

**REDEVELOPMENT AGENCY OF THE  
CITY OF DESERT HOT SPRINGS**

**FINANCIAL STATEMENTS**

Year Ended June 30, 2008

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**Redevelopment Agency of the City of Desert Hot Springs  
Financial Statements  
Year Ended June 30, 2008**

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Independent Auditors' Report

Board Members  
Redevelopment Agency of the City of Desert Hot Springs  
Desert Hot Springs, California

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Redevelopment Agency of the City of Desert Hot Springs (the Agency), a component unit of the City of Desert Hot Springs, California, as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described more fully in Note 1, the financial statements present only the Agency and are not intended to present fairly the financial position and results of operations of the City of Desert Hot Springs, California in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008, on our consideration of the Agency'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Agency has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The required supplementary information, such as the major fund budgetary comparison schedules, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Teaman Ramirez & Smith*

December 22, 2008



## **BASIC FINANCIAL STATEMENTS**

**Redevelopment Agency of the City of Desert Hot Springs**  
**Statement of Net Assets**  
**June 30, 2008**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Investments	\$ 18,734,876
Restricted Cash and Investments:	
Fiscal Agent	34,489,853
Revolving Loan Program	493,461
Receivables:	
Accounts	442,984
Interest	119,520
Notes	774,219
Special Assessment	10,767
Coachella Valley Housing Coalition	727,420
Debt Issuance Costs	1,021,850
Property Held for Resale	1,972,364
Total Assets	58,787,314
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	1,889,116
Interest Payable	597,391
Noncurrent Liabilities:	
Due Within One Year	395,000
Due in More Than One Year	42,351,917
Total Liabilities	45,233,424
<b>NET ASSETS</b>	
Restricted for:	
Debt Service	3,616,562
Low Moderate Income Housing	5,616,746
Unrestricted	4,320,582
Total Net Assets	\$ 13,553,890

The accompanying notes are an integral part of this statement.



**Redevelopment Agency of the City of Desert Hot Springs**  
**Statement of Activities**  
**Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Economic Development	\$ 4,945,116	\$ -	\$ -	\$ -	\$ (4,945,116)
Interest on Long-Term Debt	633,705	-	-	-	(633,705)
<b>Total Governmental Activities</b>	<b>\$ 5,578,821</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(5,578,821)</b>
<b>General Revenues:</b>					
Taxes					10,990,502
Investment Income					532,956
Other					326
Gain on Sale of Property					105,000
<b>Total General Revenues and Transfers</b>					<b>11,628,784</b>
Change in Net Assets					6,049,963
<b>Total Net Assets - Beginning</b>					<b>7,503,927</b>
<b>Total Net Assets - Ending</b>					<b>\$ 13,553,890</b>

The accompanying notes are an integral part of this statement.

**Redevelopment Agency of the City of Desert Hot Springs**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	Special Revenue Funds		
	Low Income Housing	RDA Help Program	Debt Service Fund
<b>ASSETS</b>			
Cash and Investments	\$ 3,713,397	\$	\$ 11,897,070
Restricted Cash and Investments:			
Fiscal Agent			34,489,853
Revolving Loan Program		493,461	
Accounts Receivable	85,224		357,060
Notes Receivable	622,488	727,420	
Accrued Interest	24,135	3,278	72,909
Property Held for Resale	1,272,364		
	<u>\$ 5,717,608</u>	<u>\$ 1,224,159</u>	<u>\$ 46,816,892</u>
Total Assets			
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 31,333	\$	\$ 5,150
Accrued Liabilities			1,712,452
Deferred Revenue	622,488	727,420	
	<u>653,821</u>	<u>727,420</u>	<u>1,717,602</u>
Total Liabilities			
Fund Balances:			
Reserved for:			
Debt Service			3,616,562
Capital Projects			30,873,291
Property Held for Resale	1,272,364		
Unreserved, Reported in:			
Special Revenue Funds	3,791,423	496,739	
Debt Service Funds			10,609,437
Capital Project Funds			
	<u>5,063,787</u>	<u>496,739</u>	<u>45,099,290</u>
Total Fund Balances			
Total Liabilities and Fund Balances	<u>\$ 5,717,608</u>	<u>\$ 1,224,159</u>	<u>\$ 46,816,892</u>

The accompanying notes are an integral part of this statement.

