



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

Kevin McCarthy, Finance Director  
David Gassaway, Assistant City Manager  
City of Indian Wells, California

We have performed the procedures enumerated below, which were agreed to by management of the City of Indian Wells Housing Authority (Authority) (the specified party), on the accounting records and procedures of Winn Residential (Winn) and on Winn's compliance with certain provisions of the affordable housing agreement. Winn is responsible for the accuracy and presentation of the accounting records and compliance with the affordable housing agreement. The sufficiency of these procedures is solely the responsibility of the Authority. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

- 1) Inspect the Housing Authority's accounting policies and procedures and interview management and staff in order to observe the Housing Authority's monthly bank reconciliation procedures in place during the year ending June 30, 2018. Obtain one month during the year and the June 30, 2018 reconciliation and inspect that the reconciliations were properly prepared and reconciling items, as applicable, were supported. Inspect to ensure the reconciliations were performed on a timely basis.

**Results:** We inquired of Winn management and obtained an understanding of the monthly bank reconciliation procedures in place during the year ended June 30, 2018. We inspected the November 2017 and June 2018 bank reconciliations, noting the reconciliations were prepared and reconciling items were supported. In addition, we observed the November 2017 and June 2018 bank reconciliations were prepared timely, prior to the subsequent month's end.

We observed that there was no evidence of review of the bank reconciliations.

No other exceptions were found as a result of this procedure.

- 2) Inspect the Housing Authority's accounting policies and procedures and interview management and staff in order to obtain an understanding of the internal controls and authorizations over the Housing Authority's petty cash.

**Results:** We inquired of Winn management and obtained an understanding of the policies and procedures in place over the Housing Authority's petty cash. We observed each site's property manager maintains a purchase card (p-card) with a \$1,000 limit for the purchase of nominal, miscellaneous, unplanned items. All uses of the p-card require a supporting receipt and approval of the Senior Property Manager. The p-card balances are paid on a monthly basis.

No exceptions were found as a result of this procedure.

- 3) Inspect the Housing Authority's accounting policies and procedures and interview management and staff in order to observe the Housing Authority's internal controls related to the procurement process. Sample 1/3 of the contracts (maximum 10) executed during the year and inspect whether or not the procurement policy was followed and the procurement process and contract was properly supported by the Authority's documentation.

**Results:** We inquired of Winn management and obtained an understanding of the internal controls over the procurement process and observed the following:

- Purchase orders over \$3,000 must go through the procurement process
- At least three bids must be obtained before contracts are awarded
- Final contracts must be approved by the Vice President of Operations Support or the Senior Vice President

Based on inquiry of property management, inspection of Housing Authority meeting minutes and inspection of the fiscal year ending June 30, 2018 check registers, it was determined there were no new contracts entered into in the current year.

- 4) Inspect the Housing Authority's accounting policies and procedures and interview management and staff in order to observe the internal controls and authorizations over the cash disbursement process. Sample 1/3 of the current year disbursements (maximum of 40 and include large disbursements in the sample) to observe that the cash disbursement policies were followed and the payment was made in a timely manner.

**Results:** We inquired of Winn management to obtain an understanding of the internal controls over the cash disbursement process and observed the following:

- Approved purchase orders are required for all purchases.
- Winn has system controls in place to ensure purchase orders and disbursements cannot be processed without the appropriate levels of approval present. All purchases must be approved properly in accordance with Winn's disbursement policy as follows:
  - On-site Property Manager can approve purchases up to \$1,500.
  - Senior Property Manager/Executive can approve purchases up to \$5,000.
  - Regional Vice President/Divisional Vice President can approve purchases up to \$25,000.
  - Senior Vice President/Executive Vice President can approve purchases up to \$150,000.
  - President or CFO can approve purchases over \$150,000.
- All disbursements are required to be properly supported with a related invoice.

We selected a sample of 40 cash disbursements (20 each from Indian Wells Villas and Mountain View Villas), which included the largest cash disbursements. We observed all cash disbursements selected for testing were appropriately supported with invoices, reviewed, and approved by the appropriate level of management.

We observed 2 of the 40 samples selected for testing were not paid in a timely manner.

- Indian Wells Villas – Payment Date – 8/28/2017, Invoice # – SI-180661, Invoice Date – 12/31/2016, Vendor – Vintage Associates Inc., Description – Landscape renovations and shrub services performed in December 2016.

