DESERT HEALTHCARE DISTRICT

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2023

DESERT HEALTHCARE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Directors
of the Desert Healthcare District
Palm Springs, California

Report on Financial Statements

Opinion

We have audited the financial statements of the business type activities and the fiduciary fund financial statements of the Desert Healthcare District (District) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the business type activities and the fiduciary fund financial statements of the the District as of June 30, 2023, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

For the fiscal year ending June 30, 2023, the District has implemented Government Accounting Standards Board Statement No. 96, *Subscription-based Information Technology Arrangements*. The change has no material impact on financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios and the Schedule of Changes in Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023, on our consideration of the District'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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Report on Comparative Information

The District's financial statements as of and for the fiscal year ended June 30, 2022, were audited by other auditors. They expressed an unmodified opinion on those audited financial statements in their report dated November 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
October 6, 2023

The Desert Healthcare District ("District") has issued its financial statements for the fiscal years ended June 30, 2023, and June 30, 2022, in conformity with the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). This report, Management's Discussion and Analysis, is an overview of the financial activities for the fiscal years and is an integral part of the accompanying Basic Financial Statements.

ACCOUNTING METHOD

The District's revenues and expenses are recognized on a full accrual basis; revenues are recognized in the period incurred. All assets and liabilities associated with the activity of the District are included on the Statement of Net Position.

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements reflect the activities of two funds. The Financial Statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position (Income Statement) and Statement of Cash Flows, and the Trust Fund, which is the Desert Healthcare Foundation's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. Together with this report, these Financial Statements provide information about the significant events, assumptions and decisions which resulted in the financial performance reflected in those statements.

The Statement of Net Position provides information regarding the financial position of the District, including its capital assets and long-term debt.

The Statement of Revenues, Expenses, and Changes in Net Position (Income Statement) provides information regarding the revenues received by the District, and the expenses incurred in carrying out the District's programs.

The Statement of Cash Flows provides information regarding the sources and uses of the cash which flowed into and out of the District as a result of its operations and financing decisions.

FINANCIAL ACTIVITIES & FISCAL YEAR 2023 HIGHLIGHTS

Desert Healthcare District is a government entity operating under the Local Health Care District Law. The District was created by the state of California in 1948 for the purpose of providing hospital services to the residents of the District. The District was responsible for building Desert Hospital, now known as Desert Regional Medical Center. In 1997, the Board of Directors voted to lease the hospital to Tenet Health System Desert, Inc. for 30 years. Since 1997, the District has provided funding and access to programs and services to residents of the healthcare district. By a vote of the public in November 2018, the District boundaries expanded to include the entire Coachella Valley, more than doubling its population and service area. The Board of Directors was increased from 5 to 7 members.

DESERT HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 2023 AND 2022

The Statement of Net Position

A condensed version of the Statements of Net Position is presented in Table A below and the changes which occurred between Fiscal Year 2023 and 2022.

Table A

Assets:	6/30/2023	6/30/2022	Change
Cash and cash equivalents	$ 4,351,293	$ 9,116,884	$ (4,765,591)
Investments	63,214,530	56,557,955	6,656,575
Lease receivables	3,048,911	-	3,048,911
Capital assets, net	11,108,118	11,518,194	(410,076)
Net Pension Asset	1,457,140	1,009,246	447,894
All Other Assets	558,178	366,284	191,894
Total Assets	$ 83,738,170	$ 78,568,563	$ 5,169,607
Deferred Outflows:			
GASB 68 Reporting for Pension Plans	$ 587,440	$ 836,699	$ (249,259)
Total Deferred Outflows	$ 587,440	$ 836,699	$ (249,259)
Liabilities:			
Grants payable	$ 8,944,394	$ 10,552,067	$ (1,607,673)
All Other Liabilities	813,430	601,933	211,497
Total Liabilities	$ 9,757,824	$ 11,154,000	$ (1,396,176)
Deferred Inflows:			
GASB 68 Reporting for Pension Plans	$ 564,584	$ 492,802	$ 71,782
Leases	2,982,703	-	2,982,703
Total Deferred Inflows	$ 3,547,287	$ 492,802	$ 3,054,485
Net Assets:			
Net investment in capital assets	11,105,377	11,518,194	$ (412,817)
Restricted for pension	1,479,996	1,353,143	126,853
Unrestricted	58,435,126	54,887,123	3,548,003
Total Net Position	$ 71,020,499	$ 67,758,460	$ 3,262,039

The $3,262,039 increase in Total Net Position is due to the net income of $3,238,989 for the current fiscal year ended June 30, 2023, and a prior year adjustment of $23,050*. This compares to net income of $349,532 for the fiscal year ended June 30, 2022. The increase is primarily due to a net combination of a $1,153,776 increase in Property Tax Revenue, and $2,088,757 increase in Investment Revenue. The $4,765,591 decrease in cash and cash equivalents, and $6,656,575 increase in Investments is due primarily to an increase in property tax receipts, increase in investment purchases, and increase in annual disbursements. The $3,048,911 increase in Lease Receivables, and $2,982,703 increase in Deferred Inflows from leases are due to changes in how leases are recognized in compliance with GASB 87. The $447,894 increase in Net Pension Assets, $249,259 decrease in Deferred Outflows, and $71,782 of the increase in Deferred Inflows are due to the current GASB 68 valuation report for the Retirement Protection Plan. The $191,600 increase in All Other Assets is due primarily to the addition of Right of Use Assets. The $1,607,673 decrease in Grants Payable is due primarily to more grant disbursements than new accrued grants. The $211,497 increase in All Other Liabilities is due primarily to the acknowledgement of the liability for the added Right of Use Assets.

* This prior year adjustment was applied to net position to comply with how leases are accounted for under GASB 87. With this change comes adjustments to how lease revenue is classified, moving it into the nonoperating category. Lease receivables, lease payables, Deferred Inflows from Leases, and Right of Use Assets have all been added to the financial statements to document the respective assets and liabilities.

The Statements of Revenues, Expenses, and Change in Net Position

The District's business is comprised of two major segments:

- Revenues – The District receives from the County of Riverside an apportionment of the property taxes paid by the residents of the District. Additional revenues include the investment income the District receives from the Facility Replacement Fund (Reserve), which was established to provide working capital in the event that the lease with Tenet Health System Desert, Inc. is terminated prematurely or for future seismic retrofit needs, and rental income from the Las Palmas Medical Plaza which is owned and managed by the District.

- Grant Program – The District administers grant and preventative health initiative programs that donate a significant portion of the District's annual property tax revenues to health-related programs serving residents of Desert Hot Springs, Thousand Palms, Palm Springs, Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, Coachella, Thermal, Mecca, North Shore, and the unincorporated areas of the County that are within the District's boundaries.

Table B, below, is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Position; it summarizes the District's revenue and expenses, and compares Fiscal Year 2023 results to Fiscal Year 2022.

