

Desert Hot Springs Housing Authority

Desert Hot Springs, California

Housing Successor Compliance and Independent Auditors' Report

For the Year Ended June 30, 2019



Desert Hot Springs Housing Authority

Table of Contents

	<u>Page</u>
Independent Auditors' Report:	
Report on Compliance for the Housing Successor; Report on Internal Control Over Compliance; and Report on the Schedule of Excess Surplus	1
Schedule of Excess Surplus.....	3

**REPORT ON COMPLIANCE FOR THE HOUSING SUCCESSOR; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXCESS SURPLUS**

Independent Auditors' Report

To the Honorable Mayor and the Members of the City Council
of the City of Desert Hot Springs
Desert Hot Springs, California

Report on Compliance for the Housing Successor

We have audited the Desert Hot Springs Housing Authority, a component unit of the City of Desert Hot Springs (the "City") as the Housing Successor of the former Redevelopment Agency of the City of Desert Hot Springs' (the "Housing Successor") compliance with the type of compliance requirements described in the California Health and Safety Code sections applicable to the Redevelopment Agency's Housing Successor for the year ended June 30, 2019.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the Housing Successor's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the Housing Successor's compliance based on our audit.

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 Statements*, 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 compliance requirements referred to above that could have a material effect on the Housing Authority occurred. An audit includes examining, on a test basis, evidence about the Housing Authority'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. 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 compliance requirements referred to above that are applicable to the Housing Successor for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Housing Successor is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Housing Successor's internal control over compliance to determine the auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. 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 on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 Authority Agencies. Accordingly, this communication is not suitable for any other purpose.

Report on the Schedule of Excess Surplus

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 26, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying the Schedule of Excess Surplus is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Excess Surplus is fairly stated in all material respects in relation to the basic financial statements as a whole.

The PwC Group, LLP

Santa Ana, California
November 26, 2019

Desert Hot Springs Housing Authority
Schedule of Excess Surplus
For the Year Ended June 30, 2019

	Low and Moderate Housing Funds July 1, 2018
Opening Fund Balance	\$ 3,654,824
Less: notes receivables	(3,430,672)
Less: land held for resale	<u>(195,590)</u>
Available Housing Successor Funds	28,562
Limitation (greater of \$1,000,000 or four years deposits)	
Aggregate amount deposited for last four years:	
2017-2018	21,495
2016-2017	58
2015-2016	7,861
2014-2015	<u>-</u>
Total	<u><u>\$ 29,414</u></u>
Greater amount	<u>1,000,000</u>
Computed Excess Surplus	<u><u>\$ (971,438)</u></u>