

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**June 30, 2023 and 2022**

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**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

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**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**June 30, 2023**

Certificate of Owner

I, as an officer of the San Diego Housing Commission, owner of Otay Villas Housing Development, hereby certify that I have examined the accompanying financial statements and supplementary information of Otay Villas Housing Development as of and for the year ended June 30, 2023 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

DocuSigned by:

*Suket Dayal*

Suket Dayal, E. Vice President of Business  
Administration and Chief Financial Officer

Employer Identification Number: 95-3390896

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**June 30, 2023**

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Otay Villas Housing Development as of and for the year ended June 30, 2023, to the best of my knowledge and belief, the same are complete and accurate.

DocuSigned by:

*Suket Dayal*

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San Diego Housing Commission  
Suket Dayal, E. Vice President of Business  
Administration and Chief Financial Officer

## Independent Auditor's Report

To the Board of Commissioners  
San Diego Housing Commission

Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Otay Villas Housing Development Project No. 12-HLCP-0003 (the "Project") owned by San Diego Housing Commission ("SDHC"), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003 as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter*

As discussed in Note 2, the financial statements referred to above are intended to present the financial position, the changes in financial position, and cash flows of only the Project. They do not purport to, and do not, present fairly the financial position of SDHC as of June 30, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management 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.

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 San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

*Auditor's 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 auditor's report that includes our opinion. 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 San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's ability to continue as a going concern for a reasonable period of time.

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 audits.

*Required Supplementary Information*

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.

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial data templates as required by the California Department of Housing and Community Development ("RHCP"), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial data templates as required by the RHCP are fairly stated in all material respects in relation to the financial statements as whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023, on our consideration of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003'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 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 San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003'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 San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting and compliance.



Sacramento, California  
September 26, 2023

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Statements of Net Position  
June 30, 2023 and 2022**

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| <u>Assets</u>                           |                     |                     |
| Current assets                          |                     |                     |
| Cash and cash equivalents               | \$ 256,591          | \$ 341,459          |
| Tenants' accounts receivable, net       | 12,852              | 4,554               |
| Accounts receivable - other             | 68,086              | 23,216              |
|   | <u>337,529</u>      | <u>369,229</u>      |
| Total current assets                    |                     |                     |
| Other assets                            |                     |                     |
| Investments - operations                | 560,002             | 431,418             |
| Restricted deposits and funded reserves | 1,067,442           | 1,012,852           |
|   | <u>1,627,444</u>    | <u>1,444,270</u>    |
| Total other assets                      |                     |                     |
| Capital assets                          |                     |                     |
| Buildings and improvements              | 6,285,947           | 6,285,947           |
| Accumulated depreciation                | (4,485,090)         | (4,149,811)         |
|   | 1,800,857           | 2,136,136           |
| Land                                    | <u>1,087,727</u>    | <u>1,087,727</u>    |
| Total capital assets                    | <u>2,888,584</u>    | <u>3,223,863</u>    |
| Total assets                            | <u>\$ 4,853,557</u> | <u>\$ 5,037,362</u> |



**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
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**Statements of Net Position  
June 30, 2023 and 2022**

Liabilities and Net Position

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| Current liabilities   |                     |                     |
| Accounts payable - operations                                     | \$ 46,931           | \$ 64,257           |
| Accrued expenses  | 6,937               | 7,404               |
| Accrued interest payable - first mortgage, current                | 13,230              | 13,230              |
| Prepaid rent  | 19,219              | 11,120              |
|   | <u>86,317</u>       | <u>96,011</u>       |
| Deposits and prepaid liability                                    |                     |                     |
| Tenants' security deposits liability                              | 41,913              | 40,113              |
|   | <u>41,913</u>       | <u>40,113</u>       |
| Long-term liabilities   |                     |                     |
| Mortgage payable - first mortgage                                 | 3,150,000           | 3,150,000           |
| Accrued interest payable - first mortgage, net of current portion | 785,907             | 704,637             |
|   | <u>3,935,907</u>    | <u>3,854,637</u>    |
| Total long-term liabilities                                       | <u>3,935,907</u>    | <u>3,854,637</u>    |
|   | <u>4,064,137</u>    | <u>3,990,761</u>    |
| Net Position  |                     |                     |
| Net investment in capital assets                                  | (261,416)           | 73,863              |
| Restricted for operating and replacement reserves                 | 1,025,529           | 972,739             |
| Unrestricted  | 25,307              | (1)                 |
|   | <u>789,420</u>      | <u>1,046,601</u>    |
| Total net position  | <u>789,420</u>      | <u>1,046,601</u>    |
| Total liabilities and net position                                | <u>\$ 4,853,557</u> | <u>\$ 5,037,362</u> |

See Notes to Financial Statements.

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Statements of Revenue, Expenses and Changes in Net Position  
Years Ended June 30, 2023 and 2022**

|  | 2023       | 2022         |
|--|------------|--------------|
| Operating revenue                                  |            |              |
| Rental income                                      | \$ 543,588 | \$ 468,074   |
| Subsidy income                                     | 279,699    | 254,063      |
| Other operating income                             | 35,105     | 8,570        |
| Total operating revenue                            | 858,392    | 730,707      |
| Operating expenses                                 |            |              |
| Administrative                                     | 176,096    | 192,715      |
| Utilities  | 129,351    | 163,046      |
| Operating and maintenance                          | 262,097    | 356,514      |
| Taxes and insurance                                | 77,496     | 67,948       |
| Depreciation                                       | 335,279    | 333,734      |
| Total operating expenses                           | 980,319    | 1,113,957    |
| Net operating loss                                 | (121,927)  | (383,250)    |
| Nonoperating revenue (expense)                     |            |              |
| Financial revenue - investments                    | 31,317     | 17,690       |
| Realized and unrealized loss on investments        | (72,071)   | -            |
| Interest expense - first mortgage                  | (94,500)   | (94,500)     |
| Total nonoperating revenue (expense)               | (135,254)  | (76,810)     |
| Change in net position before capital transactions | (257,181)  | (460,060)    |
| Contributions                                      | -          | 220,612      |
| Change in net position                             | (257,181)  | (239,448)    |
| Net position                                       |            |              |
| Beginning of year                                  | 1,046,601  | 1,286,049    |
| End of year  | \$ 789,420 | \$ 1,046,601 |

See Notes to Financial Statements.