Table B

	6/30/23	6/30/22	Change
Revenue:			
Property Tax Revenue	$ 9,624,970	$ 8,471,194	$ 1,153,776
All other income	10,184	232,189	(222,005)
Total Revenue	$ 9,635,154	$ 8,703,383	$ 931,771
Expenses:			
Grants program	$ 4,000,000	$ 4,024,467	$ (24,467)
Administrative Expense	3,732,100	2,460,813	1,271,287
Total Expense	$ 7,732,100	$ 6,485,280	$ 1,246,820
Nonoperating Income(Expenses):			
Rental income, net of expenses	$ 870,051	$ 232,564	$ 637,487
All other nonoperating income	465,884	(2,101,135)	2,567,019
Total Nonoperating	$ 1,335,935	$ (1,868,571)	3,204,506
Net Income (Loss)	$ 3,238,989	$ 349,532	$ 2,889,457

DESERT HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 2023 AND 2022

Revenue
Property taxes are the District's primary source of operating revenues. The property tax revenue for the fiscal year ended June 30, 2023, was $9,624,970, which was an increase of $1,153,776 from the fiscal year ended June 30, 2022.

All other income for the fiscal year ended June 30, 2023, decreased $222,005, compared to the fiscal year ended June 30, 2022. The decrease was due primarily to a $174,707 decrease in miscellaneous income, a $24,466 decrease in Grant Income, and other changes related to the recognition of income from a cell tower lease (now nonoperating), compared to the fiscal year ended June 30, 2022.

Expenses
Grant Program expenses for the fiscal year ended June 30, 2023, decreased by $24,467 compared to the fiscal year ended June 30, 2022. This is due primarily to the conclusion of the CalFresh grant program during the fiscal year ended June 30, 2022. Grants are recorded in the fiscal year that they are approved by the District's Board of Directors.

Administrative expenses for the fiscal year ended June 30, 2023, increased $1,271,287 from the fiscal year ended June 30, 2022. This net increase is due to a $255,133 increase in general expenses, $207,993 increase in salary and benefits, $33,033 increase in legal expenses, $548,345 increase in depreciation primarily from the addition of the mobile medical unit, $129,577 increase in other, $97,206 increase in election fees.

Nonoperating Income (Expenses) for the fiscal year ended June 30, 2023, varies by $3,204,506 from fiscal year ended June 30, 2022. The variance is due to a $2,088,757 increase in investment income, addition of $637,487 net income from the Las Palmas Medical Plaza, a $459,398 increase in the Retirement plan, and a $18,864 decrease in investment expenses.

CAPITAL ASSETS

At June 30, 2023, the District had $23,979,572 in capital assets and $12,871,454 in accumulated depreciation, resulting in $11,108,118 net capital assets. At June 30, 2022, the District had $23,673,763 in capital assets and $12,155,569 accumulated depreciation, resulting in $11,518,194 net capital assets.

A summary of the activity and balances in capital assets is presented in Table C:

Table C

	Balance 6/30/21	Net Additions	Net Retirements	Balance 6/30/22	Net Additions	Net Retirements	Balance 6/30/23
Cost	$ 22,949,667	$ 1,288,054	$ (563,959)	$ 23,673,763	$ 309,196	$ (3,387)	$ 23,979,572
Acc. Depreciation	(11,495,098)	(675,678)	15,208	(12,155,569)	(719,272)	3,387	(12,871,454)
Capital Assets, Net	$ 11,454,569	$ 612,376	$ (548,751)	$ 11,518,194	$ (410,076)	$ -	$ 11,108,118

DEBT ADMINISTRATION

The District has no outstanding debt.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

In November 2018, the residents of the Eastern Coachella Valley voted to expand the Desert Healthcare District to all cities and unincorporated areas of the Coachella Valley. The expansion more than doubled the population and service area. However, the expansion did not include a funding source. The Desert Healthcare District and Foundation continue to seek resources in its efforts to equitably connect District residents to programs and services to meet their healthcare needs.

The Fiscal Year 2024 budgets for the District and the Foundation reflect revenues of $10,293,680 and $2,471,000, respectively, and operating expenses of $9,536,554 and $3,591,036, respectively. Capital expenditures are budgeted at $350,000. During the fiscal year ended June 30, 2023, the District and Foundation awarded $6,566,566, and $2,343,776, respectively, in new grants and distributed grants in the amount of $3,607,672 and $1,859,816, respectively. Projected new grants to be awarded for the fiscal year 2023–2024 amount to $4,000,000, and $2,704,000, respectively, and distributions for grants could possibly total $12,943,887 and $7,305,783, respectively, due to the existing grant liability as of June 30, 2023, and the projected grant awards.

As a result of the COVID-19 pandemic, the Foundation continues to work with a select group of community-based organizations to aid in the education, testing and vaccination efforts related to the virus. Through the County of Riverside, federal funds from the CARES Act and Epidemiology and Laboratory Capacity (ELC) Enhancing Detection awarded funding totals $4,415,967 to date.

The District has established a reserve fund of approximately $65,000,000 to cover grant liabilities, hospital operating expenses for a short period should the lease with Tenet Health System Desert, Inc. terminate prior to May 30, 2027, and seismic or other related facilities costs.

The Hospital is required to meet SB 1953 and OSHPD regulations for seismic retrofit standards by 2030. The District conducted an assessment of the seismic retrofit needs and costs, with an estimate of $222,000,000, and is reviewing options for completion of the seismic upgrades.

Termination Assets are assets constructed or installed by Tenet Health System in the hospital during the lease period with a net book value or fair market value at the termination of the lease. In accordance with the 1997 Lease, the District is required to purchase the Termination Assets at the lesser of net book value or fair market value. The 1997 Lease provides that the purchase can be satisfied with a 5-year promissory note and also provides the option of a possible extension of the lease if the Termination Assets exceed $10,000,000.

CONTACTING THE DISTRICT'S MANAGEMENT

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DESERT HEALTHCARE DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2023

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 4,351,293	$ 9,116,884
Investments	7,355,380	12,984,830
Accounts receivable - net	195,891	253,350
Prepaid items and deposits	168,230	112,934
Total current assets	12,070,794	22,467,998
NON-CURRENT ASSETS		
Investments	55,859,150	43,573,125
Lease receivables	3,048,911	
Capital assets, net	11,108,118	11,518,194
Right to use assets, net	194,057	
Net pension asset	1,457,140	1,009,246
Total non-current assets	71,667,376	56,100,565
DEFERRED OUTFLOWS		
Deferred Outflows of Resources:		
Pension plans	587,440	836,699
Total deferred outflows of resources	587,440	836,699
TOTAL ASSETS AND DEFERRED OUTFLOWS	84,325,610	79,405,262
CURRENT LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	429,398	441,775
Grants payable	6,469,394	7,032,067
Compensated absences	97,596	80,168
Disability claims, reserve, current portion		14,803
Lease payable, current portion	21,186	
Total current liabilities	7,017,574	7,568,813
NON-CURRENT LIABLILITIES		
Grants payable	2,475,000	3,520,000
Long-term disability claims reserve		2,982
Lease payable	175,612	
Deposits payable	89,638	62,205
Total non-current liabilities	2,740,250	3,585,187
DEFERRED INFLOWS		
Deferred Inflows of Resources:		
Pension plans	564,584	492,802
Leases	2,982,703	
Total deferred inflows of resources	3,547,287	492,802
TOTAL LIABILITIES AND DEFERRED INFLOWS	13,305,111	11,646,802
NET POSITION		
Net investment in capital assets	11,105,377	11,518,194
Restricted for pension	1,479,996	1,353,143
Unrestricted	58,435,126	54,887,123
TOTAL NET POSITION	$ 71,020,499	$ 67,758,460

