

# **City of Desert Hot Springs**

Desert Hot Springs, California

## **Independent Accountants' Report on Applying Agreed-Upon Procedures to Utility User Tax**

*For the Year Ended June 30, 2023*





## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below on User Utility Tax ("UUT") of the City of Desert Hot Springs, California (the "City") for the year ended June 30, 2023. The City's management is responsible for User Utility Tax.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose, which is to fulfill the requirement of the City's Municipal Code Chapter 3.28 with respect to the accounting records of the UUT of the City and the service providers within the City that collect UUT (the "Service Providers"). This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. Recalculated 64.29% and 35.71% of the UUT are deposited in Public Safety Fund and Debt Service Fund, respectively, and reconciled the Schedule of UUT to the general ledger for the year ended June 30, 2023.

*Results:* See Exhibit A for recalculation of taxes remitted. Variance of \$334 was noted between recalculation and trial balance. In addition, variances are also noted for the allocation of UUT between Public Safety Fund and Debt Service Fund in the amounts of \$(93,994) and \$93,660, respectively.

2. Selected one Service Provider from each category of services provided and 4 months per Service Provider and performed procedures below:

### Category of Services

- a. Telecommunications services user tax (3.28.020)
- b. Electricity services user tax (3.28.030)
- c. Water and Sewer services user tax (3.28.040)
- d. Gas services user tax (3.28.050)
- e. Video services user tax (3.28.060)

### Procedures Performed:

- a. Obtained from the City the UUT returns/remittance advices submitted by the Service Providers.
- b. Compared the tax return obtained from the City to the Schedule of UUT prepared by the City and the cash receipt record.
- c. Identified the accuracy of the calculation for UUT remitted by performing recalculation.
- d. Verified whether the returns and tax were timely submitted and calculate late fees owed, if any.

*Results:* See Exhibit B for the results of the recalculation of UUT for the Service Providers selected for each category. See Exhibit C for the results of submission. Exceptions noted on the recalculation of UUT and submission test.

To the Honorable Mayor and Members of City Council  
of the City of Desert Hot Springs  
Desert Hot Springs, California  
Page 2

3. Scanned the general ledger detail for Public Safety Fund and Debt Service Fund for expenditures incurred other than public safety or debt service purposes.

*Results:* No exceptions were noted as a result of the procedures.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on User Utility Tax. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of City Council and the management of the City and is not intended to be and should not be used by anyone other than those specified parties.

*The PwC Group, LLP*

Santa Ana, California  
May 23, 2024

**City of Desert Hot Springs**  
**Agreed Upon Procedures Applied to Utility User Tax**  
**Exhibit A – Tax Revenue Recalculation**  
**For the Year Ended June 30, 2023**

---

<b>Category</b>	<b>UUT Revenue</b>
Electric	\$ 2,764,872
Gas	526,313
Telecommunications	301,371
Video	224,095
Water and Sewer	813,384
Total	<u>\$ 4,630,035</u>

	<b>Recalculation</b>	<b>Amount Reported in Trial Balance</b>	<b>Variance</b>
<i>Public Safety Fund - 64.29%</i>	\$ 2,976,650	\$ 3,070,643	\$ (93,993)
<i>Debt Service Fund - 35.71%</i>	1,653,385	1,559,725	93,660
Total	<u>\$ 4,630,035</u>	<u>\$ 4,630,368</u>	<u>\$ (333)</u>

**City of Desert Hot Springs**  
**Agreed Upon Procedures Applied to Utility User Tax**  
**Exhibit B – Service provider UUT Recalculation**  
**For the Year Ended June 30, 2023**