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
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**Statements of Cash Flows  
Years Ended June 30, 2023 and 2022**

|   | 2023       | 2022       |
|---|------------|------------|
| Cash flows from operating activities                                    |            |            |
| Cash received from tenants and operations                               | \$ 805,875 | \$ 710,466 |
| Less cash payments for operations and administration                    |            |            |
| Administrative expenses paid  | (34,413)   | (32,416)   |
| Management fee and sponsor overhead paid                                | (73,008)   | (73,010)   |
| Utilities paid  | (144,725)  | (129,562)  |
| Salaries and wages paid   | (149,044)  | (130,524)  |
| Operating and maintenance paid  | (173,641)  | (275,975)  |
| Property insurance paid   | (23,414)   | (19,503)   |
| Other operating expenses paid   | (52,282)   | (47,319)   |
|   | (650,527)  | (708,309)  |
| Cash payments for operations and administration                         |            |            |
| Net cash provided by operating activities                               | 155,348    | 2,157      |
| Cash flows from capital and related financing activities                |            |            |
| Contributions from owner  | -          | 220,612    |
| Interest paid   | (13,230)   | (36,726)   |
|   | (13,230)   | 183,886    |
| Net cash (used in) provided by capital and related financing activities |            |            |
| Cash flows from investing activities                                    |            |            |
| Net deposits to replacement reserve                                     | (51,490)   | (62,938)   |
| Net deposits to operating reserve                                       | (1,300)    | (442)      |
| Interest on investments   | 28,259     | 19,613     |
| Net (purchases) sales of investments                                    | (202,455)  | 203,666    |
| Net purchase of fixed assets  | -          | (30,907)   |
|   | (226,986)  | 128,992    |
| Net cash (used in) provided by investing activities                     |            |            |
| Net (decrease) increase in cash and cash equivalents                    | (84,868)   | 315,035    |
| Cash and cash equivalents, beginning                                    | 341,459    | 26,424     |
| Cash and cash equivalents, end  | \$ 256,591 | \$ 341,459 |

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
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**Statements of Cash Flows  
Years Ended June 30, 2023 and 2022**

|   | <u>2023</u>       | <u>2022</u>     |
|---|-------------------|-----------------|
| Reconciliation of net operating loss to net cash provided by<br>(used in) operating activities        |                   |                 |
| Net operating loss  | \$ (121,927)      | \$ (383,250)    |
| Adjustments to reconcile net operating loss to net cash<br>provided by (used in) operating activities |                   |                 |
| Depreciation  | 335,279           | 333,734         |
| Bad debt  | (4,722)           | 18,629          |
| Changes in  |                   |                 |
| Tenants' accounts receivable  | (3,576)           | (20,219)        |
| Accounts receivable - other   | (40,012)          | 12,770          |
| Prepaid revenue   | 8,099             | 3,562           |
| Accounts payable - operations   | (17,326)          | 34,216          |
| Accrued expenses  | (467)             | 2,715           |
| Net cash provided by (used in) operating activities   | <u>\$ 155,348</u> | <u>\$ 2,157</u> |

See Notes to Financial Statements.

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Notes to Financial Statements  
June 30, 2023 and 2022**

**Note 1 - The financial reporting entity**

The San Diego Housing Commission ("SDHC")'s Otay Villas Housing Development Project consists of 78 rental housing units (the "Project") located in San Diego, California. SDHC entered into a regulatory agreement and permanent loan agreement with the California Department of Housing and Community Development ("RHCP"). Under the terms of the agreements, SDHC is to submit to RHCP an annual budget of the operating revenue and operating expenses for the Project. In May 2013, SDHC and RHCP amended the original agreements and entered into a new regulatory and loan agreement under which the previous loan was refinanced and the new permanent loan was extended for a period of 55 years.

**Note 2 - Significant accounting policies**

**Basic financial statements**

The basic financial statements (i.e. the statements of net position, the statements of revenue, expenses and changes in net position and the statements of cash flows) report information on all of the activities of the Project. These basic financial statements are presented in accordance with the Governmental Accounting Standards Board standards. The accompanying financial statements are not intended to present fairly the financial position or changes in financial position and cash flows of SDHC in conformity with accounting principles generally accepted in the United States of America ("GAAP").

**Measurement focus, basis of accounting and financial statement presentation**

The basic financial statements of the Project are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources and liabilities and deferred inflows of resources are included on the statements of net position. The statement of revenue, expenses and changes in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Project distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the Project's ongoing operations. The principal operating revenue of the Project is rental income from the tenants of its housing units and the operating subsidy income. Operating expenses for the Project include the cost of services and general and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. When both restricted and unrestricted resources are available for use, it is the Project's policy to use restricted resources first, then unrestricted resources as needed.

**Cash and cash equivalents**

The Project cash and cash equivalents are maintained within the general operating bank account of SDHC. The ending balance of the operating account is allocated between several projects of SDHC based upon each project's relative cash activities. The reconciled balance of SDHC general cash account is \$9,334,904 and \$29,418,653 of which \$256,591 and \$341,459 belongs to the Project as of June 30, 2023 and 2022 respectively.

