

**HOUSING SUCCESSOR ANNUAL REPORT**  
**REGARDING THE**  
**LOW AND MODERATE INCOME HOUSING ASSET FUND**  
**FOR FISCAL YEAR 2017-2018**  
**PURSUANT TO**  
**CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)**  
**FOR THE**  
**CHULA VISTA HOUSING AUTHORITY AS THE SUCCESSOR HOUSING AGENCY**

The Chula Vista Housing Authority assumed the housing functions of the former City of Chula Vista Redevelopment Agency on February 1, 2012. The transfer of the functions included the transfer of formerly designated RDA low- and moderate-income housing funds, along with any funds generated by former RDA housing assets, comprehensively now known as the Low and Moderate Income Housing Asset Fund (LMIHAF).

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund has been prepared pursuant to California Health and Safety Code Section 34176.1(f). This Report sets forth certain details of the Chula Vista Housing Authority, as the Successor Housing Agency, (Housing Successor) activities during fiscal year 2017-2018 (fiscal year). The purpose of this Report is to provide the governing body of the Housing Successor an annual report on the housing assets and activities of the Housing Successor under Part 1.85, Division 24 of the California Health and Safety Code, in particular sections 34176 and 34176.1 (Dissolution Law).

The following Report is based upon information prepared by Housing Successor staff and information contained within the independent financial audit of the Housing Authority (that includes the Low and Moderate Income Housing Asset Fund), as incorporated in the City of Chula Vista Comprehensive Audited Financial Report (CAFR) for Fiscal Year 2017-18 as prepared by Lance, Soll & Lunghard (Audit), which Audit is separate from this annual summary report. In accordance with Section 34176.1(f), an independent financial audit of the Fund is required within six months of the end of the fiscal year. The Audit is available on the City's website at <http://www.chulavistaca.gov/departments/finance>. The Housing Authority (HA) Audit for 2017-2018 is enclosed as **Attachment A**.

This Report is to be provided to the Housing Successor's governing body and submitted to the California Department of Housing and Community Development (HCD) by April 1, 2019, as an Attachment A to the City's Annual Housing Element Progress Report. The Report is available to the public on the City's website at <http://www.chulavistaca.gov/housing>.

This Report conforms with and is organized into Sections I through XI, inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

- I. **Amount Deposited into LMIHAF:** This section provides the total amount of funds deposited into the LMIHAF during the fiscal year. Any amounts deposited for items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited.

***A total of \$4,582,310 was deposited into the LMIHAF during the fiscal year. Of the total funds deposited into the LMIHAF, a total of \$ 0.00 was held for items listed on***

*the ROPS. Please refer to page 40 of the CAFR.*

- II. **Ending Balance of LMIHAF:** This section provides a statement of the balance in the LMIHAF as of the close of the fiscal year. Any amounts deposited for items listed on the ROPS must be distinguished from the other amounts deposited.

*Per the Comprehensive Annual Financial Report ending June 30, 2018, the ending balance in the LMIHAF was \$10,321,276 (please refer to page 40 of the CAFR and page 5 of the HA Audit), of which \$ 0.00 was held for items listed on the ROPS. In 2016-2017, the SERAF loan was paid in full.*

- III. **Description of Expenditures from LMIHAF:** This section provides a description of the expenditures made from the LMIHAF during the Fiscal Year. The expenditures are to be categorized.

<b>LMIHAF Expenditures 2017-2018</b>	
<b>A.</b> Monitoring and Administration Expenditures (page 44 CAFR)	\$284,022
<b>B.</b> Homeless Prevention and Rapid Rehousing Services Expenditures	\$0
Subtotal Expenditures (A+B)	\$284,022
<b>Housing Development Expenditures 2017-2018</b>	
<b>C.</b> For Low-Income Units (51-80% AMI)	\$973,963
<b>D.</b> For Very Low Income Units (31-50% AMI)	\$2,489,015
<b>E.</b> For Extremely Low Income Units (0-30% AMI)	\$378,763
Subtotal Housing Development Expenditures (C+D+E)	\$3,841,741
<b>TOTAL LMHAF Expenditures in Fiscal Year (A through E)</b>	<b>\$4,125,763</b>

- IV. **Statutory Value of Assets Owned by Housing Successor:** This section provides the statutory value of real property owned by the Housing Successor, the value of loans and grants receivables, and the sum of these two amounts.