<u>Capital Project Fund</u>	<u>Total</u>
\$ 3,124,409	\$ 18,734,876
	34,489,853
	493,461
700	442,984
162,498	1,512,406
19,198	119,520
700,000	1,972,364
<u>\$ 4,006,805</u>	<u>\$ 57,765,464</u>
\$ 128,472	\$ 164,955
11,709	1,724,161
162,498	1,512,406
<u>302,679</u>	<u>3,401,522</u>
	3,616,562
	30,873,291
700,000	1,972,364
	4,288,162
	10,609,437
<u>3,004,126</u>	<u>3,004,126</u>
<u>3,704,126</u>	<u>54,363,942</u>
<u>\$ 4,006,805</u>	<u>\$ 57,765,464</u>

The accompanying notes are an integral part of this statement.

**Redevelopment Agency of the City of Desert Hot Springs  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Assets  
 June 30, 2008**

Fund balances of governmental funds \$ 54,363,942

Amounts reported for governmental activities in the Statement of Net Assets  
 are different because:

Interest expenditures are recognized when due and, therefore, interest payable is  
 not recorded in the governmental funds. (597,391)

Long-term receivables are not available to pay for current period expenditures and  
 are deferred in the funds. Long-term receivables include:

Notes Receivable	774,219
Special Assessment Receivables	10,767
Receivable from CVHC	727,420

Long-term liabilities are not due and payable in the current period and, therefore,  
 are not reported in the governmental funds. Long-term liabilities include:

Tax Allocation Bonds	(42,610,000)
Unamortized Premium	(23,892)
Unamortized Discount	1,106,975
California HFA Loan	(1,220,000)

Issuance costs net of accumulated amortization were reported as expenditures  
 in the governmental funds. 1,021,850

Net assets of governmental activities \$ 13,553,890

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**Redevelopment Agency of the City of Desert Hot Springs**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2008**

	Special Revenue Funds		
	Low Income Housing	RDA Help Program	Debt Service Fund
<b>Revenues</b>			
Taxes	\$ 2,198,100	\$	\$ 8,792,402
Interest	151,466	19,574	484,150
Miscellaneous	326		
<b>Total Revenues</b>	<u>2,349,892</u>	<u>19,574</u>	<u>9,276,552</u>
<b>Expenditures</b>			
Current:			
Economic Development	456,297	56,629	97,882
Capital Outlay	150,000		7,500
Debt Service:			
Principal			250,000
Interest		28,826	275,094
Bond Issuance Costs			774,864
Pass-Through Agreements			1,779,274
<b>Total Expenditures</b>	<u>606,297</u>	<u>85,455</u>	<u>3,184,614</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,743,595</u>	<u>(65,881)</u>	<u>6,091,938</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Property	105,000		
Debt Issuance		259,140	35,835,000
Discount on Bonds			(1,116,277)
Transfers In			105,019
Transfers Out	(105,019)		(5,043,320)
<b>Total Other Financing Sources (Uses)</b>	<u>(19)</u>	<u>259,140</u>	<u>29,780,422</u>
Net Change in Fund Balances	1,743,576	193,259	35,872,360
Fund Balances, Beginning of Year	<u>3,320,211</u>	<u>303,480</u>	<u>9,226,930</u>
Fund Balances, End of Year	<u>\$ 5,063,787</u>	<u>\$ 496,739</u>	<u>\$ 45,099,290</u>

The accompanying notes are an integral part of this statement.

Capital Project Fund	Total
\$ 70,354	\$ 10,990,502
	725,544
	326
<u>70,354</u>	<u>11,716,372</u>
2,345,695	2,956,503
26,133	183,633
	250,000
	303,920
	774,864
	<u>1,779,274</u>
<u>2,371,828</u>	<u>6,248,194</u>
<u>(2,301,474)</u>	<u>5,468,178</u>
	105,000
	36,094,140
	(1,116,277)
5,043,320	5,148,339
	<u>(5,148,339)</u>
<u>5,043,320</u>	<u>35,082,863</u>
2,741,846	40,551,041
962,280	13,812,901
<u>962,280</u>	<u>13,812,901</u>
<u>\$ 3,704,126</u>	<u>\$ 54,363,942</u>

The accompanying notes are an integral part of this statement.