Winn asserted the invoice was sent directly to the City of Indian Wells to be paid. As a result, there was a delay in the payment of the invoice.

- Mountain View Villas – Payment Date – 2/22/2018, Invoice #'s – 56438835, 56446709, 57312060, 57313040, 57701651 and 57704212, Invoice Due Dates – 11/1/2017, 11/1/2017, 1/1/2018, 1/1/2018, 2/1/2018 and 2/1/2018 – Printers.

Winn asserted, the invoices for October 2017 and December 2017 were not entered for payment. As a result, payments were not made timely and late fees were incurred.

No other exceptions were found as a result of this procedure.

- 5) Inspect the Housing Authority's policies and procedures and interview management and staff in order to observe the internal controls related to the payroll process. Select 1/3 of the pay periods and 1/3 of the timecards (maximum of 40) for testing to confirm that the payroll policies and procedures were followed.

**Results:** We inquired of Winn management in order to obtain an understanding of the internal controls related to the processing of payroll and observed the following:

- All employee time cards must be reviewed and approved by the on-site manager or designated manager with the exception of the exempt employees.
- All employee offer letters are required to be approved by the Divisional Vice President.
- All changes in employee pay rates (outside of entity wide cost of living adjustments) are required to be approved by the Property Manager or Senior Property Manager and the Human Resources Business Partner.
- The journal entry to record the payroll expense is prepared, reviewed and posted by separate individuals at the Winn corporate office.

We selected a sample of seven employees (100% of the population of employees) over nine pay periods (total sample size of 40) to confirm that the payroll policies and procedures were followed. For the sample selected, we observed each timecard was prepared, reviewed, as applicable, and the resulting payroll for the period was posted. For each employee selected for testing, we observed the employee's pay rate was properly reviewed and approved.

For 2 of the 40 samples selected for testing, we were unable to recalculate the employees' "OT Plus" pay for the selected pay period. The variances noted were less than \$1 for the selected employee and related pay period.

No other exceptions were found as a result of this procedure.

- 6) Inspect the Housing Authority's policies and procedures and interview management and staff in order to observe the internal controls related to the security deposits. Select a sample of 1/3 of the outstanding security deposits (selecting no more than 25) from a listing of current year security deposits and reconcile them to the general ledger.

**Results:** We inquired of Winn management in order to obtain an understanding of the tracking of security deposits. Security deposits are collected prior to move-in and are tracked as part of the rent roll. We observed that deposits are held in a bank account separate from the operating accounts for both Indian Wells Villas and Mountain View Villas. We selected a sample of 25 security deposits and reconciled them to Winn's general ledger.

No exceptions were found as a result of this procedure.

- 7) Inspect the Housing Authority’s policies and procedures and interview management and staff in order to observe the Housing Authority’s capital asset policies and procedures regarding the purchasing, disposal, and safeguarding of assets. Test the accuracy of the fixed asset listing by tracing a sample of items from the list to the physical asset.

**Results:** We inquired of Winn management and observed there are no formal policies or procedures in place with respect to purchasing assets, disposal of obsolete items, and safeguarding of assets.

We observed that an inventory of assets was prepared in the fiscal year ending June 30, 2018. We inspected a sample of fixed assets from the listing and observed the following:

- All assets selected for testing at the Indian Wells Villas and Mountain View Villas were inspected.

See Exhibit A for details of testing performed.

We observed that the inventory listings for both properties did not specify inventory models, brands, quantities, and descriptions for several items.

No other exceptions were found as a result of this procedure.

- 8) Inspect the Housing Authority’s policies and procedures and interview management and staff in order to observe the Housing Authority’s rent policies and procedures. Compare the Housing Authority’s policies and procedures with the Housing and Urban Development (HUD) rent policies and procedures. Inspect the rent policies and procedures with regards to “grandfathered” rent agreements.

**Results:** We inquired of the Housing Authority and Winn management, and inspected current lease agreements in order to obtain an understanding of the Housing Authority’s rent policies and procedures and observed the following:

We observed that Winn utilizes a standard lease agreement that incorporates standard language suggested by the US Department of Housing and Urban Development (HUD). Rent is determined based on income and rent limits set by HUD, except as described below. Rent is required to be revised on an annual basis, as applicable, based on an annual income re-certification and changes in the income limits set by HUD.

We observed a total of 22 tenants at Indian Wells Villas and Mountain View whose rent did not agree with the respective rent schedules for each property as of June 30, 2018. However, we noted the rent for these units has increased in accordance with the Renewal Rent Increase Policy established by the City in May of 2017.