Under the Dissolution Law and for purposes of this Report, the “statutory value of real property” means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer schedule approved by the Department of Finance as listed in such schedule under Section 34176(a)(2), the value of the properties transferred to the Housing Successor pursuant to Section 34181(f), and the purchase price of property purchased by the Housing Successor. Further, the value of loans and grants receivable is included in the reported assets held in the LMIHAF.

*The following provides the statutory value of assets owned by the Housing Successor.*

<b>Statutory Value of Assets</b>	
Statutory Value of Real Property Owned by Housing Successor <sup>1</sup>	\$300,000 <sup>1</sup>
Value of Loans and Grants Receivable (Page 8 CAFR & Page 8 of the Housing Authority Audit)	\$26,663,840
<b>Total Value of Housing Successor Assets</b>	<b>\$26,963,840</b>

- V. Description of Transfers:** This section describes transfers, if any, to another housing successor agency made in previous fiscal year(s), including whether the funds are unencumbered and the status of projects, if any, for which the transferred LMIHAF will be used. The sole purpose of the transfers must be for the development of transit priority projects, permanent supportive housing, housing for agricultural employees or special needs housing.

*The Housing Successor did not make any LMIHAF transfers to other Housing Successor(s) under Section 34176.1(c) (2) during the fiscal year.*

- VI. Project Descriptions:** This section describes any project for which the Housing Successor receives or holds property tax revenue pursuant to the ROPS and the status of that project.

*The Housing Successor does not receive or hold property tax revenue pursuant to the ROPS.*

- VII. Status of Compliance with Section 33334.16:** This section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the former redevelopment agency prior to February 1, 2012.

With respect to interests in real property acquired by the former redevelopment agency prior to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the Department of Finance approved the property as a housing asset in the LMIHAF; thus, as to real property acquired by the former redevelopment agency now held by the Housing Successor in the LMIHAF, the Housing Successor must initiate activities consistent with the development of the real property for the purpose for which it was acquired within five years of the date the DOF approved such property as a housing asset.

<sup>1</sup> Three mobilehome spaces at Orange Tree Mobilehome Park at 521 Orange Ave are valued at \$100,000 each.

*The following provides a status update on the real property or properties housing asset(s) that were acquired prior to February 1, 2012 and compliance with five-year period:*

<i>Address of Property</i>	<i>Date of Acquisition</i>	<i>Deadline to Initiate Development Activity</i>	<i>Status of Housing Successor Activity</i>
<i>N/A</i>			

*The following provides a status update on the project(s) for property or properties that have been acquired by the Housing Successor using LMIHAF on or after February 1, 2012:*

<i>Address of Property</i>	<i>Date of Acquisition</i>	<i>Deadline to Initiate Development Activity</i>	<i>Status of Housing Successor Activity</i>
<i>N/A</i>			

- VIII. Description of Outstanding Obligations under Section 33413:** This section describes the outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012 along with the Housing Successor's progress in meeting those prior obligations, if any, of the former redevelopment agency and how the Housing Successor's plans to meet unmet obligations, if any.

***Replacement Housing:** Based upon the 2010-2014 Implementation Plan for the former redevelopment agency, there were no Section 33413(a) replacement housing obligations to be transferred to the Housing Successor.*

***Inclusionary/Production Housing:** Based upon the 2010-2014 Implementation Plan for the former redevelopment agency, there were no Section 33413(b) inclusionary/production housing obligations to be transferred to the Housing Successor.*

- IX. Income Test:** This section provides the information required by Section 34176.1(a)(3)(B), or a description of expenditures by income restriction for a five year period, with the period beginning January 1, 2014 and whether the statutory thresholds have been met. However, reporting of the Income Test is not required until 2019.

***Section 34176.1(a)(3)(B) requires that the Housing Successor must require at least 30% of the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30% or less of the AMI. If the Housing Successor fails to comply with the Extremely-Low Income requirement in any five-year report, then the Housing Successor must ensure that at least 50% of the funds remaining in the LMIHAF be expended in each fiscal year following the latest fiscal year following the report on households earning 30% or less of the AMI until the Housing Successor demonstrates compliance with the Extremely-Low Income requirement. This information is not required to be reported until 2019 for the 2014 – 2019 period.***

- X. Senior Housing Test:** This section provides the percentage 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 ten 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. For this Report the ten-year period reviewed is July 1, 2008 through June 30, 2018.

