

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, 2022





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, 2022. 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, 2022.

Results: See Exhibit A for recalculation of taxes remitted. Variance of \$80 was noted between recalculation and trial balance.

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
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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 of 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 18, 2023

City of Desert Hot Springs
Agreed Upon Procedures Applied to Utility User Tax
Exhibit A – Tax Revenue Recalculation
For the Year Ended June 30, 2022

<u>Category</u>	<u>UUT Revenue</u>
Electric	\$ 2,194,075
Gas	323,877
Telecommunications	279,774
Video	250,893
Water and Sewer	818,928
Total	<u>\$ 3,867,547</u>

	<u>Recalculation</u>	<u>Amount Reported in Trial Balance</u>	<u>Variance</u>
<i>Public Safety Fund - 64.29%</i>	\$ 2,486,446	\$ 2,488,571	\$ (2,125)
<i>Debt Service Fund - 35.71%</i>	1,381,101	1,378,896	\$ 2,205
	<u>\$ 3,867,547</u>	<u>\$ 3,867,467</u>	<u>\$ 80</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, 2022

<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>
Telecommunication Service Provider						
New Cingular Wireless PCS LLC/ AT&T Mobility						
July 30, 2021	\$ 30,671	\$ -	\$ 30,671	\$ 2,147	\$ 2,147	\$ -
October 31, 2021	29,483	-	29,483	2,064	2,064	-
March 31, 2022	32,131	-	32,131	2,249	2,249	-
May 31, 2022	29,974	-	29,974	2,098	2,098	-
Electricity Service Provider						
Constellation New Energy, Inc.						
July 30, 2021	\$ 11,200	\$ -	\$ 11,200	\$ 784	\$ 784	\$ -
October 31, 2021	10,998	-	10,998	770	770	-
March 31, 2022	8,745	-	8,745	612	612	-
May 31, 2022	10,919	-	10,919	764	764	-
Water and Sewer Service Provider						
Mission Springs Water District						
July 30, 2021	\$ 669,368	\$ -	\$ 669,368	\$ 46,856	\$ 46,856	\$ -
October 31, 2021	788,901	-	788,901	55,223	55,223	-
March 31, 2022	446,186	-	446,186	31,233	31,686	A
May 31, 2022	494,098	-	494,098	34,587	34,587	-
Gas Service Provider						
Tiger Natural Gas, Inc.						
July 30, 2021	\$ 824	\$ -	\$ 824	\$ 58	\$ 58	\$ -
October 31, 2021	1,159	-	1,159	81	81	-
March 31, 2022	1,087	-	1,087	76	76	-
May 31, 2022	942	-	942	66	66	-
Video Service Provider						
Spectrum Pacific West, LLC						
July 30, 2021	\$ 276,158	\$ -	\$ 276,158	\$ 19,331	\$ 19,331	\$ -
October 31, 2021	285,828	-	285,828	20,008	20,008	-
March 31, 2022	270,119	-	270,119	18,908	18,908	-
May 31, 2022	283,354	-	283,354	19,835	19,835	-

A. The Mission Springs Water District paid an extra \$453 for a permit in March 2022. The total utility user tax for the month of March, calculated based on the gross revenue, was \$31,233. Not an exception.

City of Desert Hot Springs
Agreed Upon Procedures Applied to Utility User Tax
Exhibit C – Submission
For the Year Ended June 30, 2022

<u>Month</u>	<u>Due Date</u>	<u>Tax Return Filing Date</u>	<u>Tax Return Receipt Date</u>	<u>On Time</u>	<u>Delinquent Penalty 15% (B)</u>	<u>Delinquent Penalty Paid</u>	<u>Delinquent Penalty Payable</u>
Telecommunication Service Provider							
New Cingular Wireless PCS LLC/ AT&T Mobility							
July 30, 2021	August 31, 2021	August 12, 2021	August 23, 2021	Yes	\$ -	\$ -	\$ -
October 31, 2021	November 30, 2021	November 12, 2021	November 22, 2021	Yes	-	-	-
March 31, 2022	April 30, 2022	April 14, 2022	April 25, 2022	Yes	-	-	-
May 31, 2022	June 30, 2022	June 15, 2022	June 22, 2022	Yes	-	-	-
Electricity Service Provider							
Constellation New Energy, Inc.							
July 30, 2021	August 31, 2021	August 11, 2021	August 17, 2021	Yes	\$ -	\$ -	\$ -
October 31, 2021	November 30, 2021	November 10, 2021	November 15, 2021	Yes	-	-	-
March 31, 2022	April 30, 2022	April 12, 2022	April 20, 2022	Yes	-	-	-
May 31, 2022	June 30, 2022	June 13, 2022	June 20, 2022	Yes	-	-	-
Water and Sewer Service Provider							
Mission Springs Water District							
July 30, 2021	August 31, 2021	September 30, 2021	October 4, 2021	C	\$ 7,028	\$ -	\$ 7,028
October 31, 2021	November 30, 2021	December 9, 2021	December 30, 2021	C	8,283	-	8,283
March 31, 2022	April 30, 2022	May 9, 2022	June 12, 2022	C	4,685	-	4,685
May 31, 2022	June 30, 2022	July 8, 2022	August 2, 2022	C	5,188	-	5,188
Gas Service Provider							
Tiger Natural Gas, Inc.							
July 30, 2021	August 31, 2021	August 11, 2021	August 17, 2021	Yes	\$ -	\$ -	\$ -
October 31, 2021	November 30, 2021	November 10, 2021	November 18, 2021	Yes	-	-	-
March 31, 2022	April 30, 2022	April 13, 2022	April 19, 2022	Yes	-	-	-
May 31, 2022	June 30, 2022	June 8, 2022	June 13, 2022	Yes	-	-	-
Video Service Provider							
Spectrum Pacific West, LLC							
July 30, 2021	August 31, 2021	August 12, 2021	August 26, 2021	Yes	\$ -	\$ -	\$ -
October 31, 2021	November 30, 2021	November 10, 2021	November 22, 2021	Yes	-	-	-
March 31, 2022	April 30, 2022	April 12, 2022	April 25, 2022	Yes	-	-	-
May 31, 2022	June 30, 2022	June 8, 2022	June 22, 2022	Yes	-	-	-

B. Municipal Code Section 3.28.070 Delinquency-Interest-Penalty

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

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