**Otay Villas Housing Development**  
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**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Restricted deposits and funded reserves**

The Project's restricted deposits and reserves represent deposits to lender required reserves for replacements, operating reserve and tenant security deposits. The Project's restricted deposits and reserves are invested along with other SDHC funds to maximize income consistent with safe and prudent investment practices within the guidelines of SDHC's investment policy.

In accordance with California state statute and U.S. Department of Housing and Urban Development ("HUD") regulations, SDHC has authorized the Chief Financial Officer or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in SDHC's Investment Policy. An Investment Committee, consisting of two SDHC Board members, monitors the management of funds and compliance with SDHC's Investment Policy. SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. Working with the Investment Committee and staff, the advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities.

All investments are stated at fair value, except for money market investments with remaining maturities less than one year when purchased, which are stated at amortized cost. Money market investments are short-term, highly-liquid debt securities, such as bankers' acceptances, commercial paper, repurchase agreements, negotiable certificates of deposit and U.S. Treasury obligations. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Detailed disclosures, including investment policies and associated risk policies, regarding the Project's cash and cash equivalents, restricted deposits and reserves, and investments are included in the notes to SDHC's basic financial statements.

**Fair value**

Authoritative guidance establishes hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2: Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Significant unobservable inputs for the asset or liability.

**Tenant accounts receivable**

Resident accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. The allowance for doubtful accounts was \$1,004 and \$224 as of June 30, 2023 and 2022, respectively.

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
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**Notes to Financial Statements  
June 30, 2023 and 2022**

**Capital assets**

Capital assets are stated at cost. The capitalization threshold for all capital assets is \$5,000. Expenditures for repairs and maintenance are charged to operations as incurred while major renewals and betterments are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

|                           |               |
|---------------------------|---------------|
| Building and improvements | 15 - 40 years |
|---------------------------|---------------|

**Impairment of capital assets**

SDHC reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. There has been no impairment of the capital assets as of June 30, 2023 and 2022.

**Rental income**

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between SDHC and the tenants of the Project are operating leases.

**HUD public housing operating subsidy**

Effective with the fiscal year ended June 30, 2015, the Project converted to public housing and receives an operating subsidy from HUD. The Project received \$279,699 and \$254,063 of operating subsidy income which is included in the statements of revenue, expenses and changes in net position for the years ended June 30, 2023 and 2022, respectively. Due to the receipt of the HUD operating subsidy, the Project no longer receives annuity income from RHCP.

**Net position**

In the statements of net position, net assets are classified in the following categories:

*Net Investment in Capital Assets* - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

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

*Unrestricted* - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

**Use of estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
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**Notes to Financial Statements  
June 30, 2023 and 2022**

**Note 3 - Restricted deposits and funded reserves**

As of June 30, 2023 and 2022, the restricted deposits and reserves consist of the following:

**Tenant security deposits**

The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in the basic financial statements as restricted cash, are refundable to the tenants to the extent there are no unpaid rents or damages to the housing unit. Tenant security deposits held amounted to \$41,913 and \$40,113 as of June 30, 2023 and 2022, respectively.

**Replacement reserve**

The Project established and will continue to fund a replacement reserve account for the term of the regulatory agreement. The replacement reserve was funded in the initial amount of \$78,000 to provide for future major additions, repairs or replacements. The Project shall make annual deposits of \$46,800 per year. The replacement reserve balance is \$802,880 and \$751,390 as of June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, the replacement reserve activity was as follows:

|                                     | 2023       | 2022       |
|-------------------------------------|------------|------------|
| Beginning balance                   | \$ 751,390 | \$ 688,452 |
| Deposits (\$600 x 78 units)         | 46,800     | 46,800     |
| Deposits of prior year surplus cash | -          | 14,638     |
| Interest earned                     | 4,690      | 1,500      |
| Ending Balance                      | \$ 802,880 | \$ 751,390 |

**Operating reserve**

The Project established and will continue to fund an operating reserve account pursuant to the regulatory agreement. The operating reserve was funded by previous project cash flow and RHCP annuity payments. The operating reserve balance is \$222,649 and \$221,349 as of June 30, 2023 and 2022, respectively.

**Other investments**

The Project has other investments with a balance of \$560,002 and \$431,418 as of June 30, 2023 and 2022, respectively.

In accordance with SDHC's investment policy, the restricted deposits and reserves above are invested in the State's Local Agency Investment Fund ("LAIF"), the San Diego County Investment Pool ("SDCIP") and other investments such as bonds, government agency securities and demand deposit accounts safe kept with commercial banking institutions. The detailed disclosures including investment policies and associated risk for each of these investments are included in the notes to SDHC's basic financial statements.



**Otay Villas Housing Development**  
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**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 4 - Mortgage payable**

Mortgage payable to RHCP associated with the acquisition of the Project is in the amount of \$3,150,000. Repayment of the interest and any outstanding principal balance is due in its entirety on the maturity date of May 10, 2068. The note bears interest at 3.00% and is payable in the annual amount of 0.42% of the outstanding principal balance (\$13,230 per year). Interest expense was \$94,500 and \$94,500 for the years ended June 30, 2023 and 2022, respectively. Outstanding principal and accrued interest is \$3,150,000 and \$799,137, respectively, as of June 30, 2023 and \$3,150,000 and \$717,867, respectively, as of June 30, 2022.

**Note 5 - Management fee and sponsor overhead**

The Project incurs management fees and overhead costs from SDHC for central office services which includes but is not limited to clerical and management overhead expenses, such as salaries and benefits, office supplies and equipment, data processing or computer services, postage, training and telephone services. This does not include the salary of the project manager whether onsite or offsite. SDHC allocated to the Project management fees and overhead expenses in the amount of \$73,008 and \$73,010 for the years ended June 30, 2023 and 2022, respectively.