*The Housing Successor is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Housing Successor, the former redevelopment agency and/or the City within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted by the Housing Successor, the former redevelopment agency and/or City within the same time period. If this percentage exceeds 50%, then the Housing Successor cannot expend future funds in the LMIHAF to assist additional senior housing units until the Housing Successor or City assists and construction has commenced on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.*

*The following provides the Housing Successor's Senior Housing Test for the 10 year period of July 1, 2008 to June 30, 2018:*

<i>Senior Housing Test</i>	<i>July 1, 2008 – June 30, 2018</i>
<i>Assisted Senior Rental Units</i>	<i>409 dus</i>
<i>TOTAL Assisted Rental Units</i>	<i>595 dus</i>
<i>SENIOR HOUSING %</i>	<i>41%</i>

- XI. Excess Surplus Test:** This section provides the amount of excess surplus (unencumbered funds) in the LMIHAF, exceeding one million or the aggregate amount deposited in the fund over the preceding four fiscal years if any, and the length of time that the Housing Successor has had excess surplus, and the Housing Successor's plan for eliminating the excess surplus.

Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the Housing Successor's preceding four Fiscal Years, whichever is greater.

*The following provides the Excess Surplus test for the preceding four Fiscal Years:*

<i>Excess Surplus Calculation</i>	
<i>Sum of Deposits over Prior Four Fiscal Years</i>	<i>\$8,362,166</i>
<i>Current Reporting Year Opening Balance (July 1, 2015)</i>	<i>\$2,328,784</i>
<i>Larger of Sum of Deposit or \$1 million</i>	<i>\$4,414,446</i>
<i>EXCESS SURPLUS</i>	<i>\$0</i>

*Please refer to Page 17 of the Attached Housing Authority Audit.*

**XII. 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 information:**

(A) The number of those units.

***There are three (3) lots within Orange Tree Mobilehome Park that were assisted by the former redevelopment agency that are subject to covenants or restrictions. These loans are due and payable in 2017/2018. 1 loan was paid during the reporting period.***

<b><i>Address of Property</i></b>	<b><i>Date of Promissory Note</i></b>	<b><i>Loan Term (years)</i></b>	<b><i>Status of Housing Successor Activity</i></b>
<b><i>521 Orange Ave. #63 Daly \$14,942.00 (Principal Balance)</i></b>	<b><i>10/08/1987</i></b>	<b><i>30</i></b>	<b><i>Waiting for Excess Proceeds from County Tax Sale</i></b>
<b><i>521 Orange Ave. #8 Swanson \$6,042.00 (Principal Balance)</i></b>	<b><i>12/28/1987</i></b>	<b><i>30</i></b>	<b><i>Loan Re-Paid October 2017, sold May 2018</i></b>
<b><i>521 Orange Ave. #24 Velez \$12,584.00 (Principal Balance)</i></b>	<b><i>10/08/1987</i></b>	<b><i>30</i></b>	<b><i>In deferral status</i></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.

***1 unit (521 Orange Ave. #8) was sold after the borrower's estate repaid the Low and Moderate Income Housing Loan. The borrower met the affordability period of 30-years.***

(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.

***\$11,560.98 was returned to the Low and Moderate Income Housing due to a loan repayment for 521 Orange Ave. #8.***

(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.

***The Housing Agency does not contract with an outside entity to manage the homeownership units assisted with LMIHF.***





# CHULA VISTA HOUSING AUTHORITY

FISCAL YEAR ENDED JUNE 30, 2018      BASIC FINANCIAL STATEMENTS

Focused  
on YOU





CHULA VISTA HOUSING AUTHORITY  
BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2018

CHULA VISTA HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
Chula Vista Housing Authority  
City of Chula Vista, California

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the Chula Vista Housing Authority (the Housing Successor), a Special Revenue Fund of the City of Chula Vista, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Housing Successor'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 opinions 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 entity'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.



To the Honorable Mayor and Members of the City Council  
Chula Vista Housing Authority  
City of Chula Vista, California

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the Housing Successor, a special revenue fund of the City of Chula Vista, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 1, the financial statements present the financial position of only the Housing Successor, a special revenue fund of the City of Chula Vista, and do not present, or purport to present fairly, the financial position of the City as of June 30, 2018, in accordance with accounting principles generally accepted in the United States of America. 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 budgetary comparison information 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying report on excess/surplus calculation is presented for purposes of additional analysis only and is not a required part of the financial statements. Such information is the responsibility of management and was derived from the financial statements. The report on excess/surplus calculation has 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.



