



DESERT HEALTHCARE DISTRICT
Finance, Legal, Administration, & Real Estate Committee Meeting
October 13, 2020

A meeting of the Finance, Legal, Administration, & Real Estate Committee of the Desert Healthcare District will be held at 3:30 PM, Tuesday, October 13, 2020, via Zoom using the following link:
<https://us02web.zoom.us/j/84837371547?pwd=MXJTeENUdmRlOGdpcXpjVW1hTWZtZz09>
Password: 406555

Participants will need to download the WebEx app on their mobile devices.
Members of the public may also be able to participate by telephone, using the follow dial in information:

Dial in #:(669) 900-6833 To Listen and Address the Board when called upon:
Webinar ID: 848 3737 1547
Password: 406555

AGENDA

I. CALL TO ORDER

II. APPROVAL OF AGENDA

III. PUBLIC COMMENT

At this time, comments from the audience may be made on items not listed on the agenda that are of public interest and within the subject-matter jurisdiction of the District. The Committee has a policy of limiting speakers to not more than three minutes. The Committee cannot take action on items not listed on the agenda. Public input may be offered on an agenda item when it comes up for discussion and/or action.

IV. APPROVAL OF MINUTES

1. F&A Minutes – Meeting September 8, 2020 – Pg. 3-7

ACTION

V. CEO REPORT

VI. CHIEF ADMINISTRATION OFFICER'S REPORT – Pg. 8

1. LPMP Leasing Update – Pg. 9

Information

VII. FINANCIAL REPORTS

ACTION

1. District and LPMP Financial Statements – Pg. 10-20
2. Accounts Receivable Aging Summary – Pg. 21
3. District - Deposits – Pg. 22
4. District - Property tax receipts – Pg. 23
5. LPMP – Deposits – Pg. 24-25
6. District – Check Register – Pg. 26-27
7. Credit Card – Detail of Expenditures – Pg. 28
8. LPMP – Check Register – Pg. 29
9. Retirement Protection Plan Update – Pg. 30
10. Grant Payment Schedule – Pg. 31

VIII. OTHER MATTERS

1. Gary Dack – Lund & Guttry LLP – FY 2020 Audit Reports – District & RPP
 - a. Communication Letter & Internal Controls Report – Pg. 32-37
 - b. District Audit Report – Pg. 38-81

ACTION



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- c. RPP Audit Report – Pg. 82-99
- d. Desert Healthcare Foundation (Informational Purposes Only, Approval during the Foundation's F&A Committee meeting) Pg. 100-113 **Information**
- 2. LPMP Landscape Renovation and Fire Alarm Electrical Bid – Pg. 114-116

IX. ADJOURNMENT

If you have any disability which would require accommodation to enable you to participate in this meeting, please email Andrea S. Hayles, Special Assistant to the CEO and Board Relations Officer, at ahayles@dhcd.org or call (760) 323-6110 at least 24 hours prior to the meeting.



DESERT HEALTHCARE DISTRICT
FINANCE, ADMINISTRATION, REAL ESTATE, LEGAL, AND COMMITTEE
MEETING MINUTES
September 08, 2020

| Directors Present | District Staff Present | Absent |
|--|---|---------------|
| Chair/Treasurer Mark Matthews President Leticia De Lara, MPH Director Arthur Shorr | Conrado E. Bárzaga, MD, Chief Executive Officer Chris Christensen, Chief Administration Officer Eric Taylor, Accounting Manager Andrea S. Hayles, Clerk to the Board | |

