

DESERT HOSPITAL
RETIREMENT PROTECTION PLAN

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS, AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2023

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Desert Healthcare District
Desert Healthcare Hospital Retirement Protection Plan
Palm Springs, CA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the fiduciary activities of the Desert Healthcare Hospital Retirement Protection Plan (the Plan) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

In our opinion, the accompanying basic financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary activities of the Plan 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 Plan, 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 Plan'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.

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 Plan'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 Plan'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 Plan is reporting Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 67. The change has no effect on the Fiduciary Net Position or Change in Fiduciary Net Position.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios and the Schedule of Plan Contributions 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.

Management has omitted the Management’s Discussion and Analysis and the Schedule of the Annual Money-Weighted Rate of Return on Plan Investments that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2023, on our consideration of the Plan’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 Plan’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 Plan’s basic financial statements as of and for the fiscal year ended June 30, 2022, were audited by other auditors. They expressed a modified 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, CA
September 8, 2023

DESERT HOSPITAL RETIREMENT PROTECTION PLAN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR JUNE 30, 2022

	2023	2022
<u>ASSETS</u>		
Cash	\$ 200,936	\$ 212,589
Investments, at fair value		
U.S. Government securities	394,369	342,878
Corporate equity securities	-	561,296
Corporate debt securities	683,184	492,046
Mutual funds	3,209,553	2,989,543
Total investments	4,287,106	4,385,763
Interest and dividends receivable	12,463	6,866
Total Assets	4,500,505	4,605,218
<u>LIABILITIES</u>		
Accrued trustee fees	7,246	7,380
<u>NET POSITION RESTRICTED FOR PENSION</u>		
Net position restricted for pension	\$ 4,493,259	\$ 4,597,838

(The accompanying notes are an integral part of these financial statements)

**DESERT HOSPITAL RETIREMENT PROTECTION PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	2023	2022
<u>ADDITIONS:</u>		
Contributions	\$ -	\$ -
Investment income:		
Net appreciation in fair value of Plan assets	32,067	(129,864)
Interest, dividends, and other investment income	129,401	109,120
Net gain(loss) from sale of investments	283,511	(491,776)
Net income (loss)	444,979	(512,520)
<u>DEDUCTIONS:</u>		
Distributions of benefits	520,549	172,220
Administrative expenses	29,009	32,394
Total deductions	549,558	204,614
NET INCREASE (DECREASE) IN NET POSITION	(104,579)	(717,134)
NET POSITION RESTRICTED FOR PENSION:		
BEGINNING OF THE FISCAL YEAR	4,597,838	5,314,972
END OF THE FISCAL YEAR	\$ 4,493,259	\$ 4,597,838

(The accompanying notes are an integral part of these financial statements)

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. PLAN STATUS

From June 1986 to May 1997, the Desert Hospital Corporation (the Corporation), a California not for profit public benefit corporation, operated Desert Hospital under a lease agreement with the Desert Healthcare District (the District). The District is a hospital district under California law, created under California's Health and Safety Code.

On May 31, 1997, after the Corporation and the District discontinued their lease agreement for the operation of Desert Hospital, the Corporation dissolved, and the District entered into a lease agreement with Tenent Health System Desert, Inc., concerning the operation of Desert Hospital, which is now known as Desert Regional Medical Center. As part of the dissolution process, the Corporation transferred certain assets and liabilities to the District, and the District assumed sponsorship of the Desert Hospital Retirement Protection Plan (the Plan). The Plan has been frozen since May 31, 1997.

The District is a political subdivision of the State of California, as identified in section 4021(b)(2) of the Employee Retirement Income Savings Act (ERISA). Accordingly, the Plan is excluded from coverage under section 4021(b)(2) of ERISA.

A final Form 5500 was filed for the fiscal year ended June 30, 1998.

The Plan has reported to the California State Controller's Office beginning with the fiscal year ended June 30, 1999.