Refer to procedure 13 for the results of procedures over rent.

- 9) Inspect the Housing Authority’s accounting policies and procedures and interview management and staff regarding rent adjustments and rent-re-adjustments.

**Results:** We inquired of Winn management and inspected current lease agreements in order to obtain an understanding of the Housing Authority’s policies and procedures related to rent adjustments and rent re-adjustments and observed the following:

Rent is determined based on income and rent limits set by HUD. Rent is required to be revised on an annual basis based on an annual income re-certification and changes in the income limits set by HUD. All tenant income certifications are required to be supported with employer pay stubs, bank statements, social security verification letters, etc.

Previously there were tenants at Indian Wells Villas whose rent was set in 2004 and had not changed regardless of changes in HUD income limits and annual income certifications (“grandfathered” rent

agreements). However, as described in Procedure 8, all rent agreements were subject to the Annual Rent Increase Policy for Lease Renewals effective February 2018.

Refer to procedure 13 for the results of procedures over rent.

- 10) Inspect the Housing Authority's records retention policy, including the documentation with regards to evictions.

**Results:** We inquired of Winn management and inspected the "On-site Document Management" policies in order to obtain an understanding of Winn's records retention policies. We observed that all tenant records are kept on-site and include: lease agreements, annual income certifications and supporting documentation, maintenance records, tenant complaints, etc. In addition, we observed that eviction files are also located on the property. All records are required to be maintained for a minimum of 8 years.

No exceptions were noted as a result of this procedure.

- 11) Inspect the income certification for a sample of tenants at both Indian Wells Villas and Mountain View Villas (50 tenants total). Inspect that the management company is accurately certifying tenants on an annual basis.

**Results:** We obtained the rent rolls as of June 30, 2018 and selected tenants from both Indian Wells Villas and Mountain View Villas to observe that Winn certified the tenants on an annual basis. Based on procedures performed, we observed the following exceptions:

- Mountain View Villas: Of the sample of 25 selected, we observed that an annual income certification was performed for each tenant selected for testing. We recalculated each annual income certification applicable to the year ending June 30, 2018 and traced each certification to supporting documentation. We observed 1 of the 25 annual income certifications selected for testing was miscalculated. The income per supporting documentation was \$1,862 above the amount reported on the annual income certification. However, we observed that the variance calculated did not cause the tenants total income to exceed the income restrictions.
- Indian Wells Villas: Of the sample of 25 selected, we observed that an annual income certification was performed for each tenant selected for testing. We recalculated each annual income certification applicable to the year ending June 30, 2018 and traced each certification to supporting documentation. We observed 1 of the 25 annual income certifications selected for testing was not signed by the tenant.

No other exceptions were found as a result of this procedure.

- 12) Inspect the rent rolls for both properties to determine if all units are being utilized as required by the housing covenants for the Indian Wells Villas and Mountain View Villas and certifications are being performed for applicants when vacant units become available.

**Results:** We obtained the June 30, 2018 rent rolls for Mountain View Villas and Indian Wells Villas and observed the following:

- Mountain View Villas: As of the June 30, 2018 rent roll, we observed there were no vacant units.
- Indian Wells Villas: As of the June 30, 2018 rent roll, we observed there were six vacant units as follows:
  - Unit 806-6: This unit became vacant on May 31, 2018. This unit was being held for temporary housing for residents having their unit remodeled.
  - Unit 808-5: The unit became vacant on May 31, 2018. The vacancy ended on July 31, 2018.
  - Unit 814-5: The unit became vacant on June 16, 2018. The vacancy ended on September 15, 2018.

- Unit 824-4: The unit became vacant on April 26, 2018. The vacancy ended on August 1, 2018.
- Unit 824-6: The unit became vacant on March 14, 2018. This unit was being held for temporary housing for residents having their unit remodeled.
- Unit 828-6: The unit became vacant on May 31, 2018. The vacancy ended August 7, 2018.

13) Inspect 25% of the tenant housing agreements to confirm that the maximum monthly rent chargeable for the affordable units shall be annually determined in accordance with Housing and Urban Development requirements, adjusted for number of bedrooms in the unit, less a reasonable monthly utility allowance.