**Redevelopment Agency of the City of Desert Hot Springs**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2008**

Net change in fund balances - total governmental funds \$ 40,551,041

Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Debt Issuance	(36,094,140)
Discount on Bonds	1,116,277
Amortization of Premium on Tax Allocation Bonds	1,814
Amortization of Discounts on Tax Allocation Bonds	(9,302)
Costs of Issuance	774,864
Amortization of Issuance Costs	(25,706)
Principal Paid on Tax Allocation Bonds	250,000

Interest expenditures are recognized when paid in the governmental funds. Interest expense is recognized when incurred in the statement of activities. This amount represents the change in interest payable from the prior year. (322,297)

Increases in long-term notes receivable use current financial resources and are included in the expenditures of governmental funds. Repayments of long-term notes receivable provide current financial resources and are included in the revenues of governmental funds. These changes in notes receivable are not reflected in the revenues or expenses of the statement of activities. (192,588)

Change in net assets of governmental activities \$ 6,049,963



**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Accounting policies of the Redevelopment Agency of the City of Desert Hot Springs (the Agency) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of significant policies.

**A) Reporting Entity**

The Agency has established two redevelopment project areas. Project Area No. 1 was adopted on July 6, 1982. Its objective is to strengthen land use pattern and utilization through the redevelopment and development of under-utilized land in order to enhance the viability of commercial, residential and industrial core areas of the City. Project Area No. 2 was adopted on November 20, 1984. Its objectives are to eliminate conditions of blight by providing needed public improvements, by encouraging rehabilitation and repair of deteriorating structures, by facilitating land assembly and by development which will result in employment opportunities and an expanded tax base.

On December 16, 1997, the Redevelopment Agency unanimously approved the proposal to merge Redevelopment Project Areas #1 and #2. The merger has allowed the Redevelopment area to expand and thereby generate more tax increment monies.

**B) Description of funds**

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The following types of funds are used:

Governmental Fund Types

Special Revenue Funds - Account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes.

Debt Service Funds - Account for property tax increment revenue and related interest income. Disbursements from these funds consist mainly of principal and interest on RDA indebtedness.

Capital Projects Funds - Account for financial resources used for the construction of specific capital projects.

**C) Basis of Accounting and Measurement Focus**

Government-Wide Financial Statements

The Agency's Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities for the Agency.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and (if applicable) long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets.

**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C) Basis of Accounting and Measurement Focus - Continued**

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 Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Agency are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants and developer fees. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 with regard to interfund activities, payables, and receivables. All internal balances in the basic statements have been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these Statements to the Net Assets presented in the government-wide financial statements. The Agency has presented all funds as major funds because of their significance to the Agency as a whole.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes (tax increment) received within 90 days after year-end, and earnings on investments. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due. The Agency uses a 90 day period for revenue recognition to accurately report revenue in the period earned.

The Agency reports the following major governmental funds:

The *Low Income Housing Fund* accounts for the receipt of 20 percent of the gross tax increment allocation, which is restricted for use on projects that increase or preserve the supply of low and moderate income housing in accordance with Health and Safety Code Section 33334.

The *Help Program Special Revenue Fund* accounts for grant funds for the purpose of funding loans for a homeownership assistance program.

**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C) Basis of Accounting and Measurement Focus - Continued**

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of principal and interest on the Agency's debt and other long-term obligations.

The *Capital Projects Fund* accounts for all project expenditures, including acquisition of properties, cost of site improvements, and other costs within the project area.

**D) Cash and Investments**

The Agency has adopted the provision of Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Pools", which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the Agency has adjusted certain investments to fair value (when material).

**E) Budgetary Data**

The Agency adopts an annual budget prepared on the modified accrual basis for all of its governmental funds. Under Section 2-16(g) of the City of Desert Hot Springs Municipal Code, the Executive Director is required to prepare and submit to the Agency Board the annual budget of the Agency and administer it after adoption. The Executive Director is authorized to transfer budgeted amounts between the accounts of any department; however, any revisions that alter the total appropriations of any department must be approved by the Agency Board. For each fund, total expenditures may not legally exceed total appropriations.