To the Honorable Mayor and Members of the City Council  
Chula Vista Housing Authority  
City of Chula Vista, California

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018 on our consideration of the Housing Successor'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 Housing Successor'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 Housing Successor's internal control over financial reporting and compliance.

Brea, California  
December 26, 2018

## CHULA VISTA HOUSING AUTHORITY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET  
JUNE 30, 2018

	Governmental Fund	Reclassifications	Statement of Net Position
<b>Assets:</b>			
Cash and cash equivalents	\$ 8,069,148	\$ -	\$ 8,069,148
Receivables:			
Accounts	2	-	2
Deferred loans	26,663,840	-	26,663,840
Allowance for uncollectible notes	(19,352,579)	-	(19,352,579)
Restricted assets:			
Cash and investments	778,346	-	778,346
Due from Successor Agency of Chula Vista RDA	224,684	-	224,684
<b>Total Assets</b>	<b>16,383,441</b>	<b>-</b>	<b>16,383,441</b>
<b>Liabilities:</b>			
Accounts payable	432	-	432
<b>Total Liabilities</b>	<b>432</b>	<b>-</b>	<b>432</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	6,061,733	(6,061,733)	-
<b>Total Deferred Inflows of Resources</b>	<b>6,061,733</b>	<b>(6,061,733)</b>	<b>-</b>
<b>Fund Balances/Net Position:</b>			
<b>Restricted for:</b>			
Community development projects	10,321,276	6,061,733	16,383,009
<b>Total Fund Balances</b>	<b>10,321,276</b>	<b>6,061,733</b>	<b>16,383,009</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position</b>	<b>\$ 16,383,441</b>	<b>\$ -</b>	<b>\$ 16,383,441</b>

CHULA VISTA HOUSING AUTHORITY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2018

	Governmental Fund	Reclassifications	Statement of Activities
<b>Revenues:</b>			
Use of money and property	\$ 384,939	\$ -	\$ 384,939
Miscellaneous	4,185,012	6,061,733	10,246,745
<b>Total Revenues</b>	<b>4,569,951</b>	<b>6,061,733</b>	<b>10,631,684</b>
<b>Expenditures:</b>			
Current:			
Community development	4,113,404	-	4,113,404
<b>Total Expenditures</b>	<b>4,113,404</b>	<b>-</b>	<b>4,113,404</b>
Net Change in Fund Balances	456,547	6,061,733	6,518,280
Fund Balances/Net Position, Beginning of Year	9,864,729	-	9,864,729
<b>Fund Balances/Net Position, End of Year</b>	<b>\$ 10,321,276</b>	<b>\$ 6,061,733</b>	<b>\$ 16,383,009</b>



**I. SIGNIFICANT ACCOUNTING POLICIES**

**Note 1: Organization and Summary of Significant Accounting Policies**

**a. Description of Reporting Entity**

The accompanying financial statements present only the Chula Vista Housing Authority (Housing Successor), a Special Revenue Fund of the City of Chula Vista, California (the City) and do not include any other funds of the City. The City's basic financial statements are available at City Hall.

The Chula Vista Housing Authority was created by the City of Chula Vista City Council in March 1993 to centrally coordinate and administer the City's programs for promoting balanced housing for families of all income levels. It was established pursuant to the State of California Health and Safety Code, Section 34200. It is empowered to develop, finance and own low income housing within the territorial limits of the City of Chula Vista. It uses a variety of local, state and federal funding sources to administer and finance these programs. It is also the financing vehicle for the issuance of bonds for housing programs and services.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. The Bill impacted the reporting entity of the City of Chula Vista that previously had reported a redevelopment agency within the report entity of the City as a blended component unit.

On January 10, 2012, and in accordance with California Health and Safety Code Section 34176, City Council of Chula Vista elected that the Chula Vista Housing Authority to retain the housing assets and housing function of the former redevelopment agency. The City continues to report the housing assets and functions in the government special revenue fund designated City Housing Successor.

The attached basic financial statements contain information relative only to the Chula Vista Housing Authority (the "Housing Successor").

**b. Basis of Presentation**

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all activities of the Housing Successor. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**c. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

When both restricted and unrestricted resources are available for use, it is the Housing Successor's policy to use restricted resources first, and then unrestricted resources as they are needed.