**Results:** We obtained the rent rolls as of June 30, 2018 and selected 25% of the tenant housing agreements for testing from both Indian Wells Villas (30 housing agreements) and Mountain View Villas (25 housing agreements) for a total sample size of 55 to confirm that the maximum monthly rent chargeable for the affordable units is annually determined and in accordance with Housing and Urban Development requirements. We observed as part of our testing, that Winn’s property management system does not have the capabilities to provide historical data with respect to the breakdown of Unit Types by Income Limit.

Based on procedures performed, we observed the following exceptions:

Mountain View Villas:

- We observed through inspection of annual income certifications and tenant lease agreements 7 instances in which the rent charged to the tenant is less than the maximum rent chargeable based on the tenant’s income restriction and the *Mountain View Villas- Riverside County Affordable Limits* rent schedule. However, we noted the rent for these units has increased in accordance with the Renewal Rent Increase Policy established by the City in May of 2017.

Indian Wells Villas:

- We observed through inspection of annual income certifications and tenant lease agreements 15 instances in which the rent charged to the tenant is less than the maximum rent chargeable based on the tenant’s income restriction and the *Indian Wells Villas- Riverside County Affordable Limits* rent schedule. However, we noted the rent for these units has increased in accordance with the Renewal Rent Increase Policy established by the City in May of 2017.

See further details of exceptions observed above at Exhibit B.

14) Inspect the tenant housing agreements for a sample of 25% (maximum of 50) of the tenants. Inspect that the rent charged for the affordable unit is in accordance with the tenant’s housing agreement.

**Results:** We obtained the rent rolls as of June 30, 2018 and selected 25% of the tenant housing agreements (maximum of 50) and observed that the rent charged per the rent roll is in accordance with the tenant’s housing agreement in place.

No exceptions were found as a result of this procedure.

15) Inspect the tenant files for a sample of 25% (maximum of 50) of the tenants. Inspect that occupancy of the affordable units is limited to two persons per bedroom plus one additional person.

**Results:** We obtained the rent rolls as of June 30, 2018 and selected 25% (maximum of 50) of the tenant housing agreements and observed that the occupancy of the affordable units is limited to two persons per bedroom plus one additional person.

No exceptions were found as a result of this procedure.

- 16) Select a sample of 25% (maximum of 50) of the tenants and confirm that units are maintained, both interior and exterior of the property, in a decent, safe and sanitary manner, in accordance with the HUD Housing Quality Standards.

**Results:** We obtained the rent rolls as of June 30, 2018 and selected 25% (maximum of 50) of the tenants.

Based on the procedures performed, we observed the following exceptions:

Mountain View Villas:

- No exceptions noted.

Indian Wells Villas:

- One unit's carbon monoxide detector required a battery replacement.
- One unit's smoke detector required a battery replacement.

No other exceptions were found as a result of this procedure.

- 17) Select a sample of 25% (maximum of 50) of the tenant housing agreements. Inspect that covenants exist stating that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, sex, marital status, familial status, disability, sexual orientation, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the property, nor shall Winn Company establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sub-lessees, or vendees in the property.

**Results:** We obtained the rent rolls as of June 30, 2018 and selected 25% (maximum of 50) of the tenant housing agreements and observed that the lease agreement included a nondiscrimination disclosure. We observed that each agreement selected for testing included the following nondiscrimination clause:

*“Landlord shall not discriminate on the basis of race, creed, color, sex, national origin, ancestry, religion, marital status, age, disability or receipt of public assistance or housing assistance in connection with the rental of the premises.”*

No exceptions were found as a result of this procedure.

- 18) Inspect the Housing Authority of Indian Wells Professional Services Agreement with Winn Residential and obtain an understanding of the set performance requirements. Compare the fiscal year budget to actual for income and expenditures and determine if the variance is less than 5%.

**Results:** We obtained the June 30, 2018 revenues, expenditures and council approved budget. We compared the actual revenues and expenditures of Winn to the budget for each property. See calculation performed at Exhibit C.

- 19) Inspect the Housing Authority of Indian Wells Professional Services Agreement with Winn Residential and obtain an understanding of the set performance requirements. Calculate the annual vacancy rate and rent loss due to vacancies.

**Results:** We inspected the Housing Authority of Indian Wells Professional Services Agreement with Winn Residential and observed the annual vacancy rate and rent loss is not to exceed 3%. We recalculated the annual vacancy rate and rent loss for the year ending June 30, 2018 for both Mountain View Villas and Indian Wells Villas and observed the annual vacancy rate and rent loss for Indian Wells Villas exceeded 3%. Based on inquiry with the Housing Authority, 4 units during the year were held vacant in anticipation of flooring and kitchen counter replacement projects. Units were vacant for longer periods after move-out because of the additional time needed for remodel projects. See calculation performed at Exhibit D.

