024	\$ -	\$ -	\$ -
Property taxes	34,913,385	-	-	-
Other taxes	20,092,019	-	-	-
Licenses and permits	1,996,753	-	-	-
Fines and forfeits	795,770	-	-	-
Intergovernmental	4,896,604	-	5,246,218	20,985,363
Charges for services	15,102,258	-	-	2,894,711
Special assessments	-	-	-	6,188,966
Lease income	3,933,494	156,085	-	-
Investment income	3,381,542	572,744	-	1,138,363
Miscellaneous	225,416	158	-	15,445
<b>Total Revenues</b>	<b>132,440,265</b>	<b>728,987</b>	<b>5,246,218</b>	<b>31,222,848</b>
<b>Expenditures:</b>				
Current:				
General government	8,195,431	-	283,612	143,546
Public safety	81,928,064	-	3,735,030	1,485,393
Public works	11,803,185	-	199,794	1,050,735
Community services	12,687,441	-	35,375	2,681,025
Development services	7,047,468	541,260	325,195	3,257,332
Capital outlay	1,550,450	-	667,212	19,787,320
Debt service:				
Principal retirements	572,220	-	-	2,617,184
Software principal retirements	111,678	-	-	-
Lease principal retirements	340,806	-	-	-
Interest and fiscal charges	212,089	-	-	2,581,688
<b>Total Expenditures</b>	<b>124,448,832</b>	<b>541,260</b>	<b>5,246,218</b>	<b>33,604,223</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>7,991,433</b>	<b>187,727</b>	<b>-</b>	<b>(2,381,375)</b>
<b>Other Financing Sources (Uses):</b>				
Debt issuance	48,963	-	-	-
Transfers in	2,534,120	25,000	-	655,250
Transfers (out)	(767,130)	-	-	(2,564,120)
<b>Total Other Financing Sources (Uses)</b>	<b>1,815,953</b>	<b>25,000</b>	<b>-</b>	<b>(1,908,870)</b>
<b>Net Change in Fund Balance</b>	<b>9,807,386</b>	<b>212,727</b>	<b>-</b>	<b>(4,290,245)</b>
<b>Fund Balances:</b>				
Beginning of Year	61,069,002	48,718,253	-	64,580,716
End of Year	<b>\$ 70,876,388</b>	<b>\$ 48,930,980</b>	<b>\$ -</b>	<b>\$ 60,290,471</b>

See Accompanying Notes to Basic Financial Statements.

**CITY OF ESCONDIDO**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

	Total Governmental Funds
<b>Revenues:</b>	
Sales tax	\$ 47,103,024
Property taxes	34,913,385
Other taxes	20,092,019
Licenses and permits	1,996,753
Fines and forfeits	795,770
Intergovernmental	31,128,185
Charges for services	17,996,969
Special assessments	6,188,966
Lease income	4,089,579
Investment income	5,092,649
Miscellaneous	241,019
<b>Total Revenues</b>	<b>169,638,318</b>
<b>Expenditures:</b>	
Current:	
General government	8,622,589
Public safety	87,148,487
Public works	13,053,714
Community services	15,403,841
Community development	11,171,255
Capital outlay	22,004,982
Debt service:	
Principal retirements	3,189,404
Software principal retirements	111,678
Lease principal retirements	340,806
Interest and fiscal charges	2,793,777
<b>Total Expenditures</b>	<b>163,840,533</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>5,797,785</b>
<b>Other Financing Sources (Uses):</b>	
Debt issuance	48,963
Transfers in	3,214,370
Transfers (out)	(3,331,250)
<b>Total Other Financing Sources (Uses)</b>	<b>(67,917)</b>
<b>Net Change in Fund Balance</b>	<b>5,729,868</b>
<b>Fund Balances:</b>	
Beginning of Year	174,367,971
End of Year	<b>\$ 180,097,839</b>

See Accompanying Notes to Basic Financial Statements.

**City of Escondido Community Development Commission  
Excess Surplus Calculation  
For the Fiscal Year Ended June 30, 2023**

	<b>Low and Moderate Housing Funds All Project Areas June 30, 2022</b>	<b>Low and Moderate Housing Funds All Project Areas June 30, 2023</b>
Opening Fund Balance	\$ 48,718,253	\$ 48,930,980
Less Unavailable Amounts:		
Land held for resale	\$ (901,732)	\$ (901,732)
Loans Receivable	<u>(34,807,660)</u>	<u>(37,679,488)</u>
	<u>(35,709,392)</u>	<u>(38,581,220)</u>
Available Housing Successor Funds	\$ 13,008,861	\$ 10,349,760
Limitation (greater of \$1,000,000 or four years deposits)		
Aggregate amount deposited for last four years:		
2022 - 2023	\$ -	\$ 728,988
2021 - 2022	1,148,325	1,148,325
2020 - 2021	2,567,347	2,567,347
2019 - 2020	685,897	685,897
2018 - 2019	874,408	-
<b>Total</b>	<u><u>\$ 5,275,977</u></u>	<u><u>\$ 5,130,557</u></u>
<b>Base Limitation</b>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 1,000,000</u></u>
Greater amount	<u>5,275,977</u>	<u>5,130,557</u>
<b>Computed Excess/Surplus</b>	<u><u>\$ 7,732,884</u></u>	<u><u>\$ 5,219,203</u></u>