| AGENDA ITEMS | DISCUSSION | ACTION |
|---|--|---|
| I. Call to Order | Chair Matthews called the meeting to order at 3:45 p.m. except President Leticia De Lara who joined shortly after commencement of the meeting. | |
| II. Approval of Agenda | Chair Matthews asked for a motion to approve the agenda. | Moved and seconded Chair Matthews and Director Shorr to approve the agenda. Motion passed unanimously. |
| III. Public Comment | There was no public comment. | |
| IV. Approval of Minutes 1. F&A Minutes – Meeting June 09, 2020 | Chair Matthews motioned to approve the July 14, 2020 minutes. | Moved and seconded Chair Mathews and Director Shorr to approve the July 14, 2020 meeting minutes. Motion passed unanimously. |
| V. CEO Report | There was CEO no report. | |
| VI. Chief Administration Officer's Report 1. LPMP Leasing Update | Chris Christensen, CAO, explained that the year-end audit is close to concluding, with Lund & Guttry providing an overview at the October meeting. The Las Palmas Medical Plaza invitation for bids for the landscape project has commenced with advertising in the Desert Sun, a pre-bid walk-thru of the area on 09/15, and bids received in early October for presenting to the committee at the October meeting. | |

**DESERT HEALTHCARE DISTRICT
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September 08, 2020**

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| | <p>The Medical Plaza does not have new tenants at this time other than the latest items recommended for approval at this meeting for lease options.</p> <p>The Retirement Protection Plan illustrates six less participants.</p> | |
| VII. Financial Reports 1. District and LPMP Financial Statements 2. Accounts Receivable Aging Summary 3. District – Deposits 4. District – Property Tax Receipts 5. LPMP Deposits 6. District – Check Register 7. Credit Card – Detail of Expenditures 8. LPMP – Check Register 9. Retirement Protection Plan Update 10. Grant Payment Schedule | <p>Chair Matthews thoroughly reviewed and discussed the financials with the committee. Mr. Christensen explained a slight delay with the property tax receipts most likely due to COVID, and at Director Shorr's request, a column is included in the Retirement Protection Plan illustrating the reduction from June to August – down 6 participants.</p> | <p>Moved and seconded by President De Lara and Chair Matthews and to approve the July and August 2020 District Financial Reports - Items 1-10 and to forward to the Board for approval. Motion passed unanimously.</p> |
| VIII. Other Matters 1. Service Agreement Addendum - Magdalena Martinez dba Personnel 411 HR Consulting - \$833.33 per month 2. LPMP Lease Agreement – LABCORP – 5 Year Lease | <p>Chair Mathews described the service agreement addendum for Personnel 411 HR consulting.</p> <p>Chris Christensen, CAO, explained the minor modifications at the request of LabCorp with updated dates and other minimal requests that were brought forward earlier in the year and finalized.</p> | <p>Moved and seconded by Chair Matthews and Director Shorr and to approve the Service Agreement Addendum - Magdalena Martinez dba Personnel 411 HR Consulting - \$833.33 per month and forward to the Board for approval. Motion passed unanimously.</p> <p>Moved and seconded by Chair Matthews and President De Lara to approve the LPMP Lease Agreement – LABCORP – 5 Year Lease</p> |

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| <p>3. LPMP – Early Lease Termination Agreement – Dennis Spurgin</p> | <p>Chris Christensen, CAO, explained the terms of the long-term tenant Dennis Spurgin, DC, the challenges with COVID-19, and his request for early termination of the lease agreement.</p> | <p>and forward to the Board for approval. Motion passed unanimously.</p> |
| <p>4. LPMP - Temporary Lease Agreement – Arrowhead Evaluation Services, Inc.</p> | <p>Chris Christensen, CAO, described the suite that Dennis Spurgin is vacating and a temporary two-month lease agreement with Arrowhead Evaluation.</p> | <p>Moved and seconded by Chair Matthews and Director Shorr to approve the LPMP – Early Lease Termination Agreement – Dennis Spurgin and forward to the Board for approval. Motion passed unanimously.</p> |
| <p>5. Consulting Services Agreement – Strategies 360 – Voter Education Project - NTE \$30,000</p> | <p>Conrado Bárgaza, MD, CEO, explained the request of the Board for Zone 3 with three candidates to increase awareness of the District and engage voters with the District, presenting Strategies 360's background and consulting services agreement not to exceed \$30k.</p> <p>President De Lara suggested, and Director Shorr agrees with a Request for Proposal (RFP) process to engage more organizations in the Coachella Valley, with Dr. Bárgaza explaining the need to use an outside agency for any conflicts with the candidates.</p> <p>Director Matthews explained that with less than two months to the election, Board approval in the 6 weeks up to the election, and the value in engaging voters in such a short</p> | <p>Moved and seconded by Chair Matthews and President De Lara to approve LPMP - Temporary Lease Agreement – Arrowhead Evaluation Services, Inc. and forward to the Board for approval. Motion passed unanimously.</p> |