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	2023	2022
OPERATING REVENUES		
Property taxes	$ 9,624,970	$ 8,471,194
Other income	10,184	232,189
Total revenues	9,635,154	8,703,383
OPERATING EXPENSES		
Grant allocations	4,000,000	4,024,467
General expenses	1,030,083	774,950
Salaries and benefits	1,369,696	1,161,703
Legal fees	120,798	87,765
Depreciation and amortization	741,450	193,105
Other	372,867	243,290
Election fees	97,206	
Total expenditures	7,732,100	6,485,280
Income (loss) from operations	1,903,054	2,218,103
NONOPERATING INCOME (EXPENSES)		
Investment income (loss)	347,590	(1,741,167)
Rental income, net of expenses	870,051	232,564
Retirement plan/benefits change	186,853	(272,545)
Investment expenses	(68,559)	(87,423)
Total nonoperating income (loss)	1,335,935	(1,868,571)
Increase (decrease) in net position	3,238,989	349,532
NET POSITION		
Beginning of fiscal year	67,758,460	67,408,928
Prior period adjustments	23,050	
Net position at beginning of fiscal year, restated	67,781,510	67,408,928
End of fiscal year	$ 71,020,499	$ 67,758,460

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from County	$ 9,624,970	$ 8,452,887
Cash received from Grantors		209,733
Cash payments to suppliers for goods and services	(1,662,630)	(414,321)
Cash payments to employees for services and benefits	(1,367,071)	(1,171,055)
Cash payments to grantees	(5,607,673)	(2,974,026)
Other operating revenues	67,643	71,249
Net cash provided by operating activities	1,055,239	4,174,467
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(309,196)	(739,303)
Lease related expenses	(24,000)	
Net cash provided (used) by capital and related financing activities	(333,196)	(739,303)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	248,235	
Rental income, net	862,252	232,564
Net investment sales (purchases)	(6,598,121)	(4,744,422)
Net cash provided (used) by investing activities	(5,487,634)	(4,511,858)
Net decrease in cash	(4,765,591)	(1,076,694)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	9,116,884	10,193,578
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	$ 4,351,293	$ 9,116,884
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 4,351,293	$ 9,116,884

(Continued)

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	2023	2022
Income from operations	$ 1,903,054	$ 2,218,103
Adjustments to reconciliation of income from operations to net cash provided by operating activities:		
Depreciation and amortization	741,450	675,678
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	57,459	90,398
Prepaid items and deposits	(55,296)	(32,181)
Accounts payable and accrued liabilities	(13,813)	178,450
Grants payable	(1,607,673)	1,050,441
Deposits payable	27,433	9,685
Compensated absences	17,428	(2,807)
Long-term disability claims reserve	(14,803)	(13,300)
Net cash provided by operating activities	$ 1,055,239	$ 4,174,467

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
JUNE 30, 2023

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022

	Private- Purpose Trust Fund	
	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 479,488	$ 516,636
Grants receivable	183,530	2,217,209
Prepaid items	6,747	3,000
Accrued interest and dividend receivable	14,345	
Total current assets	684,110	2,736,845
OTHER ASSETS		
Contributions receivable - charitable remainder trusts	196,140	188,389
Investments	4,429,454	4,181,156
Total other assets	4,625,594	4,369,545
TOTAL ASSETS	5,309,704	7,106,390
LIABILITIES		
Current liabilities:		
Accounts payable	21,965	12,973
Grants payable - current portion	1,741,281	795,028
Total current liabilities	1,763,246	808,001
Long-term liabilities:		
Grants payable - long-term		200,000
Total long-term liabilities		200,000
Total liabilities	1,763,246	1,008,001
NET POSITION	$ 3,546,458	$ 6,098,389

DESERT HEALTHCARE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Private-Purpose Trust Fund	
	2023	2022
ADDITIONS		
Contributions	$ 219,714	$ 40,275
Grants	935,828	2,168,605
Bequests	57,520	57,080
Interest and dividends	114,841	138,889
Investment gains and losses	190,543	(498,074)
Change in value - charitable trusts	7,751	(12,420)
Total support and revenue	1,526,197	1,894,355
DEDUCTIONS		
Grants and services	3,379,746	1,079,948
Management and general	698,382	565,599
Total expenses	4,078,128	1,645,547
INCREASE (DECREASE) IN NET POSITION	(2,551,931)	248,808
NET POSITION, BEGINNING OF FISCAL YEAR	6,098,389	5,905,042
PRIOR PERIOD ADJUSTMENT		(55,461)
NET POSITION, BEGINNING OF FISCAL YEAR, RESTATED	6,098,389	5,849,581
NET POSITION, END OF FISCAL YEAR	$ 3,546,458	$ 6,098,389

The accompanying notes are an integral part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Desert Healthcare District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity
The District was organized on December 14, 1948, by a Resolution adopted by the Board of Supervisors, County of Riverside, under the provisions of The Local Hospital District Law (Sections 32000-32314 of the California Health and Safety Code) to provide and operate health care facilities within the area known as the Western Coachella Valley.

Each of the seven members of the District's Board of Directors holds office for a four-year term, which is staggered against the other terms. Elections are by popular vote of the constituents within the District's boundaries.

Effective June 29, 1986, the District transferred control of Desert Hospital and all related assets and liabilities to Desert Health Systems, Inc. (System) under the terms of a master lease agreement. The purpose of the transfer was to permit the hospital to operate more competitively and efficiently by becoming a private not-for-profit entity. On December 8, 1988, the System merged with Desert Hospital Corporation (Corporation), the surviving entity. This transaction had no impact with respect to the District.

Until June 1, 1997, the District served as a pass-through entity between the Corporation and the trustee of Hospital Revenue Certificates of Participation issued in 1990 and 1992 and as a recipient of District tax revenues. The District annually pledged the tax revenues it received to the Corporation to be utilized for general corporate purposes. Historically, tax revenues were used to support capital improvement programs.

Effective May 30, 1997, the District entered into a 30-year lease of Desert Hospital with Tenet Health System Desert, Inc. (Tenet). Terms of the lease included payment by Tenet of the Hospital Revenue Certificates of Participation issued in 1990 and 1992 (approximately $80,000,000) as prepaid rent. Tenet also paid the District $15,400,000 cash, representing additional prepaid rent. (See Note 2)

As a result of AB2414 and a vote of the residents of the Eastern Coachella Valley in November 2018, the District expanded its boundaries and service area to encompass the broader Coachella Valley. The District has and continues to assess the healthcare needs of the Coachella Valley. The District makes grants to healthcare providers who provide needed healthcare services.