20) For the Mountain View Villas, compare the number of restricted units (i.e. moderate income, low income and very low income) to the amended Regulatory Agreement and Declaration of Restrictive Covenants.

**Results:** We noted exceptions between the number of restricted units per the rent roll to the required number of restricted units described in the Regulatory Agreement and Declaration of Restrictive Covenants. See table below:

Income Restriction:	Number of Units per:		Variance
	Regulatory Agreement	Rent Roll	
Very Low (50%)	57	73	-16
Low (80%)	44	29	15
Moderate (120%)	25	25	0
Manager Unit	2	1	1
	<u>128</u>	<u>128</u>	<u>-</u>

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively on the accounting records of the Authority, its related internal controls or its compliance with HUD requirements or affordable housing agreement. 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.

This report is intended solely for the information and use of Management of the City of Indian Wells Housing Authority and is not intended to be and should not be used by anyone other than those specified parties.

*Vavinich, Train, Day & Co., LLP*

Riverside, California  
November 9, 2018



**EXHIBIT A**

**Fixed Asset Testing  
Fiscal Year Ending June 30, 2018  
(Unaudited)**

Per June 30, 2018 Inventory Listing- Indian Wells Villas			
Inventory Item	Location	Quantity	Results
Large Round Table	Pool Furniture	1	*
Umbrella	Pool Furniture	2	*
Chaise Lounge Chairs	Pool Furniture	4	*
Small Chairs	Pool Furniture	10	*
Ceramic Decorative Pots	Pool Furniture	4	*
Office Chairs	Leasing Office	2	*
Guest Chairs	Leasing Office	3	*
Computers	Leasing Office	2	*
Desks	Leasing Office	2	*
Gray Couch	Clubhouse	1	*
Gray Fabric Armchairs	Clubhouse	4	*
Gray Coffee Table	Clubhouse	1	*
White Wall Bookcases	Clubhouse	2	*
Black Stove	Clubhouse	1	*
Stainless Steel Refrigerator	Clubhouse	1	*
Black Microwave	Clubhouse	1	*
Toasters	Clubhouse	2	*
5x7 Decorative Floor Rugs	Clubhouse	2	*
Gray End Tables	Clubhouse	2	*
Gray and White Chair Pads	Clubhouse	40	*

Per June 30, 2018 Inventory Listing- Mountain View Villas			
Inventory Item	Location	Quantity	Results
White refrigerator	Kitchen	1	*
Cannon Laserjet printer	Computer Lab	1	*
Metal file cabinets	Office	2	*
Wingchairs	Clubhouse/Library	2	*
Golf Carts-Yamaha + 2 chargers	Maintenance Shop	3	*
Stairmaster Treadmills	Fitness Center	2	*
Leg Machine	Fitness Center	1	*
Large Stone Trashcans	Pool	3	*
White Dishwasher	Kitchen	1	*
50" Flatscreen TV	Clubhouse/Library	1	*
Office Hutch	Office	1	*

\* Asset is properly accounted for and appropriately safeguarded.

**EXHIBIT B**

**Listing of Exceptions  
Fiscal Year Ending June 30, 2018  
(Unaudited)**

EXTRACTED FROM JUNE 30, 2018 RENT ROLL- MOUNTAIN VIEW VILLAS				INFORMATION OBTAINED AND CALCULATED BASED ON SUPPORTING DOCUMENTATION PROVIDED BY WINN COMPANY AND RESIDENT FILES						OBTAINED FROM MOUNTAIN VIEW VILLAS- RIVERSIDE COUNTY AFFORDABLE LIMITS RENT SCHEDULE		
EXCEPTION #	RENT CHARGED	MOVE IN DATE	LEASE EXPIRATION	BEDROOMS	INCOME CERTIFICATION DATE	HUD MEDIAN INCOME	INCOME RESTRICTION	INCOME RESTRICTION RECALCULATION	TOTAL INCOME FROM RE- CERTIFICATION	UNDER/ (EXCEEDS)	MARKET CURRENT RENT	EXCEPTION
1	\$ 799	01/01/14	01/31/19	2	02/01/18	\$ 51,600	80%	\$ 41,280	\$ 29,661	\$ 11,619	\$900	<1A>
2	633	07/29/10	04/30/19	1	05/01/18	45,200	80%	36,160	24,096	\$ 12,064	825	<1A>
3	720	04/15/11	01/31/19	1	02/01/18	45,200	80%	36,160	22,994	\$ 13,166	825	<1A>
4	1,009	04/01/10	01/31/19	1	02/01/18	45,200	120%	54,240	39,658	\$ 14,582	1,025	<1A>
5	817	06/10/11	04/30/19	1	05/01/18	45,200	120%	54,240	37,729	\$ 16,511	1,025	<1A>
6	499	01/03/17	12/31/18	1	01/01/18	45,200	50%	22,600	16,344	\$ 6,256	522	<1A>
7	499	01/29/16	12/31/18	1	01/01/18	45,200	50%	22,600	20,460	\$ 2,140	522	<1A> <3>