<u>Month Ended</u>	<u>Gross Revenue</u>	<u>Tax Exemption Claimed</u>	<u>Taxable UUT Revenue</u>	<u>Recalculated UUT @ 7%</u>	<u>Reported UUT per Tax Return</u>	<u>Difference</u>
<b>Telecommunication Service Provider</b>						
<b>TIME WARNER CABLE INFO SERVICES (CA) LLC</b>						
September 1, 2022	\$ 49,925	\$ -	\$ 49,925	\$ 3,495	\$ 3,495	\$ -
December 1, 2022	49,765	-	49,765	3,484	3,484	-
February 1, 2023	49,114	-	49,114	3,438	3,438	-
April 1, 2023	49,506	-	49,506	3,465	3,465	-
<b>Electricity Service Provider</b>						
<b>CALPINE ENERGY SOLUTIONS- ELECTRIC (Formerly Noble Americas)</b>						
September 1, 2022	\$ 17,783	\$ -	\$ 17,783	\$ 1,245	\$ 1,245	\$ -
December 1, 2022	12,667	-	12,667	887	887	-
February 1, 2023	14,139	-	14,139	990	990	-
April 1, 2023	12,730	-	12,730	891	891	-
<b>Water and Sewer Service Provider</b>						
<b>Mission Springs Water District</b>						
September 1, 2022	\$ 716,422	\$ -	\$ 716,422	\$ 50,150	\$ 50,150	\$ -
December 1, 2022	480,762	-	480,762	33,653	33,653	-
February 1, 2023	409,572	-	409,572	28,670	28,670	-
April 1, 2023	452,318	-	452,318	31,662	31,662	-
<b>Gas Service Provider</b>						
<b>COMMERCE ENERGY, INC. - GAS</b>						
September 1, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
December 1, 2022	-	-	-	-	-	-
February 1, 2023	270	-	270	19	19	-
April 1, 2023	21	-	21	1	1	-
<b>Video Service Provider</b>						
<b>ZOOM VIDEO COMMUNICATIONS, INC.</b>						
September 1, 2022	\$ 1,811	\$ -	\$ 1,811	\$ 127	\$ 127	\$ -
December 1, 2022	2,538	-	2,538	178	178	-
February 1, 2023	2,118	-	2,118	148	148	-
April 1, 2023	2,707	-	2,707	189	189	-

**City of Desert Hot Springs**  
**Agreed Upon Procedures Applied to Utility User Tax**  
**Exhibit C – Submission**  
**For the Year Ended June 30, 2023**

Month	Due Date	Tax Return Filing Date	Tax Return Receipt Date	On Time	Delinquent Penalty 15% (B)	Delinquent Penalty Paid	Delinquent Penalty Payable
<b>Telecommunication Service Provider</b>							
<b>TIME WARNER CABLE INFO SERVICES (CA) LLC</b>							
September 1, 2022	October 31, 2022	October 18, 2022	October 25, 2022	Yes	\$ -	\$ -	\$ -
December 1, 2022	January 31, 2023	January 18, 2023	January 24, 2023	Yes	-	-	-
February 1, 2023	March 31, 2023	March 16, 2023	March 21, 2023	Yes	-	-	-
April 1, 2023	May 31, 2023	May 17, 2023	May 25, 2023	Yes	-	-	-
<b>Electricity Service Provider</b>							
<b>CALPINE ENERGY SOLUTIONS- ELECTRIC (Formerly Noble Americas)</b>							
September 1, 2022	October 31, 2022	October 12, 2022	October 18, 2022	Yes	\$ -	\$ -	\$ -
December 1, 2022	January 31, 2023	January 11, 2023	January 23, 2023	Yes	-	-	-
February 1, 2023	March 31, 2023	March 8, 2023	March 21, 2023	Yes	-	-	-
April 1, 2023	May 31, 2023	May 10, 2023	May 25, 2023	Yes	-	-	-
<b>Water and Sewer Service Provider</b>							
<b>Mission Springs Water District</b>							
September 1, 2022	October 31, 2022	December 9, 2022	December 12, 2022	A	\$ 7,523	\$ -	\$ 7,523
December 1, 2022	January 31, 2023	February 24, 2023	February 27, 2023	A	5,048	-	5,048
February 1, 2023	March 31, 2023	May 11, 2023	May 22, 2023	A	4,301	-	4,301
April 1, 2023	May 31, 2023	June 14, 2023	June 26, 2023	A	4,749	-	4,749
<b>Gas Service Provider</b>							
<b>COMMERCE ENERGY, INC. - GAS</b>							
September 1, 2022	October 31, 2022	October 11, 2022	October 11, 2022	Yes	\$ -	\$ -	\$ -
December 1, 2022	January 31, 2023	January 30, 2023	January 30, 2023	Yes	-	-	-
February 1, 2023	March 31, 2023	March 10, 2023	March 15, 2023	Yes	-	-	-
April 1, 2023	May 31, 2022	May 9, 3034	May 13, 2023	Yes	-	-	-
<b>Video Service Provider</b>							
<b>ZOOM VIDEO COMMUNICATIONS, INC.</b>							
September 1, 2022	October 31, 2022	October 7, 2022	October 25, 2022	Yes	\$ -	\$ -	\$ -
December 1, 2022	January 31, 2023	January 6, 2023	January 23, 2023	Yes	-	-	-
February 1, 2023	March 31, 2023	March 8, 2023	March 21, 2023	Yes	-	-	-
April 1, 2023	May 31, 2022	May 10, 2023	May 22, 2023	Yes	-	-	-

**A.** Delinquent penalty was not submitted when the tax return and tax remittance were past due.

**B.** Municipal Code Section 3.28.070 Delinquency-Interest-Penalty.

*This page intentionally left blank.*