2. PLAN DESCRIPTION

General

As discussed in Note 1 above, the Plan has been frozen since May 31, 1997. The Plan was originally established in 1971 as a defined benefit plan covering all eligible employees of Desert Hospital.

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.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

2. PLAN DESCRIPTION (Continued)

Contributions

There have been no contribution requirements by the District since May 31, 1997. Participant contributions to the Plan are not permitted. The most recent actuarial valuation as of June 30, 2023, by 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, The actuary recommended to the District an actuarially determined contribution of \$0 for the fiscal year ended June 30, 2023 and \$0 for the fiscal year ended June 30, 2022.

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 U.S. Bank N. A. to provide for the investment, reinvestment, administration, and distribution of contributions made under the Plan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In that respect, the statements are presented on an accrual basis.

Use of Estimates

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and when applicable, disclosures of contingent assets and liabilities. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Federal Income Taxes

The Committee obtained an updated determination letter in March 2007 from the Internal Revenue Service stating that the Plan and its amendments are exempt from Federal income taxes under section 410(a) of the Internal Revenue Code (the IRC) as a qualified plan. Therefore, no provision for income taxes has been provided in the Plan's financial statements.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting

Due to the Plan's status as a "Frozen Plan", certain disclosures and supplemental schedules have been omitted from the accompanying financial statements.

4. CASH AND INVESTMENTS

Cash and securities held in the investment portfolio are in the custody of U.S. Bank, N.A., the Plan's trustee. State statute and Board policies allow investments consisting of government, corporate and international bonds, domestic and international equities, mutual funds and other investments.

Investments of the Plan are stated at fair value as confirmed by the trustee as of the date of the statement of plan net assets.

The Plan's investments are categorized below:

<u>Investment Type</u>	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	<u>\$ 200,936</u>	<u>\$ 200,936</u>	<u>\$ 212,589</u>	<u>\$ 212,589</u>
Investments				
U.S. Government securities	415,536	394,369	356,163	342,878
Corporate equity securities	-	-	360,053	561,296
Corporate debt securities	707,510	683,184	516,423	492,046
Mutual funds	<u>2,596,498</u>	<u>3,209,553</u>	<u>2,617,647</u>	<u>2,989,543</u>
Investments total	<u>3,719,544</u>	<u>4,287,106</u>	<u>3,850,286</u>	<u>4,385,763</u>
Total cash and investments	<u>\$ 3,920,480</u>	<u>\$ 4,488,042</u>	<u>\$ 4,062,875</u>	<u>\$ 4,598,352</u>

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 Plan 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.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

4. CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity:

As of June 30, 2023

Investment Type	Carrying Amount	Remaining Maturity (in Months)				
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More than 49 Months
Equity Based Mutual Funds	\$ 2,654,131	\$ 2,654,131	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds	503,705	503,705				
Balanced Mutual Funds	51,717	51,717				
Corporate Bonds	683,184	198,521	23,729	47,845	46,446	366,643
U.S. Government Agencies	202,576					202,576
U.S. Treasury Note	191,793	99,074				92,719
Total	<u>\$ 4,287,106</u>	<u>\$ 3,507,148</u>	<u>\$ 23,729</u>	<u>\$ 47,845</u>	<u>\$ 46,446</u>	<u>\$ 661,938</u>

As of June 30, 2022

Investment Type	Carrying Amount	Remaining Maturity (in Months)				
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More than 49 Months
Equity Based Mutual Funds	\$ 2,053,149	\$ 2,053,149	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds	936,394	936,394	-	-	-	-
Corporate Bonds	492,046	49,956	200,733	-	49,116	192,241
U.S. Government Agencies	243,179	-	-	-	-	243,179
U.S. Treasury Note	99,699	-	99,699	-	-	-
Foreign Stock	34,813	34,813	-	-	-	-
Domestic Common Stock	526,483	526,483	-	-	-	-
Total	<u>\$ 4,385,763</u>	<u>\$ 3,600,795</u>	<u>\$ 300,432</u>	<u>\$ -</u>	<u>\$ 49,116</u>	<u>\$ 435,420</u>

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

4. 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 Plan's investment policy, and the actual rating as of fiscal year end for each investment type.