**F) Tax Increment Financing**

The law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a redevelopment project. The assessed valuation of a redevelopment project last equalized prior to adoption of a redevelopment plan or amendment to such redevelopment plan, or "base roll," is established and, except for any period during which the assessed valuation drops below the base year level, the taxing bodies thereafter receive the taxes produced by the levy of the current tax rate upon the base roll. Taxes collected upon any increase in assessed valuation over the base roll ("tax increment") may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes.

**G) Property Tax Calendar**

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	- January 1
Levy Date	- July 1 - June 30
Due Date	- November 1 - 1st Installment February 1 - 2nd Installment
Collection Date	- December 10 - 1st Installment April 10 - 2nd Installment

**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H) Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then unrestricted resources as they are needed. Restricted resources are defined as resources received from outside agencies dedicated for specific projects or purposes.

**I) Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J) Relationship to the City of Desert Hot Springs**

The Agency is an integral part of the reporting entity of the City of Desert Hot Springs. The funds of the Agency have been blended within the financial statements of the City because the City Council of the City of Desert Hot Springs is the governing board of the Agency and exercises control over the operations of the Agency. Only the funds of the Agency are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Desert Hot Springs. Financial Statements for the City of Desert Hot Springs may be obtained from the finance department of the City of Desert Hot Springs.

**K) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements**

**GASB Statement No. 45** - In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is not effective until the 2008-09 fiscal year. The Agency has not determined its effect on the financial statements.

**2) CASH AND INVESTMENTS**

The Agency pools all of its cash and investments with the City except those funds required to be held by outside fiscal agents under the provisions of bond indentures.

Cash and investments as June 30, 2008, are classified in the accompanying financial statements as follows:

Cash and Investments	\$ 18,734,876
Restricted Cash and Investments	<u>34,983,314</u>
Total Cash and Investments	<u>\$ 53,718,190</u>

**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**2) CASH AND INVESTMENTS - Continued**

Cash and investments as of June 30, 2008, consist of the following:

Cash Demand Deposits	\$ 4,401,572
Pooled Investments - LAIF	14,826,765
Mutual Funds	<u>34,489,853</u>
 Total Cash and Investments	 <u>\$ 53,718,190</u>

**Investments Authorized by the Agency's Investment Policy**

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). This table does not address investments of debt proceeds held by trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investments policy. The Agency's investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 10.5 months.

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment.

Investment Type		Maturity Date
State Investment Pool (LAIF)	\$ 14,826,765	Less than one year
Mutual Funds	<u>34,489,853</u>	Less than one year
 Total	 <u>\$ 49,316,618</u>	

**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**2) CASH AND INVESTMENTS - Continued**

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5 percent or more of total investment (other than LAIF).

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Agency's investment policy do not contain legal policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the amount deposited by the public agencies. California law also allows financial institutions to secure the Agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

At June 30, 2008, the balances held per bank were \$4,401,572 of which \$4,301,572 was in excess of federal depository insurance limits and held in accounts collateralized by pledging financial institution, but not in the Agency's name, as discussed above.

The custodial credit risk for investments is the risk, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction; a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect of investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**Investment in State Investment Pool**

The Agency is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The Agency is a voluntary participant in the investment pool.

**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**3) INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2008, consisted of the following:

		<u>TRANSFER FROM</u>		
		<u>Low Income Housing Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
TRANSFER	Capital Projects Fund	\$ -	\$ 5,043,320	\$ 5,043,320
TO	Debt Service Fund	<u>105,019</u>	<u>-</u>	<u>105,019</u>
	Total	<u>\$ 105,019</u>	<u>\$ 5,043,320</u>	<u>\$ 5,148,339</u>

Transfers are made to revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers made from the Low Income Housing Fund to the Debt Service Fund were utilized for the Low Income Housing Fund's portion of debt payments. Transfers made from the Debt Service Fund to the Capital Project Fund were utilized for the Redevelopment Agency's share of salaries, benefits, non departmental general funds costs, workers compensation and general liability costs, auditing costs, leasing of street lighting, and various approved capital projects.