As required by U.S. GAAP, these financial statements present the District and its component unit entity for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the District's operations and so data from these units are combined with data of the District. Component units should be included in the reporting entity financial statement using blending method if either of the following criteria are met:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial Reporting Entity — Continued

- The component unit's governing body is the same as the governing body of the District.
- The component unit provides services entirely, or almost entirely, to the District or otherwise exclusively, or almost exclusively, benefits the District even though it does not provide services directly to the District.

Included within the reporting entity as a blended component unit is the following:

Desert Healthcare Foundation (Foundation)

The Foundation is a nonprofit health and welfare organization created to identify the health care needs of the Desert Healthcare District and to work toward alleviating those needs through various programs and services. The Foundation operates primarily in the Coachella Valley area of Southern California and, as such, is subject to market conditions, which could affect charitable giving and the realization of recorded assets values at various times.

The foundation's condensed financial statements are included in these financial statements as a Private-Purpose Trust Fund fiduciary fund type. Complete financial statements of the Foundation can be requested from the District, 1140 North Indian Canyon Drive, Palm Springs, California 92262.

Basis of Accounting and Measurement Focus

Business-Type Activities

The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenditures, and Changes in Net Position, and a Statement of Cash Flows. These statements present summaries of business-type activities for the District.

These basic financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents changes in net position for the fiscal year. 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. All proprietary funds are accounted for on a cost of services of *"economic resources"* measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on the Statement of Net Position. Their reported fund equity presents total net position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. The Statement of Cash Flows is presented with cash, cash equivalents, and investments.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The District's Fiduciary fund includes Private Purpose Trust Funds, which account for resources that are being held for the benefit of the District. The Fiduciary fund is accounted for using the accrual basis of accounting.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting and Measurement Focus – Continued

Use of Restricted/Unrestricted Net Position
When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Foundation's policy is to apply restricted net position first.

Cash, Cash Equivalent and Investments
All cash and cash equivalents are considered to be demand deposits, money market funds and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Leases Receivable/Payable
GASB issued Statement No. 87 “Leases” to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease asset and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. See Notes 5, 10 and 11 for additional information on right to use assets, lease receivables, and lease payable, respectively.

Prepaid Items and Deposits
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets
Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and Improvements	40 – 50 years
Furniture and Equipment	3 – 7 years

Right To Use Assets
The District has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease. See Note 5 for additional information.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences

Employees have vested interests in varying levels of vacation and sick leave based on their length of employment. Sick leave is payable only when an employee is unable to work due to personal or family illness. Unused sick leave does not vest and is forfeited upon termination.

Property Tax

The County of Riverside (the County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-79 general property taxes are based either on a flat 1% rate applied to the 1975-1976 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-1976 valuation. Taxable values on properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

Property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after this date are subject to accrual and considered available as a resource that can be used to finance the current year operations of the District.

Income Taxes

The District is a political subdivision of the State of California and, as such, is exempt from federal and state income taxes.

Use of Estimates

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

Fair Value Measurement

The District and Foundation apply Generally Accepted Accounting Principles (U.S. GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis in accordance with GASB Statement Nos. 31 and 40.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Assets

Net Investment in Capital Assets — this amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position — This amount is restricted by external creditors, grantors, contributors, or laws of regulations of other governments.

Unrestricted Net Position — This amount is all net assets that do not meet the definition of “net investment in capital assets”, or “restricted net position”.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 65, the District recognizes deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. Refer to Note 14 for a detailed listing of the deferred outflow of resources that the District has recognized.

Pursuant to GASB Statement No. 65, the District recognizes deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of fund balance/net position by the government that is applicable to a future reporting period. Refer to Notes 10 and 14 for a detailed listing of the deferred inflow of resources that the District has recognized.

2. LEASE AGREEMENT — TENET HEALTH SYSTEM DESERT, INC.

The District, as described in the Summary of Significant Accounting Policies, entered into a thirty (30) year lease agreement for Desert Regional Medical Center (Hospital) with Tenet Health System Desert, Inc. (Tenet). In the event that Tenet or the District decide to terminate the lease, the District would be responsible for operating the Hospital which would require upfront operating capital of approximately $125,000,000 to maintain the operations without interruption during the transition period. The District, recognizing this obligation, established an investment fund, with a net value of $64,831,524 as of June 30, 2023, identified as the Facility Replacement Fund.

3. CASH AND INVESTMENTS

The cash and investments are classified in the financial statements as shown below:

	June 30, 2023	June 30, 2022
District's Statement of Net Position:		
Cash and cash equivalents	$ 4,351,293	$ 9,116,884
Investments	63,214,530	56,557,955
Fiduciary Statement of Net Position:		
Cash and cash equivalents	479,488	516,636
Investments	4,429,454	4,181,156
Total Cash and Investments	$ 72,474,765	$ 70,372,631

3. CASH AND INVESTMENTS (CONTINUED)

Cash and Investments consist of the following:

	June 30, 2023	June 30, 2022
Cash on Hand	$ 707	$ 700
Cash in Bank-District	2,733,799	3,094,102
Cash in Bank-Foundation	360,890	396,370
Money Market Funds	1,735,385	6,142,348
Investments	67,643,984	60,739,111
Total Cash and Investments	$ 72,474,765	$ 70,372,631

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the Desert Healthcare District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
Local Agency Investment Fund (State Pool)	N/A	None	$75 million
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Repurchase Agreements	1 year	None	None
Bankers' Acceptance	180 days	40%	30%
Commercial Paper - Pooled Funds	270 days	40%	10%
Commercial Paper - Non-Pooled Funds	270 days	25%	10%
Negotiable Time Certificates of Deposit	5 years	30%	None
Non-negotiable Time Certificates of Deposit	5 years	None	None
State of California and Local Agency Obligations	5 years	None	None
Placement Service Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	None

3. CASH, AND INVESTMENTS - Continued

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 the market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming closer to maturity evenly over time as necessary to provide the cash flow and liquidity needed for distributions.