As of June 30, 2023:

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA/AA	A	BBB	Not Rated
Equity Based Mutual Funds	\$ 2,654,131	N/A	\$ -	\$ -	\$ -	\$ -	\$ 2,654,131
Fixed Income Mutual Funds	503,705	N/A	-	-	-	-	503,705
Balanced Mutual Funds	51,717	N/A	-	-	-	-	51,717
Corporate Bonds	683,184	A	-	145,178	99,789	438,217	-
U.S. Government Agencies	202,576	N/A	-	-	-	-	202,576
U.S. Treasury Note	191,793	N/A	191,793	-	-	-	-
Total	<u>\$ 4,287,106</u>		<u>\$ 191,793</u>	<u>\$ 145,178</u>	<u>\$ 99,789</u>	<u>\$ 438,217</u>	<u>\$ 3,412,129</u>

As of June 30, 2022:

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA/AA	A	BBB	Not Rated
Equity Based Mutual Funds	\$ 2,053,149	N/A	\$ -	\$ -	\$ -	\$ -	\$ 2,053,149
Fixed Income Mutual Funds	936,394	N/A	-	-	-	-	936,394
Corporate Bonds	492,046	A	-	148,138	150,129	193,779	-
U.S. Government Agencies	243,179	A	-	-	243,179	-	-
U.S. Treasury Note	99,699	N/A	99,699	-	-	-	-
Foreign Stock	34,813	N/A	-	-	-	-	34,813
Domestic Common Stock	526,483	N/A	-	-	-	-	526,483
Total	<u>\$ 4,385,763</u>		<u>\$ 99,699</u>	<u>\$ 148,138</u>	<u>\$ 393,308</u>	<u>\$ 193,779</u>	<u>\$ 3,550,839</u>

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

4. CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer. There are five investments at June 30, 2023 that represent 5% or more of total Plan investments. These investments are:

- 5,390 Shares of IShares S&P 500 Growth Etf valued at \$379,887.
- 2,581 Shares of IShares S&P 500 Value Etf valued at \$416,031.
- 5,026 Shares of Vanguard Ftse Developed Etf valued at \$232,101.
- 600 Shares of Vanguard S&P 500 Etf valued at \$244,368.
- 21,011 Shares of Pгим Total Return Bond Cl R6 valued at \$301,813.

There are two investments at June 30, 2022 that represent 5% or more of total Plan investments. These investments are:

- 3,727 Shares of Vanguard Short-term Invt. Grade #539 valued at \$375,688.
- 2,469 Shares of IShares S&P 500 Value Etf. valued at \$399,389.

Custodial Credit

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 Plan'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:

As of June 30, 2023, there were no District deposits with financial institutions in excess of federal depository insurance limits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Plan's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities.

Money-weighted rate of return is 9.59% assuming mid-year timing for inflow/outflows.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

4. CASH AND INVESTMENTS (Continued)

Fair Value Measurements

The Plan 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; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The Plan has the following recurring fair value measurements as of June 30, 2023:

<u>Investment by fair value</u>	<u>Total</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted prices in Active Markets for Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt Securities				
US Government Issues	\$ 394,369	\$ 191,793	\$ 202,576	\$ -
Corporate Issues	683,184	-	683,184	-
Mutual Funds- Equity	2,654,131	2,401,307	252,824	-
Mutual Funds- Balanced	51,717	-	51,717	-
Mutual Funds- Fixed Income	503,705	-	503,705	-
Total	\$ 4,287,106	\$ 2,593,100	\$ 1,694,006	\$ -

The Plan has the following recurring fair value measurements as of June 30, 2022:

<u>Investment by fair value</u>	<u>Total</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted prices in Active Markets for Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt Securities				
US Government Issues	\$ 342,878	\$ 99,699	\$ 243,179	\$ -
Corporate Issues	492,046	-	492,046	-
Mutual Funds- Equity	2,053,149	2,053,149	-	-
Mutual Funds- Fixed Income	936,394	-	936,394	-
Domestic Common Stock	526,483	526,483	-	-
Foreign Stock	34,813	34,813	-	-
Total	\$ 4,385,763	\$ 2,714,144	\$ 1,671,619	\$ -

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

5. ACTUARIAL ASSUMPTIONS

The total pension liability as of June 30, 2023, was 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: Pub G - 2010 Sex distinct mortality tables projected generationally with Scale MP-2021 from 2010.
Experience study	Given the size of the plan, there is not enough data available to conduct a credible 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.

The date of the June 30, 2023 actuarial report was August 16, 2023.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

6. NET PENSION LIABILITY OF THE PLAN

Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2023</u>	<u>2022</u>
Total pension liability:		
Service cost	\$ -	\$ -
Interest	207,687	229,605
Changes of benefit terms	-	-
Differences between expected and actual experience	(224,667)	-
Changes of assumptions	(14,943)	23,267
Benefit payments, including refunds of member contributions	(520,550)	(172,220)
Net change in total pension liability	(552,473)	80,652
Total pension liability - beginning	3,588,592	3,507,940
Total pension liability - ending (a)	<u>\$ 3,036,119</u>	<u>\$ 3,588,592</u>
Plan fiduciary net position		
Contributions - employer	\$ -	\$ -
Net investment income	444,979	(512,520)
Benefit payments, including refunds of member contributions	(520,549)	(172,220)
Administrative expenses	(29,009)	(32,394)
Net change in plan fiduciary net position	(104,579)	(717,134)
Plan fiduciary net position - beginning	4,597,838	5,314,972
Plan fiduciary net position - ending (b)	<u>4,493,259</u>	<u>4,597,838</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (1,457,140)</u>	<u>\$ (1,009,246)</u>
Plan fiduciary net position as a percentage of the total pension liability	147.99%	128.12%
Covered - employee payroll	N/A	N/A
Net pension liability as percentage of covered - employee payroll	N/A	N/A

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

6. NET PENSION LIABILITY OF THE PLAN (Continued)

Discount Rate and Net Pension Liability Sensitivity

1. Discount Rate

The discount rate used to measure the total pension liability was 6.56%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Professional judgement on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted for current members during the 2037 fiscal year. Therefore, the long-term expected rate of return 6.82% was used to discount funded projected benefit payments and the municipal bond rate 3.15% was used to discount unfunded projected benefit payments to determine the total pension liability. The single effective discount rate was 6.56%.

2. Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset for 2023 and 2022, calculated using the discount rate of 6.56% (6.24%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.56% and 5.24%) or 1-percentage-point higher (7.56% and 7.24%) than the current rate:

For the Fiscal Year Ended June 30, 2023

	<u>1% Decrease (5.56%)</u>	<u>Current Discount Rate (6.56%)</u>	<u>1% Increase (7.56%)</u>
Net pension asset	(1,406,256)	(1,457,140)	(1,502,525)

For the Fiscal Year Ended June 30, 2022

	<u>1% Decrease (5.24%)</u>	<u>Current Discount Rate (6.24%)</u>	<u>1% Increase (7.24%)</u>
Net pension asset	(953,692)	(1,009,246)	(1,056,806)

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

6. NET PENSION LIABILITY OF THE PLAN (Continued)

Plan membership

The total pension liability was determined based on the plan membership as of June 30,

	<u>2023</u>	<u>2022</u>
Inactive plan members if beneficiaries currently receiving benefits	7	7
Inactive plan members entitled but not yet receiving benefits	58	59
Active plan members	68	88
	<u>133</u>	<u>154</u>

Net Pension Liability

The components of the net pension liability at June 30,

	<u>2023</u>	<u>2022</u>
Total pension liability	\$ 3,036,119	\$ 3,588,592
Plan fiduciary net position	<u>(4,493,259)</u>	<u>(4,597,838)</u>
Net pension asset	<u>\$ (1,457,140)</u>	<u>\$ (1,009,246)</u>
Plan fiduciary net position as a % of the total pension liability	147.99%	128.12%

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions.