**d. Fund Balance and Net Position**

**Fund Balance**

The Housing Successor's fund balances are classified on the governmental fund balance sheet among the following categories:

Nonspendable Fund Balance - This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Net Position**

The net position reported on the Statement of Net Position in the government-wide financial statements consists of the following three categories:

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

**e. Deferred Inflows of Resources**

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item which arises only under a modified accrual basis of which qualifies for reporting in this category. Accordingly, this item, unavailable revenue, is reported only in the governmental funds balance sheet.

## CHULA VISTA HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2018

#### Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The governmental funds report unavailable revenues from interest on deferred loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## II. DETAILED NOTES ON ACCOUNT BALANCES

#### Note 2: Cash and Investments

The City of Chula Vista maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The Housing Successor pooled cash and investment position as of June 30, 2018, was \$8,069,148.

#### Note 3: Notes and Loans Receivable

The Housing Successor has entered into various affordable housing loan agreements. As of June 30, 2018, the Housing Successor had the following loans receivable, including principal and accrued interest, of which an allowance for uncollectible loans was recorded in the amount of \$19,352,579.

	Governmental Activities		
	Principal	Interest	Total
South Bay Community Services	\$ 887,995	\$ 458,447	\$ 1,346,442
Rancho Vista Housing (Chelsea Investment Corporation)	1,000,000	402,658	1,402,658
St. Regis Park (Chelsea Investment Corp)	1,387,152	1,450,601	2,837,753
Chula Vista Rehabilitation CHIP Loans	1,084,400	162,820	1,247,220
Park Village Apts (Civic Center Barrio Housing Corporation)	154,107	-	154,107
Mobile Home Assistance Programs (Orange Tree)	36,105	-	36,105
Los Vecinos (Wakeland Housing and Development Corporation)	5,680,000	2,937,732	8,617,732
Main Plaza (Alpha III Development Inc.)	1,500,000	607,479	2,107,479
The Landings I & II (Chelsea Investment Corp)	3,228,352	-	3,228,352
Duetta Apartments (F Street Family CIC, LP)	895,340	-	895,340
Volta Senior Apartments (G Street Seniors CIC, LP)	932,000	-	932,000
Anita Street (Wakeland Housing And Development Corporation)	3,841,741	16,911	3,858,652
	<u>\$ 20,627,192</u>	<u>\$ 6,036,648</u>	<u>\$ 26,663,840</u>

#### South Bay Community Services

In 1998, the former Chula Vista Redevelopment Agency (RDA) and City of Chula Vista entered into several loan agreements with South Bay Community Services, a California non-profit public benefit corporation. Prior years' loan was made to South Bay Community Services for the purpose of purchasing several properties throughout the City of Chula Vista. In fiscal year 1998, a loan to fund the Trolley Terrace 18-unit project and the Cordova Village 40-unit project were made. These projects are to provide housing to very low-income families. The funds were made available to the City through a drawdown from the U.S. Department of Housing and Urban Development. Included in the current year balance is the \$887,995 loaned by the RDA. Deeds of trust and assignments of rent secure the notes.

Principal and interest are payable annually out of any and all residual receipts derived from the property and/or operation of the property. Fund balance has been restricted in the Housing Successor Special Revenue Fund. Interest accrues annually on the unpaid balance with rates ranging from 3% to 6%. At June 30, 2018, the outstanding balance of the loan was \$1,346,442, which included an interest accrual of \$458,447.

## CHULA VISTA HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2018

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#### Note 3: Notes and Loans Receivable (Continued)

##### Rancho Vista Housing (Chelsea Investment Corporation)

In 2000, the former RDA loaned \$1,000,000 using low and moderate income housing funds and the City loaned \$500,000 using HOME funds to CIC Eastlake, L.P. for the development and operation of Rancho Vista Housing Project, a multifamily housing project. The loan is secured by promissory notes and deed of trusts. The outstanding principal on the loan is to be repaid over fifty-five (55) years and interest accrues at the simple interest rate of three (3%) percent per annum on unpaid principal. Payment of principal and interest, or portions thereof, on the loan is made on an annual basis, out of a fund equal to fifty (50%) percent of the net cash flow of the project. At June 30, 2018, the outstanding balance of the loan was \$1,402,658 which included an interest accrual of \$402,658.