As of June 30, 2023

		Remaining Maturity (in Months)				
Investment Type	Carrying Amount	12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More than 49 Months
Corporate Bonds*	$ 1,152,794	$ 114,560	$ 203,289	$ 91,389	$ 213,038	$ 530,518
U.S. Treasury Notes	63,214,530	7,355,380	41,061,390	8,090,990	3,760,980	2,945,790
U.S. Treasury Notes*	654,290		100,461			553,829
Domestic Common Stock*	2,622,370	2,622,370				
Total	$ 67,643,984	$ 10,092,310	$ 41,365,140	$ 8,182,379	$ 3,974,018	$ 4,030,137

* Held by Foundation

As of June 30, 2022

		Remaining Maturity (in Months)				
Investment Type	Carrying Amount	12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More than 49 Months
Corporate Bonds*	$ 1,264,440	$ 136,519	$ 153,149	$ 232,498	$ 92,783	$ 649,491
U.S. Government Agencies	2,000,500	2,000,500				
U.S. Government Agencies*	320,952					320,952
U.S. Treasury Notes	54,675,944	10,984,330	6,325,095	37,248,030		118,489
U.S. Treasury Notes*	124,170			124,170		
Domestic Common Stock*	2,353,105	2,353,105				
Total	$ 60,739,111	$ 15,474,454	$ 6,478,244	$ 37,604,698	$ 92,783	$ 1,088,932

* Held by Foundation

3. 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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

As of June 30, 2023:

				Rating as of Fiscal Year End			
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	AAA/AA	A	BBB/BB	Not Rated
Corporate Bonds*	$ 1,152,794	N/A	$ -	$ 137,653	$ 408,007	$ 607,134	$ -
U.S. Treasury Notes	63,214,530	N/A	63,214,530				
U.S. Treasury Notes*	654,290	N/A	654,290				
Domestic Common Stock*	2,622,370	N/A					2,622,370
Total	$ 67,643,984		$ 63,868,820	$ 137,653	$ 408,007	$ 607,134	$ 2,622,370

* Held by Foundation. No Foundation policy establishing minimun legal rating.

As of June 30, 2022:

				Rating as of Fiscal Year End			
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	AAA/AA	A	BBB/BB	Not Rated
Corporate Bonds*	$ 1,264,440	N/A	$ -	$ 174,717	$ 510,169	$ 579,554	$ -
U.S. Government Agencies	2,000,500	A		2,000,500			
U.S. Government Agencies*	320,952	N/A		320,952			
U.S. Treasury Notes	54,557,455	N/A	54,557,455				
U.S. Treasury Notes*	242,659	N/A	242,659				
Domestic Common Stock*	2,353,105	N/A					2,353,105
Total	$ 60,739,111		$ 54,800,114	$ 2,496,169	$ 510,169	$ 579,554	$ 2,353,105

* Held by Foundation. No Foundation policy establishing minimun legal rating.

3. CASH AND INVESTMENTS - Continued

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments at June 30, 2022 and 2023 that represent 5% or more of total District investments (other than U.S. Treasury Notes).

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 District's investment policy do not contain legal or 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2023 and 2022, the District's deposits with financial institutions in excess of federal depository insurance limits are legally required by the California Government Code, to collateralize the District's deposits as noted above.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active;
- Level 3: Investments reflect prices based upon unobservable sources.

3. CASH AND INVESTMENTS – Continued

The District has the following recurring fair value measurements;

As of June 30, 2023

Investments by fair value	Total	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Corporate Bonds	$ 1,152,794	$ 1,152,794	$ -	$ -
U.S. Treasury Notes	63,868,820	63,868,820		
Domestic Common Stock	2,622,370	2,622,370		
	$ 67,643,984	$ 67,643,984	$ -	$ -

As of June 30, 2022

Investments by fair value	Total	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Corporate Bonds	$ 1,264,440	$ 1,264,440	$ -	$ -
U.S. Government Agencies	2,321,452	2,321,452		
U.S. Treasury Notes	54,800,114	54,800,114		
Domestic Common Stock	2,353,105	2,353,105		
	$ 60,739,111	$ 60,739,111	$ -	$ -

4. CAPITAL ASSETS

Business-Type Activities

At June 30, 2023 and 2022, the capital assets of the business-type activities consisted of the following:

June 30, 2023

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Non-depreciable assets				
Land	$ 3,859,100	$ -	$ -	$ 3,859,100
Construction in progress	722,368	137,714		860,082
Total non-depreciable assets	4,581,468	137,714		4,719,182
Depreciable assets:				
Buildings and improvements	18,968,473	139,900		19,108,373
Furniture and equipment	123,822	31,582	(3,387)	152,017
Total	19,092,295	171,482	(3,387)	19,260,390
Less accumulated depreciation	(12,155,569)	(719,272)	3,387	(12,871,454)
Total depreciable assets, net	6,936,726	(547,790)		6,388,936
Total Capital Assets, Net	$ 11,518,194	$ (410,076)	$ -	$ 11,108,118

4. CAPITAL ASSETS (CONTINUED)

Business-Type Activities (Continued)

Depreciation expense consists of operating expense depreciation of $221,966 and rental expense depreciation of $497,306.

June 30, 2022

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Non-depreciable assets				
Land	$ 3,859,100	$ -	$ -	$ 3,859,100
Construction in progress	729,813	562,563	(570,008)	722,368
Total non-depreciable assets	4,588,913	562,563	(570,008)	4,581,468
Depreciable assets:				
Buildings and improvements	18,247,013	735,961	(14,501)	18,968,473
Furniture and equipment	113,742	10,787	(707)	123,822
Total	18,360,755	746,748	(15,208)	19,092,295
Less accumulated depreciation	(11,495,099)	(675,678)	15,208	(12,155,569)
Total depreciable assets, net	6,865,656	71,070		6,936,726
Total Capital Assets, Net	$ 11,454,569	$ 633,633	$ (570,008)	$ 11,518,194

Depreciation expense consists of operating expense depreciation of $193,105 and rental expense depreciation of $482,573.

5. RIGHT TO USE ASSET

The District has recorded one right to use leased asset. The asset is a right to use asset for office space. The related lease payable is discussed in Note 11. The right to use lease asset is amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the District for the fiscal year ended June 30, 2023, was as follows:

June 30, 2023

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Right to use asset				
Building	$ -	$ 216,235	$ -	$ 216,235
Total right to use asset		216,235		216,235
Less accumulated amortization		(22,178)		(22,178)
Total right to use asset, net	$ -	$ 194,057	$ -	$ 194,057

6. RESTRICTED NET POSITION

The District had $1,479,996 and $1,353,143 of restricted net position at June 30, 2023 and 2022, respectively, related to the District's net pension asset.

7. SPLIT INTEREST AGREEMENTS – FOUNDATION

At June 30, 2023 and 2022, the split interest agreements of the fiduciary fund consisted of the following:

	2023	2022
Contributions receivable - charitable remainder trusts	$ 196,140	$ 188,389
Total	$ 196,140	$ 188,389

Charitable Remainder Trusts

The Foundation was named beneficiary to two additional charitable remainder unitrusts (whose trustees are someone other than the Foundation), all of which are recorded at fair market value. The general terms of the two trusts are as follows:

Trust 4 (dated October 3, 1989): The lesser of the trust income or 8% of the net fair market value of trust assets is to be distributed to the life beneficiary annually. Upon the death of the life beneficiary, 50% of the principal and income not required to have been distributed to the life beneficiary shall become the property of the Foundation, to be used for cancer treatment, or for general purposes if a cure for cancer has been found.

At December 31, 2018, which is the most current information available, the estimated present value of future cash flows was $126,022 for each June 30, 2023 and 2022.