	<u>2023</u>	<u>2022</u>
Inflation	2.75%	2.75%
Salary increases	NA	NA
Investment rate of return	6.56%	6.24%
Discount rate	6.56%	6.24%

7. SUBSEQUENT EVENTS

Management of the Plan has evaluated all potential subsequent events as of September 8, 2023, the date when the financial statements were available to be issued. No subsequent events or transactions were identified after June 30, 2023, that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

DESERT HOSPITAL RETIREMENT PROTECTION PLAN
Schedule of Changes in the Net Pension Liability and Related Ratios- Last 10 Fiscal Years (Continued)
June 30, 2023

	2023	2022	2021	2020	2019
TOTAL PENSION LIABILITY					
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	207,687	229,605	342,696	374,170	385,951
Changes of Benefit Terms	-	-	-	-	-
Difference between Expected and Actual Experience	(224,667)	-	(1,123,559)	-	(802,110)
Changes of Assumptions	(14,943)	23,267	(4,503,151)	912,601	769,854
Benefit Payments	(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	\$ 3,036,119	\$ 3,588,592	\$ 3,507,940	\$ 9,388,217	\$ 8,309,530
PLAN FIDUCIARY NET POSITION					
Contributions from the Employer/Member	\$ -	\$ -	\$ -	\$ -	\$ -
Net Investment Income	444,979	(512,520)	1,127,272	78,140	235,865
Administrative Expenses	(29,009)	(32,394)	-	-	-
Benefit Payments	(520,549)	(172,220)	(596,263)	(208,084)	(511,792)
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	\$ 4,493,259	\$ 4,597,838	\$ 5,314,972	\$ 4,783,963	\$ 4,913,907
Plan Net Pension Liability (Asset) - Ending	\$ (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 (Asset)	147.99%	128.12%	151.51%	50.96%	59.14%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability (Asset) as a percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Changes in Assumption

In 2017, the post-retirement mortality tables were changed from 2015 annuitant tables to 2017 annuitant tables

In 2019, the interest rate changed to 6.82% per annum compounded from 7.5% pre-retirement and 6.5% post retirement.

In 2019, the post-retirement mortality tables were changed from 2017 IRS Static Mortality table to Scale MP-2018 PubG-2010 sex distinct mortality tables

In 2021, the interest rate changed to 6.71% from 6.82%

In 2021, the interest credit rate changed to 2% per annum from 4% per annum

In 2021, the conversion rate changed to 3% per annum from 5% per annum

In 2021, the form of payment assumption changed to assume 95% of participants take a lump sum payment and 5% take an annuity

In 2021, the retirement assumption was updated to assume the active participants retire at age 65 and terminated vested participants take an immediate lump sum payment

In 2021, the post-retirement mortality tables were changed from Scale MP-2018 PubG-2010 sex distinct mortality tables to Scale MP-2020 PubG-2010 sex distinct mortality tables

In 2023, the interest rate changed to 6.56% from 6.71%

In 2023, the post-retirement mortality tables were changed from Scale MP-2020 PubG-2010 sex distinct mortality tables to Scale MP-2021 PubG-2010 sex distinct mortality tables

DESERT HOSPITAL RETIREMENT PROTECTION PLAN
Schedule of Changes in the Net Pension Liability and Related Ratios- Last 10 Fiscal Years (Continued)
June 30, 2023