##### St. Regis Park (Chelsea Investment Corporation)

In 2000, the former RDA entered into a loan agreement with Chelsea Investment Corporation for the acquisition and rehabilitation of the 119-unit multi-family housing project (formerly known as Pear Tree Apartments) at 1025 Broadway. All units are affordable to low-income households. The loan is secured by a Deed of Trust and will accrue 6% interest for 52 years. Payment of principal and interest is made on an annual basis out of a fund equal to 90% of the residual receipts. At June 30, 2018, the outstanding balance of the loan was \$2,837,753 which included an interest accrual of \$1,450,601.

##### Chula Vista Rehabilitation CHIP Loans

The Chula Vista Rehabilitation Community Housing Improvement Program (CHIP) is under the direct control of the Housing Authority acting as the Successor Housing Entity for those loans that were funded using low and moderate income housing funds. CHIP loans funded by CDBG or HOME funds are also managed by the Housing Authority. CHIP offers deferred and low interest rate home improvement loans to qualified borrowers residing within a target area. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans. At June 30, 2018, the outstanding balance of the loan was \$1,247,220 which included an interest accrual of \$162,820.

##### Park Village Apartments (Civic Center Barrio Housing Corporation)

In 1991, the former RDA entered into a loan agreement with the Civic Center Barrio Housing Corporation, a California non-profit public benefit corporation. The loan was made for the purchase of land and the development of a 28 - unit low-income housing project. During 1992, the loan was assigned to Park Village Apartments Ltd., a California limited partnership in which Civic Center Barrio Housing Corporation is the managing general partner. The loan is secured by a deed of trust on the property and assignment of rents. Principal and interest are payable monthly. In 2009, a second amendment to the loan was entered into changing the interest from 3% to 5% per annum on the unpaid principal balance of the note. At June 30, 2018, the outstanding balance of the loan was \$154,107.

## CHULA VISTA HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2018

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#### Note 3: Notes and Loans Receivable (Continued)

##### Mobile Home Assistance Programs

The former RDA entered into agreements with eligible residents of the Orange Tree Mobile home Park, whereby the RDA loaned \$250,030 as permanent financing assistance to residents for the purpose of purchasing certain mobile home property. The loans are secured by deeds of trust on the property and mature in 2018 or when the property is sold. Contingent interest will be charged based on calculations specified in the agreement. At June 30, 2018, the outstanding balance of the loan was \$36,105.

##### Los Vecinos (Wakeland Housing and Development Corporation)

In 2008, the former RDA entered into a loan agreement with Wakeland Housing and Development Corporation to assist the borrower in constructing 41 affordable multi-family rental housing units for occupancy by extremely low, very low, and low income households. The loan amount of \$5,680,000 was funded by the Low and Moderate Income Housing Fund. The loan bears an interest rate of 5% per annum. Principal and interest payments will be made on an annual basis out of a fund equal to 50% of the residual receipts for years 1-30 and 75% of the residual receipts for years 31-54, until 55 years from the date the improvements are placed in service, at which time, all principal and unpaid interest is due and payable. The improvements were placed in service on February 7, 2008. At June 30, 2018, the outstanding balance of the loan was \$8,617,732 which included an interest accrual of \$2,937,732.

##### Main Plaza (Alpha III Development Inc.)

In 2003, the former RDA and City entered into a loan agreement with Main Plaza, LP to assist in acquiring and improving certain real property for occupancy by very low, low, and moderate income households. The loan bears an interest rate of 3% per annum. The loan is due and payable on the date that is 55 years from the date of the City's issuance of the Certificate of Completion, which is in 2061. At June 30, 2018, the outstanding balance of the loan was \$2,107,479 which included an interest accrual of \$607,479.

##### The Landings I & II (Chelsea Investment Corporation)

The City entered into a loan agreement with CIC Landings, L.P. to assist the borrower in constructing 91 affordable multifamily apartment units for occupancy by extremely low, very low and lower income households. The loan bears an interest rate of 3% per annum. The loan is due and payable each and every year commencing with the first anniversary of the issuance of the Certificate of Completion by the City in an amount equal to City's proportionate share of the Residual Receipts for the previous calendar year based upon a pro rata share of fifty percent (50%) of Residual Receipts with the California Department of Housing and Community Development and its Multi-Family Housing Program.

The City and RDA entered into loan agreements with Landings II, L.P. to assist with constructing 141 affordable multi-family rental housing units for occupancy by very low and low income households. The loans are due and payable each and every year commencing with the first anniversary of the issuance of the Certificate of Completion by the City in an amount equal to 50% of the residual receipts.

At June 30, 2018, the outstanding balance of the loan was \$3,228,252.