**4) LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended June 30, 2008, is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>	<u>Current Portion</u>
2006 Tax Allocation					
Refunding Bonds	\$ 7,025,000	\$ -	\$ (250,000)	\$ 6,775,000	\$ 395,000
Premium on Bonds	25,706	-	(1,814)	23,892	-
2008 Tax Allocation					
Bonds A-1	-	19,965,000	-	19,965,000	-
Discount on Bonds	-	(903,616)	7,530	(896,086)	-
2008 Tax Allocation					
Bonds A-2	-	15,870,000	-	15,870,000	-
Discount on Bonds	-	(212,661)	1,772	(210,889)	-
California HFA Loan	<u>960,860</u>	<u>259,140</u>	<u>-</u>	<u>1,220,000</u>	<u>-</u>
	<u>\$ 8,011,566</u>	<u>\$ 34,977,863</u>	<u>\$ (242,512)</u>	<u>\$ 42,746,917</u>	<u>\$ 395,000</u>



**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**4) LONG-TERM DEBT - Continued**

**A) 2006 Tax Allocation Refunding Bonds**

In August of 2006, the Agency issued \$7,025,000 in Merged Redevelopment Project Tax Allocation Refunding Bonds, with interest payments of 3.50% to 4.25% payable semi-annually on September 1 and March 1 of each year to refund \$7,085,000 of outstanding Redevelopment Project No. 1, 1993 Tax Allocation Parity Bonds, Series A and B, and \$1,050,000 Redevelopment Project No. 2, 1993 Tax Allocation Bonds, Series A with interest rates ranging from 3.75% to 6.60%. As a result, the 1993 Series bonds are considered to be defeased and the liability for those bonds has been removed from the City's books.

At June 30, 2008, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 395,000	\$ 262,818
2010	490,000	245,119
2011	500,000	225,319
2012	520,000	204,920
2013	535,000	184,487
2014-2018	2,935,000	585,981
2019-2022	<u>1,400,000</u>	<u>64,034</u>
	<u>\$ 6,775,000</u>	<u>\$ 1,772,678</u>

**B) 2008 Tax Allocation Bonds**

In April of 2008, the Redevelopment Agency of the City of Desert Hot Springs issued \$19,965,000 in Merged Redevelopment Project Tax Allocation Series A-1 (Taxable) and \$15,870,000 in Merged Redevelopment Project Tax Allocation Series A-2 (Non-Taxable) Bonds. The Series A-1 Bonds pay 7.00% to 7.50% interest semi-annually on September 1 and March 1 to maturity in 2024. The Series A-2 Bonds pay 5.00% to 5.75% interest semi-annually on September 1 and March 1 to maturity in 2039. The Bonds were issued to finance activities within the project area.

**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**4) LONG-TERM DEBT - Continued**

**B) 2008 Tax Allocation Bonds - Continued**

The debt service maturity schedule for the 2008 A-1 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 795,000	\$ 1,168,507	\$ 1,168,507
2010	850,000	1,369,725	2,164,725
2011	910,000	1,312,150	2,162,150
2012	975,000	1,250,550	2,160,550
2013	1,040,000	1,184,575	2,159,575
2014	1,115,000	1,114,050	2,154,050
2015	1,190,000	1,038,625	2,153,625
2016	1,275,000	957,950	2,147,950
2017	1,365,000	871,675	2,146,675
2018	1,460,000	779,275	2,144,275
2019	1,565,000	680,400	2,140,400
2020	1,670,000	574,525	2,139,525
2021	1,790,000	461,300	2,131,300
2022	1,915,000	340,200	2,130,200
2023	2,050,000	210,525	2,125,525
2024	<u>2,050,000</u>	<u>71,750</u>	<u>2,121,750</u>
<b>Total</b>	<b><u>\$ 19,965,000</u></b>	<b><u>\$ 13,385,782</u></b>	<b><u>\$ 33,350,782</u></b>