**Note 6 - Concentration of credit risk**

The Project maintains its cash and cash equivalents with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Project has not experienced any losses with respect to its bank balances in excess of government provided insurance. The Project Owner believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2023.

**Note 7 - Current vulnerability due to certain concentrations**

The Project's principal assets consist of 78 units within various apartment projects. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of governmental agencies, including, but not limited to RHCP. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or RHCP. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Note 8 - Subsequent events**

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of the Project through September 26, 2023, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**Supplementary Information**  
**Supporting Data Required by RHCP**

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Supplementary Information  
Years Ended June 30, 2023 and 2022**

**Schedules of Operating Revenue**

| <u>Account No.</u>                                  | <u>2023</u>     | <u>2022</u>    |
|---|-----------------|----------------|
| <b>Rental revenue</b>                               |                 |                |
| 5120 Rent revenue - gross potential                 | \$ 543,588      | \$ 468,074     |
| 5121 Tenant assistance payments                     | 279,699         | 254,063        |
| 5100T Total rental revenue                          | <u>823,287</u>  | <u>722,137</u> |
| 5152N Net rental revenue                            | <u>823,287</u>  | <u>722,137</u> |
| <b>Financial revenue</b>                            |                 |                |
| 5410 Financial revenue - project operations         | 25,327          | 15,748         |
| 5440 Revenue from investments - replacement reserve | 4,690           | 1,500          |
| 5490 Revenue from investments - miscellaneous       | <u>(70,771)</u> | <u>442</u>     |
| 5400T Total financial revenue                       | <u>(40,754)</u> | <u>17,690</u>  |
| <b>Other revenue</b>                                |                 |                |
| 5910 Laundry and vending                            | 4,551           | 5,520          |
| 5920 Tenant charges                                 | 5,375           | 3,050          |
| 5990 Miscellaneous revenue                          | <u>25,179</u>   | <u>-</u>       |
| 5900T Total other revenue                           | <u>35,105</u>   | <u>8,570</u>   |
| 5000T Total revenue                                 | <u>817,638</u>  | <u>748,397</u> |

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Supplementary Information  
Years Ended June 30, 2023 and 2022**

**Schedules of Operating Expenses**

| <u>Account No.</u>  | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| <b>Administrative expenses</b>                                  |             |             |
| 6250 Other renting expenses                                     | 1,344       | 3,150       |
| 6310 Office salaries  | 60,121      | 52,700      |
| 6311 Office expenses  | 9,562       | 7,437       |
| 6320 Management fee   | 73,008      | 73,010      |
| 6331 Administrative rent free unit                              | 15,228      | 15,228      |
| 6340 Legal expense - project                                    | 2,757       | 3,478       |
| 6350 Auditing expense   | 7,500       | 7,350       |
| 6351 Bookkeeping fees/accounting services                       | 8,892       | 8,892       |
| 6370 Bad debts  | (4,722)     | 18,629      |
| 6390 Miscellaneous administrative expenses                      | 2,406       | 2,841       |
|   | <hr/>       | <hr/>       |
| 6263T Total administrative expenses                             | 176,096     | 192,715     |
|   | <hr/>       | <hr/>       |
| <b>Utilities expense</b>  |             |             |
| 6450 Electricity  | 21,029      | 22,334      |
| 6451 Water  | 63,228      | 82,622      |
| 6452 Gas  | 20,051      | 16,019      |
| 6453 Sewer  | 25,043      | 42,071      |
|   | <hr/>       | <hr/>       |
| 6400T Total utilities expense                                   | 129,351     | 163,046     |
|   | <hr/>       | <hr/>       |
| <b>Operating and maintenance expenses</b>                       |             |             |
| 6510 Payroll  | 58,545      | 52,099      |
| 6515 Supplies   | 17,055      | 32,283      |
| 6520 Contracts  | 129,722     | 225,565     |
| 6525 Garbage and trash removal                                  | 23,453      | 17,887      |
| 6530 Security payroll/contract                                  | 29,911      | 28,440      |
| 6570 Vehicle and maintenance equipment operation<br>and repairs | 3,411       | 240         |
|   | <hr/>       | <hr/>       |
| 6500T Total operating and maintenance expenses                  | 262,097     | 356,514     |
|   | <hr/>       | <hr/>       |

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Supplementary Information  
Years Ended June 30, 2023 and 2022**

| <u>Account No.</u>                                 | <u>2023</u>  | <u>2022</u>  |
|--|--------------|--------------|
| <b>Taxes and insurance</b>                         |              |              |
| 6710 Real estate taxes                             | -            | 47           |
| 6720 Property and liability insurance              | 23,414       | 19,503       |
| 6722 Workmen's compensation                        | 5,567        | 7,841        |
| 6723 Health insurance and other employee benefits  | 48,515       | 40,557       |
| 6700T Total taxes and insurance                    | 77,496       | 67,948       |
| <b>Financial expenses</b>                          |              |              |
| 6820 Interest on first mortgage payable            | 94,500       | 94,500       |
| 6800T Total financial expenses                     | 94,500       | 94,500       |
| 6000T Total cost of operations before depreciation | 739,540      | 874,723      |
| 5060T Income (loss) before depreciation            | 78,098       | (126,326)    |
| <b>Depreciation</b>                                |              |              |
| 6600 Depreciation expense                          | 335,279      | 333,734      |
| Total depreciation                                 | 335,279      | 333,734      |
| 5060N Operating income (loss)                      | (257,181)    | (460,060)    |
| Total expenses                                     | 1,074,819    | 1,208,457    |
| 3250 Change in net assets                          | \$ (257,181) | \$ (460,060) |