## CHULA VISTA HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2018

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#### Note 3: Notes and Loans Receivable (Continued)

##### Duetta Apartments (F Street Family CIC, LP)

In 2016, the City entered into a loan agreement with F Street Family CIC, LP to assist to assist in the construction and permanent financing of affordable multifamily apartments with 86 deed restricted units for occupancy by extremely low, very low and lower income households. Loans are in the principal amount of \$800,000 from the City's federal HOME funds, \$372,660 from the City's Balanced Communities In-Lieu funds, and \$895,340 from Low and Moderate Income Housing Fund. The loan bears an interest rate of 3% simple interest per annum for a 55-year period. Payment of principal and interest is made on an annual basis out of a fund equal to 50% of the residual receipts. The outstanding principal and accrued interest on the loan is to be repaid by December 31, 2072. Fund balance has been restricted in the Sundry Grants Special Revenue Fund and in the Low & Moderate Income Housing Successor Special Revenue Fund. At June 30, 2018, the outstanding balance of the loans were \$895,340.

##### Volta Senior Apartments (G Street Seniors CIC, LP)

In 2016, the City entered into a loan agreement with G Street Senior CIC, LP to assist to assist in the construction and permanent financing of affordable multifamily apartments with 122 deed restricted units for occupancy by extremely low, very low and lower income households. The loan amount of \$932,000 was funded by the Low and Moderate Income Housing Fund. The loan bears an interest rate of 3% simple interest per annum for a 55-year period. Payment of principal and interest is made on an annual basis out of a fund equal to 50% of the residual receipts. The outstanding principal and accrued interest on the loan is to be repaid by December 31, 2072. Fund balance has been restricted in the Low & Moderate Income Housing Successor Special Revenue Fund. At June 30, 2018, the outstanding balance of the loans were \$932,000.

##### Anita Street (Wakeland Housing and Development Corporation)

In 2017 and 2018, the City entered into and amended a loan agreement with Wakeland Housing to assist in the acquisition of land and pre-development of an affordable multifamily apartment development with up to 100 possible deed restricted units for occupancy by extremely low, very low and lower income households. The loan amount of \$3,841,741 was funded by the Low and Moderate Income Housing Fund. The loan bears an interest rate of 3% simple interest per annum for a 55-year period. Payment of principal and interest is made on an annual basis out of a fund equal to 50% of the residual receipts. The outstanding principal and accrued interest on the loan is to be repaid by December 31, 2076. Fund balance has been restricted in the Low & Moderate Income Housing Successor Special Revenue Fund. At June 30, 2018, the outstanding balance of the loans were \$3,858,652 which includes an interest accrual of \$16,911

## CHULA VISTA HOUSING AUTHORITY

BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 9,864,729	\$ 9,864,729	\$ 9,864,729	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	215,000	215,000	384,939	169,939
Miscellaneous	200,000	200,000	4,185,012	3,985,012
<b>Amounts Available for Appropriations</b>	<b>10,279,729</b>	<b>10,279,729</b>	<b>14,434,680</b>	<b>4,154,951</b>
<b>Charges to Appropriations (Outflow):</b>				
Housing	4,627,583	5,127,583	4,113,404	1,014,179
<b>Total Charges to Appropriations</b>	<b>4,627,583</b>	<b>5,127,583</b>	<b>4,113,404</b>	<b>1,014,179</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 5,652,146</b>	<b>\$ 5,152,146</b>	<b>\$ 10,321,276</b>	<b>\$ 5,169,130</b>



**CHULA VISTA HOUSING AUTHORITY**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2018**

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**Budget**

Budget for the Chula Vista Housing Authority is adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

## CHULA VISTA HOUSING AUTHORITY

COMPUTATION OF HOUSING SUCCESSOR  
EXCESS/SURPLUS (HSC 34176.1)