Trust 7 (dated May 17, 1990): 8.5% of the net fair market value of trust assets is to be distributed to the life beneficiary annually. Upon the death of the life beneficiary, all of the principal and income not required to have been distributed to the life beneficiary shall become the property of the Foundation, to be used for general purposes. The estimated present value of future cash flows at June 30, 2023 and 2022 was $70,118 and $62,367, respectively.

8. GRANTS

The District has granted awards to various healthcare providers that provide needed healthcare services. Awards not fully funded in the current fiscal year are carried over to the subsequent fiscal year. At June 30, 2023 and 2022, the total grant awards payable were $8,944,394 and $10,552,067, respectively. Total grant expense for the fiscal years ended June 30, 2023 and 2022 amounted to $4,000,000 and $4,024,467, respectively.

The Foundation has granted awards to various healthcare providers that provide needed healthcare services. At June 30, 2023 and 2022, the total grant awards payable were $1,741,281 and $995,028, respectively. Total grants and services expense for the years ended June 30, 2023 and 2022 amounted to $3,379,746 and $1,079,948, respectively.

9. LONG-TERM DISABILITY CLAIMS RESERVE

Long-term disability claims were self-insured by the District. Claimants' payments are administered internally and made pursuant to the plan. Claimants are paid either to age 65 or until they return to work. At June 30, 2023 and 2022, the long-term disability claims reserves were as follows:

	Balance at July 1, 2022	Claims Paid	Changes in Estimates	Balance at June 30, 2023	Due Within One Year
Claims payable	$ 17,785	$ (17,785)	$ -	$ -	$ -

	Balance at July 1, 2021	Claims Paid	Changes in Estimates	Balance at June 30, 2022	Due Within One Year
Claims payable	$ 31,085	$ (14,803)	$ 1,503	$ 17,785	$ 14,803

10. LEASE RECEIVABLE

Las Palmas Medical Plaza

The District currently has 10 office building lease agreements that are subject to GASB 87 in place as of June 30, 2023 at the Las Palmas Medical Plaza. Revenue recognition is in accordance with GASB Statement No. 87. The leases were entered into at various dates but under reporting requirements of GASB Statement No.87, they all commence on July 1, 2021, without the need to restate balances that existed prior to that date. Summarized information for each lease is as follows:

Lessee	Location	Monthly rent for fiscal year ended June 30, 2023	Expiration	Lease receivable as of June 30, 2023
Eyecare Services Partner	1E 101-102	$ 4,840	3/31/2033	$ 576,624
Palm Tree Medical	1E 201-203	1,950	1/31/2028	280,530
Pathway Diagnostics	1W 101	1,788	12/31/2027	99,642
Quest Diagnostics	1W 102-103	2,893	5/31/2035	470,953
Cohen, Musch, Thomas Med Group	1W 105-106	3,006	11/30/2024	51,761
Cure Cardiovascular Consultants	1W 202-203	2,240	8/31/2027	116,510
Coachella Valley Volunteers in Medicine	1W 204	2,240	11/30/2028	151,724
Wolfson, MD	2W 101	2,714	7/31/2025	69,661
Global Premier Fertility	3W 101	2,981	12/31/2026	132,098
Gundry and Ehrman, MD	3W 103-104	4,219	7/31/2027	225,341

10. LEASE RECEIVABLE (CONTINUED)

Imperial Park Land Lease
In July 1994, the District was distributed certain parcels of land that underlies the Park Imperial North Condominium Project on Vista Chino in Palm Springs, California. The term of the lease is for 98 years beginning in October 1959, prior to distribution to the District. Rent payments from the condominium project are $750 per month. Payments received during the fiscal year were $750 monthly from July 2022 through June 2023. The lease will expire in June 2057.

T-Mobile Cell Tower
In August 2021, the District entered into a lease with T-Mobile West LLC for use of land for the operation of cellular towers at 1150 No. Indian Canyon Dr. in Palm Springs, California. The term was for 5 years and includes four additional optional 5-year terms. If all extensions are exercised the lease would end in August of 2046. The options to extend are exercised unless written notification of cancellation occurs within 60 days prior to the expiration of the existing term. Initial rent payments were $2,000 a month increasing by 15% every exercise of extension following the first extension under the terms of the lease. Payments received during the fiscal year were $2,000 monthly from July 2022 through June 2023. The current 5-year term will expire in August 2026.

11. LEASE PAYABLE

The District has entered into agreements to lease office space. The lease agreements qualify as other than short-term leases under GASB Statement No.87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on July 1, 2021, to lease office space at 41550 Eclectic St. in Palm Springs, California. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1.49%, which is Federal funds rate at the time of inception. As a result of the lease, the District has recorded a right to use asset with a net book value of $194,057 at June 30, 2023. The right to use asset is discussed in more detail in Note 5.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Fiscal Year	Lease Payable		
Ended June 30,	Principal	Interest	Total
2024	$ 21,186	$ 2,814	$ 24,000
2025	21,504	2,496	24,000
2026	21,827	2,173	24,000
2027	22,154	1,846	24,000
2028	22,487	1,513	24,000
2029-2032	87,640	4,360	92,000
	$ 196,798	$ 15,202	$ 212,000

12. INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the District carries commercial insurance. The District purchases commercial insurance to cover the risk of loss for property, business liability, and medical payments.

13. COMMITMENT AND CONTINGENCIES

Earthquake Retrofit

Senate Bill 1953 imposes certain requirements that acute care hospitals would be required to meet within a specified time. These requirements include conducting seismic evaluations. The deadline was extended to January 1, 2030. After January 1, 2030, all hospitals must be determined to be in compliance.

Litigation

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters will not materially affect its financial condition.

13. 401(K) RETIREMENT PLAN

The District converted from a 401(k) retirement plan to 457(B) and 401(A) retirement plans. 457(B) (employee contribution) and 401(A) (employer contribution) retirement plans were determined to be more appropriate for a governmental agency. The 401(K) plan was terminated during the fiscal year and the 457(B) and 401(A) retirement plans became effective October 1, 2014.

The District contributes a dollar for dollar match for the first 4% of employee salary deferral and two dollars match for each additional dollar of the next 2% of employee salary deferral. The District's match contribution for the fiscal years ended June 30, 2023 and 2022 were $120,339 and $105,943, respectively.

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN

Effective July 1, 1971, Desert Hospital Corporation (Corporation) established a defined benefit pension plan (Plan) covering eligible employees of Desert Hospital. The Corporation was dissolved as of May 31, 1997 and the Plan has been frozen as of that date. The Desert Healthcare District (the "District") has assumed sponsorship of the Plan. Refer to the Plan's separate financial statements for more detailed information.

Vesting

All participants of the Plan have been 100% vested since May 31, 1997.

Account Balances

All participants of the Plan are eligible to request a distribution or rollover of their account balance upon retirement or termination of their employment from Desert Regional Medical Center.

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Contributions

There have been no contribution requirements by the District since May 31, 1997. Participant contributions to the Plan are not permitted. In the most recent actuarial valuation (dated as of June 30, 2023), the Plan's independent actuary determined that the actuarial value of the Plan's net pension asset was $1,457,140 at June 30, 2023 and $1,009,246 at June 30, 2022. In the report it was recommended that an actuarially determined contribution of $0 as of June 30, 2023 and $0 as of June 30, 2022, should be made due to the Plan's funded status.