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Supplementary Information  
Years Ended June 30, 2023 and 2022**

**Detail of Accounts - Statements of Activities**

|  | 2023        | 2022     |
|--|-------------|----------|
| Revenue from Investments - Miscellaneous<br>(Account No. 5490) |             |          |
| Interest from investments - operating reserve                  | \$ 1,300    | \$ 442   |
| Realized loss on investments                                   | (1,243)     | -        |
| Unrealized loss on investments                                 | (70,828)    | -        |
|  | \$ (70,771) | \$ 442   |
| Miscellaneous Other Revenue (Account No. 5990)                 |             |          |
| Insurance proceeds   | \$ 25,132   | \$ -     |
| Tax refund   | 47          | -        |
|  | \$ 25,179   | \$ -     |
| Miscellaneous Administrative Expenses (Account No. 6390)       |             |          |
| Professional consultants                                       | \$ 1,599    | \$ 2,422 |
| Business expense   | 534         | 105      |
| Mileage reimbursement  | 146         | 44       |
| Parking fees and permits                                       | -           | (10)     |
| Training - local   | (126)       | 159      |
| Education and training classes                                 | (3)         | 13       |
| Parking garage   | 256         | 108      |
|  | \$ 2,406    | \$ 2,841 |

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Supplementary Information  
June 30, 2023**

**Cash on Hand and in Banks**

|                                      |              |
|--------------------------------------|--------------|
| Unrestricted cash operating accounts |              |
| Operating account                    | \$ 256,591   |
|                                      | \$ 256,591   |
| <br>Restricted cash accounts         |              |
| Tenant security deposits - checking  | \$ 41,913    |
| Replacement reserve                  | 802,880      |
| Operating reserve                    | 222,649      |
|                                      | \$ 1,067,442 |

**Mortgage Impound Accounts**

None.

**Reserves for Replacement and Operating Expenses**

|                             | Replacement<br>reserve | Operating<br>Reserve |
|-----------------------------|------------------------|----------------------|
| Beginning balance           | \$ 751,390             | \$ 221,349           |
| Deposits (\$600 x 78 units) | 46,800                 | -                    |
| Interest earned             | 4,690                  | 1,300                |
| Ending Balance              | \$ 802,880             | \$ 222,649           |

**Property, Equipment and Improvements**

Following are the details of property, equipment and improvements:

|           | Property, equipment and improvements |           |           | Balance 6/30/23 |
|-----------|--------------------------------------|-----------|-----------|-----------------|
|           | Balance 6/30/22                      | Additions | Deletions |                 |
| Land      | \$ 1,087,727                         | \$ -      | \$ -      | \$ 1,087,727    |
| Buildings | 6,285,947                            | -         | -         | 6,285,947       |
|           | \$ 7,373,674                         | \$ -      | \$ -      | \$ 7,373,674    |

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Supplementary Information  
June 30, 2023**

**Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses payable to suppliers are due as follows:

|         |                  |
|---------|------------------|
| Current | \$ 46,931        |
| Total   | <u>\$ 46,931</u> |

**Gross Potential Rents**

Gross potential rents includes the following:

|                             |                   |
|-----------------------------|-------------------|
| Tenant rental payments      | \$ 543,588        |
| Tenant assistance payments  | <u>279,699</u>    |
| Total gross potential rents | <u>\$ 823,287</u> |

**Management Fee**

The management fee and sponsor overhead authorized by RHCP totals \$73,008 for the year ended June 30, 2023.



**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Supplementary Information  
Year Ended June 30, 2023**

**Operating Cash Flow/Surplus Cash Computation**

|  |            |
|--|------------|
| Operating income                                       |            |
| Total income   | \$ 817,638 |
| Interest earned on restricted reserve accounts         | (5,990)    |
|  | 811,648    |
| Adjusted operating income                              | 811,648    |
| Operating expenses                                     |            |
|  | (645,040)  |
|  | 166,608    |
| Adjusted net income                                    | 166,608    |
| Other activity   |            |
| Deposits into replacement reserve account              | (46,800)   |
| HCD required annual payment                            | (13,230)   |
|  | (60,030)   |
| Total other activity                                   | (60,030)   |
| Operating cash flow/surplus cash                       | 106,578    |
|  | 106,578    |
| Total cash available for distributions (net cash flow) | \$ 106,578 |

**Reconciliation to RHCP Form 181**

|  |            |
|--|------------|
| Total operating revenue                |            |
| Interest income                        | \$ 858,392 |
| Less interest on reserves              | 31,317     |
| Less tax refund                        | (5,990)    |
|  | (47)       |
| Effective gross rent per RHCP Form 181 | \$ 883,672 |

**Reconciliation to RHCP Form 180**

|                                       |            |
|---------------------------------------|------------|
| Total operating expenses              |            |
| Less depreciation                     | \$ 980,319 |
| Less tax refund and other differences | (335,279)  |
|                                       | (44)       |
|                                       | \$ 644,996 |

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Supplementary Information  
Year Ended June 30, 2023**