<1A> The rent charged is less than the maximum monthly rent chargeable based on the tenant's income restriction and the *Mountain View Villas- Riverside County Affordable Limits* rent schedule, but has increased in accordance with the Renewal Rent Increase Policy established by the City.

<1B> The rent charged is less than the maximum monthly rent chargeable based on the tenant's income restriction and the *Indian Wells Villas- Riverside County Affordable Limits* rent schedule, but has increased in accordance with the Renewal Rent Increase Policy established by the City.

<2> Tenant's income re-certification was not signed by tenant.

<3> Tenant's income re-certification was miscalculated.

**EXHIBIT B**

**Listing of Exceptions (Continued)  
Fiscal Year Ending June 30, 2018  
(Unaudited)**

EXTRACTED FROM JUNE 30, 2018 RENT ROLL- INDIAN WELLS VILLAS				INFORMATION OBTAINED AND CALCULATED BASED ON SUPPORTING DOCUMENTATION PROVIDED BY WINN COMPANY AND RESIDENT FILES						OBTAINED FROM INDIAN WELLS VILLAS- RIVERSIDE COUNTY AFFORDABLE LIMITS RENT SCHEDULE		
EXCEPTION #	RENT CHARGED	MOVE IN DATE	LEASE EXPIRATION	BEDROOMS	INCOME CERTIFICATION DATE	HUD MEDIAN INCOME	INCOME RESTRICTION	INCOME RESTRICTION RECALCULATION	TOTAL INCOME FROM RE- CERTIFICATION	UNDER/ (EXCEEDS)	MARKET CURRENT RENT	EXCEPTION
1	\$ 655	10/13/2016	09/30/18	1	10/01/17	\$ 45,200	80%	\$ 36,160	\$ 26,321	\$ 9,839	\$775	<1B>
2	200	11/11/1996	12/31/18	1	1/1/2018	45,200	50%	22,600	13,865	\$ 8,735	526	<2> <1B>
3	220	3/10/2015	02/28/19	1	3/1/2018	45,200	50%	22,600	11,169	\$ 11,431	526	<1B>
4	503	9/29/2010	12/31/18	1	1/1/2018	45,200	50%	22,600	18,001	\$ 4,599	526	<1B>
5	708	8/8/2008	12/31/18	1	1/1/2018	51,600	120%	61,920	46,864	\$ 15,056	975	<1B>
6	521	1/27/2012	12/31/18	1	1/1/2018	45,200	50%	22,600	21,335	\$ 1,265	526	<1B>
7	200	4/1/2004	12/31/18	1	1/1/2018	45,200	50%	22,600	10,929	\$ 11,671	526	<1B>
8	565	4/1/2004	12/31/18	1	1/1/2018	45,200	80%	36,160	24,994	\$ 11,166	775	<1B>
9	368	3/27/2015	02/28/19	1	3/1/2018	51,600	120%	61,920	56,168	\$ 5,752	975	<1B>
10	720	6/21/2012	01/31/19	1	2/1/2018	51,600	80%	41,280	37,170	\$ 4,110	775	<1B>
11	365	1/1/2004	01/31/19	1	2/1/2018	45,200	50%	22,600	16,572	\$ 6,028	526	<1B>
12	896	9/15/2006	01/31/19	1	2/1/2018	45,200	120%	54,240	35,241	\$ 18,999	975	<1B>
13	345	1/1/2004	01/31/19	1	2/1/2018	45,200	50%	22,600	18,324	\$ 4,276	526	<1B>
14	655	10/25/2011	12/31/18	1	1/1/2018	45,200	80%	36,160	30,552	\$ 5,608	775	<1B>
15	655	7/17/2009	12/31/18	1	1/1/2018	45,200	80%	36,160	25,647	\$ 10,513	775	<1B>

<1A> The rent charged is less than the maximum monthly rent chargeable based on the tenant's income restriction and the *Mountain View Villas- Riverside County Affordable Limits* rent schedule, but has increased in accordance with the Renewal Rent Increase Policy established by the City.