	Low and Moderate Housing Funds All Project Area July 1, 2017	(Projected) Low and Moderate Housing Funds All Project Area July 1, 2018
Opening Fund Balance	\$ 8,809,650	\$ 9,864,729
Less Unavailable Amounts:		
Loans receivable	\$ (1,257,230)	\$ (7,311,261)
Due from Successor Agency	<u>(224,684)</u>	<u>(224,684)</u>
	<u>(1,481,914)</u>	<u>(7,535,945)</u>
Available Housing Successor Funds	7,327,736	2,328,784
Limitation (greater of \$1,000,000 or four years deposits)		
Aggregate amount deposited for last four years:		
2017 - 2018	N/A	4,569,951
2016 - 2017	1,180,972	1,180,972
2015 - 2016	1,644,789	1,644,789
2014 - 2015	966,454	966,454
2013 - 2014	<u>622,231</u>	<u>N/A</u>
<b>Total</b>	<b><u>\$ 4,414,446</u></b>	<b><u>\$ 8,362,166</u></b>
<b>Base Limitation</b>	<b><u>\$ 1,000,000</u></b>	<b><u>\$ 1,000,000</u></b>
Greater amount	<u>\$ 4,414,446</u>	<u>\$ 8,362,166</u>
<b>Computed Excess/Surplus</b>	<b><u>\$ 2,913,290</u></b>	<b><u>None</u></b>

\* This is the estimated future excess/surplus in 2018/2019. Please note: If a housing successor has an excess surplus, the housing successor shall encumber the excess surplus for the purposes described in paragraph (3) of subdivision (a) of Health and Safety Code 34176.1 or transfer the funds pursuant to paragraph (2) of subdivision (c) of 34176.1 within three fiscal years. If the housing successor fails to comply with this subdivision, the housing successor, within 90 days of the end of the third fiscal year, shall transfer any excess surplus to the Department of Housing and Community Development for expenditure pursuant to the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.



INDEPENDENT AUDITORS' REPORT 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 Honorable Mayor and Members of the City Council  
Chula Vista Housing Authority  
City of Chula Vista, California

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 the Chula Vista Housing Authority, a special revenue fund of the City of Chula Vista, California (the Housing Successor), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Housing Successor's basic financial statements, and have issued our report thereon dated December 26, 2018.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Successor's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Successor's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Successor'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 the Housing Successor's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.





To the Honorable Mayor and Members of the City Council  
Chula Vista Housing Authority  
City of Chula Vista, California

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Successor'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 Housing Successor's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lance, Soll & Lingham, LLP*

Brea, California  
December 26, 2018

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENT AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Mayor and Members of the City Council  
City of Chula Vista, California

### **Report on Compliance for the Housing Successor**

We have audited the City of Chula Vista Housing Successor's (Housing Successor) compliance with the type of compliance requirements described in the California Health and Safety Code sections applicable to California Housing Successor Agencies for the year ending June 30, 2018.

#### ***Management's Responsibility***

Management is responsible for compliance with the California Health and Safety Code sections applicable to California Housing Successor Agencies.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the Housing Successor's compliance with the California Health and Safety Code sections applicable to California Housing Successor Agencies. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *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 noncompliance with the types of compliance requirements referred above that could have a direct and material effect on Housing Successor occurred. An audit includes examining, on a test basis, evidence about the Housing Successor's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Housing Successor. However, our audit does not provide a legal determination of the Housing Successor's compliance with those requirements.

#### ***Opinion***

In our opinion, the Housing Successor complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Housing Successor for the year ending June 30, 2018.

### **Report on Internal Control over Compliance**

Management of the Housing Successor is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Successor's internal control over compliance with the types of requirements that could have a direct and material effect on the Housing Successor to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal controls over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.



To the Honorable Mayor and Members of the City Council  
City of Chula Vista, California

Accordingly, we do not express an opinion on the effectiveness of the Housing Successor's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance of California Health and Safety Code sections applicable to California Housing Successor Agencies on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of California Health and Safety Code sections applicable to California Housing Successor Agencies will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies. We consider the following deficiencies to be material weaknesses:

#### **2018-001: Loans Receivable**

During our compliance testwork of expenditures incurred by the Housing Successor Fund, we noted a loan was made in the amount of \$2,922,541 for a housing development and was not recorded in the financial statements as a loan receivable. Loans receivable should be recorded and reconciled in a timely manner when loans are issued and they should be monitored regularly in accordance with the loan agreement.

#### **Report on Excess/Surplus Calculation**

We have audited the financial statements of the Housing Successor as of and for the year ended June 30, 2018, and have issued our report thereon dated December 26, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying report on excess/surplus calculation is presented for purposes of additional analysis only and is not a required part of the financial statements. Such information is the responsibility of management and was derived from the financial statements. The report on excess/surplus calculation has 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of California Health and Safety Code sections applicable to California Housing Successor Agencies. Accordingly, this communication is not suitable for any other purpose.

Brea, California  
December 26, 2018