**Rental Housing Construction Program -- Original**

**6. AMC 180a - ACTUAL COST OF OPERATIONS - Operating Budget/Annual Report**

Contract No: 80-RHC-026

Reporting Period: 7/1/22 to 6/30/23

Project Name: Otay Villas

Prepared by: \_\_\_\_\_

Date Prepared: \_\_\_\_\_

Rev 9/28/16

| ACCOUNT NAME   | ACCOUNT CODES     | UNIT EXPENSES         |                 |                       |                     |                     |                   |
|--|-------------------|-----------------------|-----------------|-----------------------|---------------------|---------------------|-------------------|
|  |                   | Approved Assisted (A) | Actual Assisted | Approved Non-Assisted | Actual Non-Assisted | Proposed Commercial | Actual Commercial |
| <b>MANAGEMENT FEE: 6200/6300</b>                       |                   |                       |                 |                       |                     |                     |                   |
| 1 Management Fee or Sponsor Overhead                   | 6320              | 14,976                | 14,976          | 58,032                | 58,032              | 0                   | 0                 |
| <b>ADMINISTRATIVE EXPENSES: 6200/6300</b>              |                   |                       |                 |                       |                     |                     |                   |
| 2 Advertising  | 6210              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 3 Apartment Resale Expense (Cooperatives)              | 6235              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 4 Other Renting Expenses                               | 6250              | 471                   | 355             | 1,827                 | 1,377               | 0                   | 0                 |
| 5 Office Salaries                                      | 6310              | 9,656                 | 12,276          | 37,418                | 47,570              | 0                   | 0                 |
| 6 Office Supplies                                      | 6311              | 1,050                 | 1,961           | 4,068                 | 7,600               | 0                   | 0                 |
| 7 Office or Model Apartment Rent                       | 6312              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 8 Manager and Superintendent Salaries                  | 6330              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 9 Manager's or Superintendent's Rent Free Unit         | 6331              | 3,124                 | 3,124           | 12,104                | 12,104              | 0                   | 0                 |
| 10 Legal Expense - Project                             | 6340              | 1,171                 | 566             | 4,536                 | 2,192               | 0                   | 0                 |
| 11 Audit Expense - Project                             | 6350              | 1,508                 | 1,538           | 5,842                 | 5,962               | 0                   | 0                 |
| 12 Bookkeeping Fees/Accounting Services                | 6351              | 1,824                 | 1,824           | 7,068                 | 7,068               | 0                   | 0                 |
| 13 Telephone and Answering Service Expenses            | 6360              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 14 Bad Debt Expense                                    | 6370              | 0                     | 0               | 10,470                | (4,722)             | 0                   | 0                 |
| 15 Miscellaneous Administrative Expenses (specify)     | 6390              | 244                   | 563             | 945                   | 2,184               | 0                   | 0                 |
| <b>16 TOTAL ADMINISTRATIVE EXPENSES</b>                | <b>6200/6300T</b> | <b>19,047</b>         | <b>22,207</b>   | <b>84,279</b>         | <b>81,335</b>       | <b>0</b>            | <b>0</b>          |
| <b>UTILITIES EXPENSES: 6400</b>                        |                   |                       |                 |                       |                     |                     |                   |
| 17 Fuel Oil/Coal                                       | 6420              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 18 Electricity   | 6450              | 3,710                 | 4,314           | 14,376                | 16,715              | 0                   | 0                 |
| 19 Water   | 6451              | 18,579                | 12,970          | 71,994                | 50,258              | 0                   | 0                 |
| 20 Gas   | 6452              | 3,303                 | 4,113           | 12,798                | 15,938              | 0                   | 0                 |
| 21 Sewer   | 6453              | 13,245                | 5,137           | 51,324                | 19,906              | 0                   | 0                 |
| <b>22 TOTAL UTILITIES EXPENSES</b>                     | <b>6400T</b>      | <b>38,837</b>         | <b>26,534</b>   | <b>150,492</b>        | <b>102,817</b>      | <b>0</b>            | <b>0</b>          |
| <b>OPERATING AND MAINTENANCE EXPENSES: 6500</b>        |                   |                       |                 |                       |                     |                     |                   |
| 23 Janitor and Cleaning Payroll                        | 6510              | 9,933                 | 12,009          | 38,492                | 46,536              | 0                   | 0                 |
| 24 Janitor and Cleaning Supplies                       | 6515              | 4,226                 | 3,465           | 16,377                | 13,428              | 0                   | 0                 |
| 25 Janitor and Cleaning Contracts                      | 6517              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 26 Exterminating Payroll/Contract                      | 6519              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 27 Exterminating Supplies                              | 6520              | 21,586                | 31,304          | 83,647                | 121,304             | 0                   | 0                 |
| 28 Garbage and Trash Removal                           | 6525              | 3,145                 | 0               | 12,187                | 0                   | 0                   | 0                 |
| 29 Security Payroll/Contract                           | 6530              | 5,960                 | 6,136           | 23,094                | 23,775              | 0                   | 0                 |
| 30 Grounds Payroll                                     | 6535              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 31 Grounds Supplies                                    | 6536              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 32 Grounds Contract                                    | 6537              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 33 Repairs Payroll                                     | 6540              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 34 Repairs Material                                    | 6541              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 35 Repairs Contract                                    | 6542              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 36 Elevator Maintenance/Contract                       | 6545              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 37 Heating/Cooling Repairs and Maintenance             | 6546              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 38 Swimming Pool Maintenance/Contract                  | 6547              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 39 Snow Removal  | 6548              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 40 Decorating/Payroll Contract                         | 6560              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 41 Decorating Supplies                                 | 6561              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 42 Vehicle and Maint. Equipment Operation/Repairs      | 6570              | 205                   | 700             | 795                   | 2,711               | 0                   | 0                 |
| 43 Misc. Operating and Maintenance Expenses (specify)  | 6590              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| <b>44 TOTAL OPERATING &amp; MAINTENANCE EXPENSES</b>   | <b>6500T</b>      | <b>45,056</b>         | <b>53,614</b>   | <b>174,592</b>        | <b>207,754</b>      | <b>0</b>            | <b>0</b>          |
| <b>TAXES AND INSURANCE: 6700</b>                       |                   |                       |                 |                       |                     |                     |                   |
| 45 Real Estate Taxes                                   | 6710              | 0                     | (10)            | 0                     | (37)                | 0                   | 0                 |
| 46 Payroll Taxes (Project's Share)                     | 6711              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 47 Misc. Taxes, Licenses and Permits                   | 6719              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 48 Property and Liability Insurance (Hazard)           | 6720              | 4,239                 | 4,803           | 16,427                | 18,612              | 0                   | 0                 |
| 49 Fidelity Bond Insurance                             | 6721              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 50 Worker's Compensation                               | 6722              | 1,641                 | 1,143           | 6,359                 | 4,430               | 0                   | 0                 |
| 51 Health Insurance and Other Employee Benefits        | 6723              | 8,003                 | 10,007          | 31,012                | 38,779              | 0                   | 0                 |
| 52 Other Insurance                                     | 6729              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| <b>53 TOTAL TAXES AND INSURANCE</b>                    | <b>6700T</b>      | <b>13,883</b>         | <b>15,943</b>   | <b>53,797</b>         | <b>61,784</b>       | <b>0</b>            | <b>0</b>          |
| <b>ASSISTED LIVING/BOARD &amp; CARE EXPENSES: 6900</b> |                   |                       |                 |                       |                     |                     |                   |
| 54 Food  | 6932              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 55 Recreation and Rehabilitation                       | 6980              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 56 Rehabilitation Salaries                             | 6983              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| 57 Other Service Expenses                              | 6990              | 0                     | 0               | 0                     | 0                   | 0                   | 0                 |
| <b>58 TOTAL ASSISTED LIVING EXPENSES</b>               | <b>6900T</b>      | <b>0</b>              | <b>0</b>        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>          |
| <b>61 TOTAL OPERATING COSTS</b>                        |                   | <b>131,799</b>        | <b>133,274</b>  | <b>521,192</b>        | <b>511,722</b>      | <b>0</b>            | <b>0</b>          |