**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**4) LONG-TERM DEBT - Continued**

**B) 2008 Tax Allocation Bonds - Continued**

The debt service maturity schedule for the 2008 A-2 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ -	\$ 723,882	\$ 723,882
2010	-	865,772	865,772
2011	-	865,773	865,773
2012	-	865,772	865,772
2013	-	865,773	865,773
2014	-	865,772	865,772
2015	-	865,773	865,773
2016	-	865,772	865,772
2017	-	865,773	865,773
2018	-	865,772	865,772
2019	-	865,773	865,773
2020	-	865,772	865,772
2021	545,000	852,148	1,397,148
2022	650,000	822,272	1,472,272
2023	690,000	788,773	1,478,773
2024	725,000	753,397	1,478,397
2025	760,000	715,322	1,475,322
2026	800,000	674,373	1,474,373
2027	845,000	631,191	1,476,191
2028	885,000	585,779	1,470,779
2029	935,000	538,004	1,473,004
2030	985,000	485,479	1,470,479
2031	1,040,000	427,950	1,467,950
2032	1,100,000	367,153	1,467,153
2033	1,160,000	302,946	1,462,946
2034	795,000	247,400	1,042,400
2035	840,000	200,938	1,040,938
2036	715,000	156,745	871,745
2037	755,000	114,966	869,966
2038	800,000	70,770	870,770
2039	845,000	24,016	869,016
<b>Total</b>	<b>\$ 15,870,000</b>	<b>\$ 19,007,001</b>	<b>\$ 34,877,001</b>

**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**4) LONG-TERM DEBT - Continued**

**C) California HFA Loan**

The Agency participates in a revolving loan program with the California Housing Finance Agency (HFA). The loan program allows for the Agency to borrow up to \$1,220,000. These funds are to be used to purchase property that will be used to develop low income housing. As of June 30, 2008, the Agency has drawn \$1,220,000.

**5) LONG-TERM RECEIVABLES**

**Notes Receivable**

The Agency operates a housing rehabilitation loan program, which provides loans to borrowers who meet certain qualifications for the purpose of rehabilitating their homes. The loans are secured by a deed of trust and are normally repaid when the home changes ownership. Since the loans are not currently available resources they are offset with deferred revenue in the fund financial statements. The balance of the loans receivable outstanding at June 30, 2008, was \$774,219.

**Special Assessment Receivable**

During the fiscal year ended June 30, 1987, the Capital Projects Fund of the Redevelopment Agency financed construction of certain public improvements pursuant to the Municipal Act of 1913 and provisions of the Streets and Highway Code of the State of California. At June 30, 2008, the Agency had receivables for unpaid assessments from the property owners benefited in the amount of \$10,767. The receivables bear interest at a rate not exceeding 12 percent and will be recognized as income when collected. No amounts were repaid during fiscal year ending June 30, 2008.

**Coachella Valley Housing Coalition**

The Agency has contracted with the Coachella Valley Housing Coalition (CVHC) to use funds from the loan agreement with California Housing Finance Authority to purchase property that will be used to develop low income housing. To date, the Agency has disbursed \$727,420 (less repayments of \$0 to the CVHC). The Agency is the lead agency for these agreements and has fiduciary/reporting responsibilities. The receivable balance owed to the Agency is \$727,420 as of June 30, 2008. The balance on hand as of June 30, 2008 is \$493,461.

**6) CONTINGENCIES**

As of June 30, 2008, in the opinion of the Agency Administration and the Agency's Attorneys, there are no outstanding matters, which would have a material effect on the financial position of the Agency.

The Agency has received funds for specific purposes that are subject to review by the State. Although such audits could generate differences under the regulations of the Health and Safety Code, it is believed that any required reimbursements will not be material.

The Agency has an agreement with the California Housing Finance Agency (CHFA). The agreement with the Agency specifies that funds may be returned to the CHFA if certain compliance timelines have elapsed. The Agency believes amounts returned, if any, would not be material.

**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**7) CLASSIFICATION OF NET ASSETS AND FUND EQUITY**

**Net Assets**

Net assets are the difference between assets and liabilities. Net assets are reported as restricted when there are legal limitations imposed on their use by Agency legislation or external restrictions by other governments, creditors or grantors.

**Fund Equity**

Under accounting principles generally accepted in the United States of America, a governmental entity may set up "reserves" of fund equity to segregate fund balances, which are not appropriable for expenditure in future periods, or which are legally set aside for specific future use.

**8) SUBSEQUENT EVENTS**

Subsequent to June 30, 2008, the Agency purchased five parcels of land to be used for various redevelopment activities.