Administration and Trustee

The Plan is administered by the District's Finance and Administrative Committee (the Committee). The Committee is selected by the District's board of directors. All administrative expenses are paid by the Plan or at the discretion of the District.

Pursuant to the terms of the Plan, the District entered into a trust agreement with US Bank N.A. to provide for the investment, reinvestment, administration and distribution of contributions made under the Plan.

Schedule of Funding Progress

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2006	$ 5,236,383	$ 9,566,663	$(4,330,280)	55%	N/A	N/A
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	4,552,074	9,312,581	(4,760,507)	49%	N/A	N/A
6/30/2009	3,351,366	9,141,403	(5,790,037)	37%	N/A	N/A
6/30/2010	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2011	3,522,125	7,921,342	(4,399,217)	45%	N/A	N/A
6/30/2012	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2013	2,797,614	7,357,700	(4,560,086)	38%	N/A	N/A
6/30/2014	2,656,607	10,603,012	7,946,405	25%	N/A	N/A
6/30/2015	2,405,256	10,149,205	7,743,949	24%	N/A	N/A
6/30/2016	1,924,238	11,568,940	9,644,702	17%	N/A	N/A
6/30/2017	5,344,173	8,219,294	2,875,121	65%	N/A	N/A
6/30/2018	5,189,834	8,467,627	3,277,793	61%	N/A	N/A
6/30/2019	4,913,907	8,309,530	3,395,623	59%	N/A	N/A
6/30/2020	4,783,963	9,388,217	4,604,254	51%	N/A	N/A
6/30/2021	5,314,972	3,507,940	(1,807,032)	182%	N/A	N/A
6/30/2022	4,597,838	3,588,592	(1,009,246)	128%	N/A	N/A
6/30/2023	4,493,259	3,036,119	(1,457,140)	148%	N/A	N/A

No actuarial report or estimation using actuarial methodology was prepared for June 30, 2012, 2010, and 2007.

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

General Information about the Desert Hospital Retirement Protection Plan (Plan) Pension Plan

Plan Description
The Plan was originally established in 1971 as a defined benefit plan covering all eligible employees of Desert Hospital. The plan has been frozen since May 31, 1997.

Employees Covered
At June 30, 2023 and 2022, the following employees were covered by the benefit terms:

	2023	2022
Inactive plan members if beneficiaries currently receiving benefits	7	7
Inactive plan members entitled to but not yet receiving benefits	58	59
Active plan members	68	88
Total Employees Covered	133	154

Contributions
There have been no contribution requirements by the District since May 31, 1997. Participant contributions to the Plan are not permitted.

Net Pension Liability (Asset)

The District's net pension liability (asset) for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions
The total pension liability in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	6.56%, net of pension plan investment expense, including inflation.
Measurement date	June 30, 2023, based on a valuation date of June 30, 2023.
Ad hoc cost-of-living increases	Not applicable
Mortality	Pre-Retirement: None Post-Retirement: PubG-2010 Sex distinct mortality tables projected generationally with Scale MP-2021
Experience study	Given the size of the plan, there is not enough data available to conduct a credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions. The plan is frozen to new participants and benefit accruals.
Retirement	100% retirement at age 65.
Termination	Participants* are assumed to work for the Desert Regional Medical Center operated by Tenet Health System Desert, Inc. until Normal Retirement Age.
Other assumptions	See actuarial assumptions provided in the June 30, 2023 funding valuation for other relevant assumptions.

* Former Desert Hospital employees employed with Tenet Health System Desert, Inc.

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Net Pension Liability (Asset) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.56 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the Plan stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.56 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.56 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 6.71 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The Plan checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The Plan expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through the 2023-2024 fiscal year. The Plan will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Net Pension Liability (Asset) (Continued)

Expected Rate of Return
The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic fixed income securities	35.0%	1.22%
Domestic equities	48.0%	4.96%
International equities	12.0%	4.62%
Cash	5.0%	-0.15%

Changes in the Net Pension Liability (Asset)

The changes in the Net Pension Liability (Asset) for the Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability/(Asset) (c) = (a) - (b)
Balance, June 30, 2022	$ 3,588,592	$ 4,597,838	$ (1,009,246)
Changes in Recognized for the Measurement Period:			
Employer Contributions			
Interest on the Total Pension Liability	207,687		207,687
Differences between Expected and Actual Experience	(224,667)		(224,667)
Changes in Assumptions	(14,943)		(14,943)
Net Investment Income *		415,971	(415,971)
Benefit Payments, including Refunds of Employee Contributions	(520,550)	(520,550)	
Administrative Expenses			
Net Changes during 2022-2023	(552,473)	(104,579)	(447,894)
Balance, June 30, 2023	$ 3,036,119	$ 4,493,259	$ (1,457,140)

* Net of administrative expenses.

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Changes in the Net Pension Liability (Asset) (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate
The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.56 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.56 percent) or 1 percentage-point higher (7.56 percent) than the current rate:

	1% Decrease (5.56%)	Current Discount Rate (6.56%)	1% Increase (7.56%)
Net pension liability	$ (1,406,256)	$ (1,457,140)	$ (1,502,525)

Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports.

The Plan's Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2023, the District recognized pension expense of $84,991. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (112,333)
Net differences between projected and actual earnings on pension plan investments	587,440	(444,780)
Changes in assumptions		(7,471)
Total	$ 587,440	$ (564,584)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2024	$ (84,002)
2025	(14,173)
2026	150,094
2027	(29,063)
Total	$ 22,856

15. RELATED PARTY TRANSACTIONS

The Desert Healthcare District and the Desert Healthcare Foundation are related parties. The Foundation is organized to provide health and welfare assistance to Coachella Valley residents in need. The District donated funds of $750,000 and $2,000,000 to the Foundation, to help fulfill their purpose during June 30, 2023 and 2022, respectively. The District also provided the Foundation with office space and personnel of $650,785 and $534,792 during June 30, 2023 and 2022, respectively.

Grants payable to the Foundation as of June 30, 2023 amounted to $750,000. As of June 30, 2023 accounts receivable from the Foundation were $0.

The Desert Healthcare District awarded and disbursed grant funds to a grantee, Vision y Compromiso, whose associate director is the District's CEO's wife. At June 30, 2023 and 2022, total grants awarded to Vision y Compromiso were $0 and $150,000, respectively. Total grant funds expended to Vision y Compromiso for the fiscal year ended June 30, 2023 and 2022 amounted to $67,500 and $0, respectively.

16. PRIOR PERIOD ADJUSTMENTS

There was a prior period adjustment of $24,486 on the statement of activities related to the understatement of lease receivables and the understatement of deferred inflows of resources.