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
A Project of San Diego Housing Commission**

**Supplementary Information  
Year Ended June 30, 2023**

**Rental Housing Construction Program -- Original  
7. AMC 181a - ACTUAL CASH FLOW ANALYSIS - Operating Budget/Annual Report**

Contract No: 80-RHC-026  
Project Name: Otay Villas  
Prepared by:  
Date Prepared:

Reporting Period: 7/1/22 to 6/30/23

Units/Sq. Ft. - Assisted: 16  
Units/Sq. Ft. - Total: 78

Rev 9/28/16

Unit Months: 936

| ACCOUNT NAME   | Account Codes | ASSISTED UNITS        |                     | NON-ASSISTED UNITS    |                     | COMMERCIAL            |                     | TOTAL PROJECT         |                     | PROJECT VARIANCE      |
|--|---------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
|  |               | Approved Cashflow (A) | Actual Cashflow (B) | Approved Cashflow (C) | Actual Cashflow (D) | Proposed Cashflow (E) | Actual Cashflow (F) | Approved Cashflow (G) | Actual Cashflow (H) | Cashflow Variance (I) |
| <b>REVENUE ACCOUNTS/RENT REVENUE: 5100</b>               |               |                       |                     |                       |                     |                       |                     |                       |                     |                       |
| 1 Rent Revenue   | 5120          | 88,440                | 111,505             | 407,448               | 432,083             | 0                     | 0                   | 495,888               | 543,588             | 47,700                |
| 2 Tenant Assistance Payments                             | 5121          | 48,975                | 57,374              | 186,718               | 222,325             | 0                     | 0                   | 235,693               | 279,699             | 44,006                |
| 3 Rent revenue - Stores and Commercial                   | 5140          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 4 Garage and Parking Spaces                              | 5170          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 5 Flexible Subsidy Revenue                               | 5185          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 6 Miscellaneous Rent Revenue                             | 5190          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 7 Excess Rent  | 5191          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 8 Rent Revenue/Insurance                                 | 5192          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 9 Special Claims Revenue                                 | 5193          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 10 Retained Excess Income                                | 5194          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| <b>11 GROSS RENT REVENUE</b>                             | <b>5100T</b>  | <b>137,415</b>        | <b>168,879</b>      | <b>594,166</b>        | <b>654,408</b>      | <b>0</b>              | <b>0</b>            | <b>731,581</b>        | <b>823,287</b>      | <b>91,706</b>         |
| <b>VACANCIES: 5200</b>                                   |               |                       |                     |                       |                     |                       |                     |                       |                     |                       |
| <b>Vacancy Percentage:</b>                               |               |                       |                     |                       |                     |                       |                     |                       |                     |                       |
| 11 Apartments -  | 5220          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 12 Stores and Commercial                                 | 5240          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 13 Rental Concessions                                    | 5250          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 14 Garage and Parking Spaces                             | 5270          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 15 Miscellaneous   | 5290          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| <b>Total Vacancies (HCD Use Only)</b>                    | <b>5200T</b>  | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              |
| <b>ASSISTED LIVING/BOARD &amp; CARE REVENUES: 5300</b>   |               |                       |                     |                       |                     |                       |                     |                       |                     |                       |
| 17 Food  | 5332          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 18 Recreation (Activities) and Rehabilitation            | 5380          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 19 Rehabilitation  | 5385          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 20 Other Service Revenue                                 | 5390          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| <b>Total Living Revenue</b>                              | <b>6300T</b>  | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              |
| <b>FINANCIAL REVENUE: 5400</b>                           |               |                       |                     |                       |                     |                       |                     |                       |                     |                       |
| 21 Financial Revenue - Project Operations                | 5410          | 3,012                 | 5,195               | 11,484                | 20,132              | 0                     | 0                   | 14,496                | 25,327              | 10,831                |
| <b>Total Financial Revenue</b>                           | <b>5400T</b>  | <b>3,012</b>          | <b>5,195</b>        | <b>11,484</b>         | <b>20,132</b>       | <b>0</b>              | <b>0</b>            | <b>14,496</b>         | <b>25,327</b>       | <b>10,831</b>         |
| <b>OTHER REVENUE: 5900</b>                               |               |                       |                     |                       |                     |                       |                     |                       |                     |                       |
| 22 Laundry and Vending Revenue                           | 5910          | 1,228                 | 933                 | 4,681                 | 3,618               | 0                     | 0                   | 5,909                 | 4,551               | (1,358)               |
| 23 NSF and Late Charges                                  | 5920          | 0                     | 1,103               | 0                     | 4,272               | 0                     | 0                   | 0                     | 5,375               | 5,375                 |
| 24 Damages and Cleaning Fees                             | 5930          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 25 Forfeited Tenant Security Deposits                    | 5940          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 26 Other Revenue   | 5990          | 0                     | 5,155               | 0                     | 19,977              | 0                     | 0                   | 0                     | 25,132              | 25,132                |