**Redevelopment Agency of the City of Desert Hot Springs**  
**Notes to Required Supplementary Information**  
**Year Ended June 30, 2008**

**1) BUDGETS AND BUDGETARY ACCOUNTING**

The City adopts an annual budget for itself and the Agency on a basis consistent with generally accepted accounting principles. All governmental funds where revenues and expenditures can be estimated or anticipated have legally adopted annual budgets. The City Manager is required to prepare and submit to the City Council the annual budget of the City and administer it after adoption. The fiscal year 2008 budget was adopted by City Council on July 3, 2007. The City Manager is authorized to transfer budgeted amounts between the accounts of any department; however, any revisions that alter the total appropriations of any department must be approved by City Council. Prior appropriations lapse unless they are reappropriated through the formal budget process. Total expenditures may not legally exceed total appropriations at the fund level. Supplemental appropriations were made during the year to the Low Income Housing and Debt Service Funds that amounted to an increase in budgetary expenditures of \$541,500 and \$1,203,701 respectively. The supplemental appropriations were approved by the City Council for additional statutory pass-through payments in the Debt Service Fund and for land acquisitions in the Low Income Housing Fund.

The following fund had an excess of expenditures over appropriations:

HELP Program Special Revenue Fund	\$56,215
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**Redevelopment Agency of the City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Low Income Housing - Special Revenue Fund**  
**Budget and Actual**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variances with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,469,530	\$ 2,114,530	\$ 2,198,100	\$ 83,570
Interest	300,000	300,000	151,466	(148,534)
Miscellaneous		350	326	(24)
<b>Total Revenues</b>	<u>1,769,530</u>	<u>2,414,880</u>	<u>2,349,892</u>	<u>(64,988)</u>
<b>Expenditures</b>				
Current:				
Economic Development	702,200	726,125	456,297	269,828
Capital Outlay	1,300,000	1,817,575	150,000	1,667,575
<b>Total Expenditures</b>	<u>2,002,200</u>	<u>2,543,700</u>	<u>606,297</u>	<u>1,937,403</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(232,670)</u>	<u>(128,820)</u>	<u>1,743,595</u>	<u>1,872,415</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Property		500,000	105,000	(395,000)
Transfers Out	(155,700)	(155,700)	(105,019)	50,681
<b>Total Other Financing Sources (Uses)</b>	<u>(155,700)</u>	<u>344,300</u>	<u>(19)</u>	<u>(344,319)</u>
Net Change in Fund Balance	(388,370)	215,480	1,743,576	1,528,096
Fund Balance - Beginning of Year	<u>3,320,211</u>	<u>3,320,211</u>	<u>3,320,211</u>	
Fund Balance - End of Year	<u>\$ 2,931,841</u>	<u>\$ 3,535,691</u>	<u>\$ 5,063,787</u>	<u>\$ 1,528,096</u>



**Redevelopment Agency of the City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Help Program - Special Revenue Fund**  
**Budget and Actual**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variances with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest	\$	\$ 16,160	\$ 19,574	\$ 3,414
Total Revenues	-	16,160	19,574	3,414
<b>Expenditures</b>				
Current:				
Economic Development		410	56,629	(56,219)
Debt Service:				
Interest		28,830	28,826	4
Total Expenditures	-	29,240	85,455	(56,215)
<b>Other Financing Sources (Uses)</b>				
Debt Issuance	259,140	259,140	259,140	-
Total Other Financing Sources (Uses)	259,140	259,140	259,140	-
Net Change in Fund Balance	259,140	246,060	193,259	(52,801)
Fund Balance - Beginning of Year	303,480	303,480	303,480	
Fund Balance - End of Year	\$ 562,620	\$ 549,540	\$ 496,739	\$ (52,801)