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	399,298	321,990	397,980	418,035	N/A
Changes of Benefit Terms	-	-	-	-	N/A
Difference between Expected and Actual Experience	-	(437,093)	(493,455)	(537,578)	N/A
Changes of Assumptions	315,705	(2,852,163)	1,944,607	-	N/A
Benefit Payments	(466,670)	(382,380)	(459,397)	(304,264)	N/A
Net Change in Total Pension Liability	<u>248,333</u>	<u>(3,349,646)</u>	<u>1,389,735</u>	<u>(423,807)</u>	<u>N/A</u>
Total Pension Liability - Beginning	8,219,294	11,568,940	10,179,205	10,603,012	N/A
Total Pension Liability - Ending	<u>\$ 8,467,627</u>	<u>\$ 8,219,294</u>	<u>\$ 11,568,940</u>	<u>\$ 10,179,205</u>	<u>\$ 10,603,012</u>
PLAN FIDUCIARY NET POSITION					
Contributions from the Employer/Member	\$ -	\$ 3,400,000	\$ -	\$ -	\$ -
Net Investment Income	347,969	426,828	(6,638)	70,805	N/A
Administrative Expenses	(35,638)	(24,513)	(14,983)	(17,892)	N/A
Benefit Payments	(466,670)	(382,380)	(459,397)	(304,264)	N/A
Net Change in Plan Fiduciary Net Position	<u>(154,339)</u>	<u>3,419,935</u>	<u>(481,018)</u>	<u>(251,351)</u>	<u>N/A</u>
Plan Fiduciary Net Position - Beginning	5,344,173	1,924,238	2,405,256	2,656,607	N/A
Plan Fiduciary Net Position - Ending	<u>\$ 5,189,834</u>	<u>\$ 5,344,173</u>	<u>\$ 1,924,238</u>	<u>\$ 2,405,256</u>	<u>\$ 2,656,607</u>
Plan Net Pension Liability (Asset) - Ending	<u>\$ 3,277,793</u>	<u>\$ 2,875,121</u>	<u>\$ 9,644,702</u>	<u>\$ 7,773,949</u>	<u>\$ 7,946,405</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	<u>61.29%</u>	<u>65.02%</u>	<u>16.63%</u>	<u>23.63%</u>	<u>25.06%</u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability (Asset) as a percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Changes in Assumption

- In 2017, the post-retirement mortality tables were changed from 2015 annuitant tables to 2017 annuitant tables
- In 2019, the interest rate changed to 6.82% per annum compounded from 7.5% pre-retirement and 6.5% post retirement.
- In 2019, the post-retirement mortality tables were changed from 2017 IRS Static Mortality table to Scale MP-2018 PubG-2010 sex distinct mortality tables
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- In 2021, the retirement assumption was updated to assume the active participants retire at age 65 and terminated vested participants take an immediate lump sum payment
- In 2021, the post-retirement mortality tables were changed from Scale MP-2018 PubG-2010 sex distinct mortality tables to Scale MP-2020 PubG-2010 sex distinct mortality tables
- In 2023, the interest rate changed to 6.56% from 6.71%
- In 2023, the post-retirement mortality tables were changed from Scale MP-2020 PubG-2010 sex distinct mortality tables to Scale MP-2021 PubG-2010 sex distinct mortality tables

DESERT HOSPITAL RETIREMENT PROTECTION PLAN
Schedule of Contributions- Last 10 Fiscal Years
As of June 30, 2023

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Actuarially Determined Contribution	\$ -	\$ -	\$ 366,275	\$ 366,275	\$ 288,378
Contributions in Relation to the Actuarially Determined Contribution	-	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366,275</u>	<u>\$ 366,275</u>	<u>\$ 288,378</u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll					
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Actuarially Determined Contribution	\$ 288,378	\$ 928,460	\$ 928,460	\$ 1,631,186	\$ 1,631,186
Contributions in Relation to the Actuarially Determined Contribution	-	3,400,000	-	-	-
Contribution Deficiency (Excess)	<u>\$ 288,378</u>	<u>\$ (2,471,540)</u>	<u>\$ 928,460</u>	<u>\$ 1,631,186</u>	<u>\$ 1,631,186</u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll					

Notes to the Schedule

Changes in Assumptions

- In 2017, the post-retirement mortality tables were changed from 2015 annuitant tables to 2017 annuitant tables
- In 2019, the interest rate changed to 6.82% per annum compounded from 7.5% pre-retirement and 6.5% post retirement.
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