<1B> The rent charged is less than the maximum monthly rent chargeable based on the tenant's income restriction and the *Indian Wells Villas- Riverside County Affordable Limits* rent schedule, but has increased in accordance with the Renewal Rent Increase Policy established by the City.

<2> Tenant's income re-certification was not signed by tenant.

<3> Tenant's income re-certification was miscalculated.

## EXHIBIT C

### Budget to Actual Comparison Fiscal Year Ending June 30, 2018 (Unaudited)

Indian Wells Villas- June 30, 2018				
Account	Actual \$	Budget \$	\$ Variance	% Variance
<b>Income</b>				
Rental Income	\$ 744,981	\$ 733,082		
Miscellaneous Income	862	1,270		
Other	59	-		
Vacancy Loss/Rental Loss/Bad Debt	(102,171)	(86,914)		
<b>Total Revenues</b>	<u>\$ 643,731</u>	<u>\$ 647,438</u>	\$ (3,707)	-0.6%
<b>Expenditures</b>				
Management Fees	\$ 43,200	\$ 43,200		
Real Estate Taxes	1,197	1,176		
Insurance	878	-		
Utilities expense	60,708	72,340		
Payroll	160,416	170,589		
Operating & Maint. Exps	205,950	205,670		
Turnover Costs	11,539	10,180		
Marketing	28,476	24,932		
Administrative expenses	32,003	30,875		
<b>Total Expenditures</b>	<u>\$ 544,367</u>	<u>\$ 558,962</u>	\$ 14,595	3%
<b>Net Profit/Loss</b>	<u>\$ 99,364</u>	<u>\$ 88,476</u>	\$ 10,888	12%

Mountain View Villas- June 30, 2018				
Account	Actual \$	Budget \$	\$ Variance	% Variance
<b>Income</b>				
Rental Income	\$ 1,009,844	\$ 997,291		
Miscellaneous Income	4,224	2,230		
Other	100	-		
Vacancy Loss/Rental Loss/Bad Debt	(17,437)	(45,800)		
<b>Total Revenues</b>	<u>\$ 996,731</u>	<u>\$ 953,721</u>	\$ 43,010	5%
<b>Expenditures</b>				
Management Fees	\$ 61,440	\$ 61,440		
Real Estate Taxes	913	899		
Insurance	847	-		
Utilities expense	111,614	128,920		
Payroll	270,266	265,435		
Operating & Maint. Exps	225,482	261,484		
Turnover Costs	21,311	22,825		
Marketing	27,956	26,914		
Administrative expenses	36,858	41,703		
Insurance Proceeds	(2,067)	-		
<b>Total Expenditures</b>	<u>\$ 754,620</u>	<u>\$ 809,620</u>	\$ 55,000	7%
<b>Net Profit/Loss</b>	<u>\$ 242,111</u>	<u>\$ 144,101</u>	\$ 98,010	68%

**EXHIBIT D**

**Rent Loss and Annual Vacancy Rate Calculations  
Fiscal Year Ending June 30, 2018  
(Unaudited)**

<b>Rent Loss for the FY17-18</b>				
<b>Location</b>	<b>\$ Loss Amount</b>	<b>FY 17-18 Rental Revenue</b>	<b>Loss %</b>	
Mountain View Villas	\$ 7,109	\$ 996,731	0.7%	
Indian Wells Villas	25,730	643,731	4.0%	

<b>Annual Vacancy Rate for the FY17-18</b>					
<b>Location</b>	<b># Units Available</b>	<b># Available Rent Days</b>	<b># Days Vacant</b>	<b>Vacancy %</b>	
Mountain View Villas	127	46,355	265	0.6%	
Indian Wells Villas	89	32,485	1,312	4.0%	

Source: *Affordable Unit Vacancy* Report and *Gross Potential Rent* Report for the period 7/1/2017 through 6/30/2018 provided by Winn