**SUPPLEMENTARY INFORMATION**

**Redevelopment Agency of the City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Debt Service Fund**  
**Budget and Actual**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variances with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,590,080	\$ 8,452,420	\$ 8,792,402	\$ 339,982
Interest	400,000	444,975	484,150	39,175
<b>Total Revenues</b>	<b>6,990,080</b>	<b>8,897,395</b>	<b>9,276,552</b>	<b>379,157</b>
<b>Expenditures</b>				
Current:				
Economic Development	1,353,700	1,403,700	97,882	1,305,818
Capital Outlay			7,500	(7,500)
Debt Service:				
Principal	341,090	591,090	250,000	341,090
Interest	300,010	300,010	275,094	24,916
Bond Issuance Costs		279,000	774,864	(495,864)
Pass-Through Agreements	960,610	1,585,311	1,779,274	(193,963)
<b>Total Expenditures</b>	<b>2,955,410</b>	<b>4,159,111</b>	<b>3,184,614</b>	<b>974,497</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>4,034,670</b>	<b>4,738,284</b>	<b>6,091,938</b>	<b>1,353,654</b>
<b>Other Financing Sources (Uses)</b>				
Debt Issuance		34,221,000	35,835,000	1,614,000
Discount on Bonds			(1,116,277)	(1,116,277)
Transfers In	155,700	155,700	105,019	(50,681)
Transfers Out	(5,043,320)	(5,043,320)	(5,043,320)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(4,887,620)</b>	<b>29,333,380</b>	<b>29,780,422</b>	<b>447,042</b>
<b>Net Change in Fund Balance</b>	<b>(852,950)</b>	<b>34,071,664</b>	<b>35,872,360</b>	<b>1,800,696</b>
Fund Balance - Beginning of Year	9,226,930	9,226,930	9,226,930	
Fund Balance - End of Year	<b>\$ 8,373,980</b>	<b>\$ 43,298,594</b>	<b>\$ 45,099,290</b>	<b>\$ 1,800,696</b>

**Redevelopment Agency of the City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Capital Project Fund**  
**Budget and Actual**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variances with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest	\$ 200,000	\$ 200,000	\$ 70,354	\$ (129,646)
Total Revenues	200,000	200,000	70,354	(129,646)
<b>Expenditures</b>				
Current:				
Economic Development	3,325,800	3,697,159	2,345,695	1,351,464
Capital Outlay	1,897,500	1,561,650	26,133	1,535,517
Total Expenditures	5,223,300	5,258,809	2,371,828	2,886,981
Excess (Deficiency) of Revenues over Expenditures	(5,023,300)	(5,058,809)	(2,301,474)	2,757,335
<b>Other Financing Sources (Uses)</b>				
Transfers In	5,043,320	5,043,320	5,043,320	-
Transfers Out	(40,020)	(40,020)		40,020
Total Other Financing Sources (Uses)	5,003,300	5,003,300	5,043,320	40,020
Net Change in Fund Balance	(20,000)	(55,509)	2,741,846	2,797,355
Fund Balance - Beginning of Year	962,280	962,280	962,280	
Fund Balance - End of Year	\$ 942,280	\$ 906,771	\$ 3,704,126	\$ 2,797,355

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board Members  
Redevelopment Agency of the City of Desert Hot Springs  
Desert Hot Springs, California

We have audited the financial statements of the Redevelopment Agency of the City of Desert Hot Springs (the Agency) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. 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*. However, the results of our procedures disclosed an immaterial instance of noncompliance with the provisions described in the *Guidelines for Compliance Audits of California Redevelopment Agencies* which is described in the accompanying schedule of findings as item 2008-01.

This report is intended solely for the information and use of the management and Board Members of the Redevelopment Agency of the City of Desert Hot Springs, and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

*Jeane Ramirez & Smith*

December 22, 2008

**Redevelopment Agency of the City of Desert Hot Springs  
Schedule of Findings and Recommendations  
For the Year Ended June 30, 2008**

**2008-1 Submission of Reports**

Section 33080.1 of the Health and Safety Code requires the Agency to produce and submit certain reports (within six months following the end of the Agency's fiscal year) to its legislative body and the State Controller for the previous year.

Based upon our review and testing, it appears that the City did not submit an independent auditor's report on financial statements and on legal compliance on time. Also, it appears that a Blight Progress report was not submitted to the appropriate bodies.

Recommendation:

The Agency should take appropriate steps to ensure that the required reports are submitted to the appropriate bodies within the appropriate allotted time.

Management Response:

The Finance Department staff and Redevelopment Agency staff will work together to create an internal procedure to identify the responsibility of each department's function going forward with regards to all annual reporting requirements for the Redevelopment Agency.