| <b>Total Other Revenue</b>                               | <b>5900T</b>  | <b>1,228</b>          | <b>7,191</b>        | <b>4,681</b>          | <b>27,867</b>       | <b>0</b>              | <b>0</b>            | <b>5,909</b>          | <b>35,058</b>       | <b>29,149</b>         |
| <b>27 EFFECTIVE GROSS RENT (EGR)</b>                     | <b>5152T</b>  | <b>141,655</b>        | <b>181,265</b>      | <b>610,331</b>        | <b>702,407</b>      | <b>0</b>              | <b>0</b>            | <b>751,986</b>        | <b>883,672</b>      | <b>131,686</b>        |
| <b>28 TOTAL OPERATING EXPENSES</b>                       | <b>6000T</b>  | <b>135,753</b>        | <b>133,274</b>      | <b>536,828</b>        | <b>511,722</b>      | <b>0</b>              | <b>0</b>            | <b>672,581</b>        | <b>644,996</b>      | <b>27,585</b>         |
| <b>29 NET OPERATING INCOME (NOI)</b>                     | <b>5000T</b>  | <b>5,902</b>          | <b>47,991</b>       | <b>73,503</b>         | <b>190,685</b>      | <b>0</b>              | <b>0</b>            | <b>79,405</b>         | <b>238,676</b>      | <b>159,271</b>        |
| <b>FINANCIAL EXPENSES: 6800</b>                          |               |                       |                     |                       |                     |                       |                     |                       |                     |                       |
| 30 Non-Contingent Debt Service (specify lender)          | 6895          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 1st Mortgage =   |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 2nd Mortgage =   |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 3rd Mortgage =   |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 31 HCD Required Payments                                 | 6890          | 0                     | 0                   | 13,230                | 13,230              | 0                     | 0                   | 13,230                | 13,230              | 0                     |
| 32 Lease Payment   | 6890          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 33 Miscellaneous Financial Expenses                      | 6890          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| <b>Total Financial Expenses</b>                          | <b>6800T</b>  | <b>0</b>              | <b>0</b>            | <b>13,230</b>         | <b>13,230</b>       | <b>0</b>              | <b>0</b>            | <b>13,230</b>         | <b>13,230</b>       | <b>0</b>              |
| <b>FUNDED RESERVES:</b>                                  |               |                       |                     |                       |                     |                       |                     |                       |                     |                       |
| 34 Escrow Deposits                                       | 1300          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 35 Replacement Reserve-Deposit                           | 1310          | 9,599                 | 9,600               | 37,201                | 37,200              | 0                     | 0                   | 46,800                | 46,800              | 0                     |
| 36 Operating Reserve-Deposit                             | 1300          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 37 Other Reserves (specify)                              |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| #1   | 1330          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| #2   | 1330          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| #3   | 1330          | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| <b>Total Reserve Deposits</b>                            |               | <b>9,599</b>          | <b>9,600</b>        | <b>37,201</b>         | <b>37,200</b>       | <b>0</b>              | <b>0</b>            | <b>46,800</b>         | <b>46,800</b>       | <b>0</b>              |
| <b>38 PROJECT CASH FLOW (CF)</b>                         |               | <b>(3,697)</b>        | <b>38,391</b>       | <b>23,072</b>         | <b>140,255</b>      | <b>0</b>              | <b>0</b>            | <b>19,375</b>         | <b>178,646</b>      | <b>159,271</b>        |
| <b>ADDITIONAL REVENUE:</b>                               |               |                       |                     |                       |                     |                       |                     |                       |                     |                       |
| 39 RHCP-O Annuity Fund Request (For Assisted Units Only) |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 40 Withdrawal from Operating Reserves                    |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 41 Borrower Contribution                                 |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 42 Other (specify)                                       |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| <b>Total Additional Revenue</b>                          |               | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              |
| <b>USE OF CASH FLOW:</b>                                 |               |                       |                     |                       |                     |                       |                     |                       |                     |                       |
| 43 HCD Interest Payments                                 |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)     |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 45 Asset Mgmt Fee/Prtshp Costs (MHP/HOME under UMR)      |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 46 Borrower Distributions                                |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 47 Residual Receipt Loan Payments                        |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| 48 Other (specify)                                       |               | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     | 0                   | 0                     |
| <b>Total Use of Cash Flow</b>                            |               | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              | <b>0</b>            | <b>0</b>              |

Independent Auditor's 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 Board of Commissioners  
San Diego Housing Commission

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 San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003, which comprise the statement of net position as of June 30, 2023, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2023 which included an emphasis of matter paragraph as indicated at page 4.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting.

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Sacramento, California  
September 26, 2023



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