There was a prior period adjustment of $(1,436) on the statement of activities related to an understatement of bank fees in the prior fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Prepared for the Desert Healthcare District, a Single-Employer Defined Benefit Pension Plan as of June 30, 2023

Note 1 – Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios – Last 10 Years*

	06/30/2023	06/30/2022	06/30/2021	06/30/2020	06/30/2019
Total pension liability					
Service cost	$ 0	$ 0	$ 0	$ 0	$ 0
Interest	207,687	229,605	342,696	374,170	385,951
Changes of benefit terms	0	0	0	0	0
Differences between expected and actual experience	(224,667)	0	(1,123,559)	0	(802,110)
Changes of assumptions	(14,943)	23,267	(4,503,151)	912,601	769,854
Benefit payments, including refunds of member contributions	(520,550)	(172,220)	(596,263)	(208,084)	(511,792)
Net change in total pension liability	(552,473)	80,652	(5,880,277)	1,078,687	(158,097)
Total pension liability - beginning	3,588,592	3,507,940	9,388,217	8,309,530	8,467,627
Total pension liability - ending (a)	**$ 3,036,119**	**$ 3,588,592**	**$ 3,507,940**	**$ 9,388,217**	**$ 8,309,530**
Plan fiduciary net position					
Contributions - employer	$ 0	$ 0	$ 0	$ 0	$ 0
Contributions - member	0	0	0	0	0
Contributions - nonemployer contributing member	0	0	0	0	0
Net investment income	415,971	(544,914)	1,127,272	78,140	235,865
Benefit payments, including refunds of member contributions	(520,550)	(172,220)	(596,263)	(208,084)	(511,792)
Administrative expenses	0	0	0	0	0
Other	0	0	0	0	0
Net change in plan fiduciary net position	$ (104,579)	$ (717,134)	$ 531,009	$ (129,944)	$ (275,927)
Plan fiduciary net position - beginning	4,597,838	5,314,972	4,783,963	4,913,907	5,189,834
Plan fiduciary net position - ending (b)	**$ 4,493,259**	**$ 4,597,838**	**$ 5,314,972**	**$ 4,783,963**	**$ 4,913,907**
Net pension liability - ending (a) - (b)	**$ (1,457,140)**	**$ (1,009,246)**	**$ (1,807,032)**	**$ 4,604,254**	**$ 3,395,623**
Plan fiduciary net position as a percentage of the total pension liability	147.99%	128.12%	151.51%	50.96%	59.14%
Covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net pension liability as percentage of covered - employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

	06/30/2018	06/30/2017	06/30/2016	06/30/2015
Total pension liability				
Service cost	$ 0	$ 0	$ 0	$0
Interest	399,298	321,990	397,980	418,035
Changes of benefit terms	0	0	0	0
Differences between expected and actual experience	0	(437,093)	(493,455)	(537,578)
Changes of assumptions	315,705	(2,852,163)	1,944,607	0
Benefit payments, including refunds of member contributions	(466,670)	(382,380)	(459,397)	(304,264)
Net change in total pension liability	248,333	(3,349,646)	1,389,735	(423,807)
Total pension liability - beginning	8,219,294	11,568,940	10,179,205	10,603,012
Total pension liability - ending (a)	**$ 8,467,627**	**$ 8,219,294**	**$ 11,568,940**	**$10,179,205**
Plan fiduciary net position				
Contributions - employer	$ 0	$ 3,400,000	$ 0	$ 0
Contributions - member	0	0	0	0
Contributions - nonemployer contributing member	0	0	0	0
Net investment income	347,969	426,828	(6,638)	70,805
Benefit payments, including refunds of member contributions	(466,670)	(382,380)	(459,397)	(304,264)
Administrative expenses	(35,638)	(24,513)	(14,983)	(17,892)
Other	0	0	0	0
Net change in plan fiduciary net position	$ (154,339)	$ 3,419,935	$ (481,018)	$ (251,351)
Plan fiduciary net position - beginning	5,344,173	1,924,238	2,405,256	2,656,607
Plan fiduciary net position - ending (b)	**$ 5,189,834**	**$ 5,344,173**	**$ 1,924,238**	**$2,405,256**
Net pension liability - ending (a) - (b)	**$ 3,277,793**	**$ 2,875,121**	**$ 9,644,702**	**$ 7,773,949**
Plan fiduciary net position as a percentage of the total pension liability	61.29%	65.02%	16.63%	23.63%
Covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net pension liability as percentage of covered - employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable

(Continued)

*Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

Prepared for the Desert Healthcare District, a Single-Employer Defined Benefit Pension Plan as of June 30, 2023

Note 1 – Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios – Last 10 Years*

Notes to Schedule

Changes in Assumptions:

-2017 to 2018 Investment rate of return, including inflation, and net of investment expenses changed from 5.00 % to 4.70%.

-2017 to 2018 Discount Rate changed from 5.00% to 4.70%.

-2018 to 2019 Discount Rate changed from 4.70% to 4.56%.

-2018 to 2019 Investment rate of return, including inflation, and net of investment expenses changed from 4.70 % to 4.56%.

-2019 to 2020 Discount rate changed from 4.56% to 3.77%

-2020 to 2021 Discount rate changed from 3.77% to 6.71%

- 2021 to 2022 Discount rate changed from 6.71% to 6.24%

- 2022 to 2023 Discount rate changed from 6.24% to 6.56%

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2023

Note 2 – Schedule of Changes in Net OPEB Liability and Related Ratios – Last 10 Fiscal Years*

Measurement period	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Total OPEB Liability						
Service Cost	$ -	$ -	$ -	$ -	$ -	$ -
Changes in assumptions	-	-	-	(3,245)	(908)	-
Interest on the Total OPEB Liability	-	-	-	2,957	3,684	4,057
Benefit Payments and write offs	-	-	(67,364)	(20,321)	(23,490)	(22,587)
Net Change in Total OPEB Liability			(67,364)	(20,609)	(20,714)	(18,530)
Total OPEB Liability - Beginning	-	-	67,364	87,973	108,687	127,217
Total OPEB Liability - Ending (a)	$ -	$ -	$ -	$ 67,364	$ 87,973	$ 108,687
Plan Fiduciary Net Position						
Contribution from the Employer	$ -	$ -	$ 21,400	$ 20,321	$ 23,490	$ 22,587
Net investment income	-	-	-	-	-	-
Benefit Payments	-	-	(21,400)	(20,321)	(23,490)	(22,587)
Administrative Expenses	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position			-	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-	-	-	-
Plan Fiduciary Net Position - Ending (b)	$ -	$ -	$ -	$ -	$ -	$ -
Net OPEB Liability - Ending (a)-(b)	$ -	$ -	$ -	$ 67,364	$ 87,973	$ 108,687
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	N/A	N/A	N/A	0.00%	0.00%	0.00%
Covered - Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

During the year ended June 30, 2021, the remaining covered retiree passed away and therefore there was no remaining OPEB liability.

Changes of Assumption: Investment/Discount rate changed from 3.50% to 3.80% from 2018 to 2019 measurement period.

*Fiscal year 2018 was the first year of implementation, therefore only six years are shown.