**DESERT HEALTHCARE DISTRICT
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MEETING MINUTES
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| <p>6. Retirement Protection Plan - Actuarial Valuation Report – June 30, 2020</p> | <p>period that he will not support the proposal.</p> <p>Director Shorr inquired if the District can achieve the goals after the election if the objective is to educate concerning the District due to timing and potential conflicts of interest.</p> <p>President De Lara moved to support the agreement provided that the CEO explain the timing to the Board for getting the information to the voters rapidly as absentee voters tend to move forward quickly with mail-in ballots, but she will also think about its effectiveness in terms of timing.</p> <p>Chair Matthews moved to decline the consulting services agreement, seconded by Director Shorr.</p> <p>Chris Christensen, CAO, described in detail the retirement protection plans actuarial valuation report noting at the bottom of the staff report the actuarial valuation is a present value calculation if every participant received a monthly annuity payment for life, which calculates the total pension liability. The investment account balance is \$4.7M, but the participant balances are \$4.2M. If all participants left their employment today, there</p> | <p>Moved and seconded by Chair Matthews and Director Shorr to deny the Consulting Services Agreement – Strategies 360 – Voter Education Project - NTE \$30,000 and forward to the Board for discussion. Motion passed 2-1.</p> |
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**DESERT HEALTHCARE DISTRICT
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MEETING MINUTES
September 08, 2020**

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| | <p>would be \$597k excess funds for payout. For purposes of accounting principles and the GASB Standards, the pension liability must be reported, but there are sufficient funds to cover the payouts.</p> <p>Director Shorr suggested developing an interpretive footnote that concisely reflects the position for concerned members of the public.</p> <p>Mr. Christensen explained that the GASB Standards and prior audit firm did not allow for a modified footnote. He did inquire with the actuarial firm to determine the net pension calculations to consider the actual payout process for figuring into a more realistic form for future valuations. Mr. Christensen will inquire with the new audit firm, Lund & Guttry, if a modified footnote may be used to inform the public of the actual payout process.</p> | |
| IV. Adjournment | Chair Matthews adjourned the meeting at 4:30 p.m. | <p>Audio recording available on the website at http://dhcd.org/Agendas-and-Documents</p> |

ATTEST: _____
Mark Matthews, Chair/Treasurer Finance & Administration Committee
Desert Healthcare District Board of Directors

Minutes respectfully submitted by Andrea S. Hayles, Clerk of the Board



Chief Administration Officer's Report

October 2020

Lund & Guttry has completed the FY2020 Audit reports. The reports will be presented by Gary Dack, CPA, for the Committee's review and consideration for approval at today's meeting.

Staff recently released a Notice Inviting Bids for the landscaping project at the Las Palmas Medical Plaza. A public bid opening was performed on October 6, 2020. Results will be presented at today's meeting.

Las Palmas Medical Plaza - Property Management:

Occupancy:

See attached unit rental status report.

92% currently occupied –

Total annual rent including CAM fees is **\$1,227,376**.

Leasing Activity:

Leasing activity has continued to be slow due to the COVID-19 virus. Rob Wenthold, the broker staff is working with, indicated prospective tenants are apprehensive during this period of time.

| Las Palmas Medical Plaza | | | | | | | | | | | | | |
|--------------------------------------|-------------|--------------|---------------------|--------|-------|---------|----------|--------------|---------------|----------|--------------|----------------|-----------------|
| Unit Rental Status | | | | | | | | | | | | | |
| As of October 1, 2020 | | | | | | | | | | | | | |
| Unit | Tenant Name | Deposit | Lease Dates | | Term | Unit | Percent | Monthly | Annual | Rent Per | Monthly | Total Monthly | Total Annual |
| | | | From | To | | Sq Feet | of Total | Rent | Rent | Sq Foot | CAM | Rent Inclg CAM | Rent Inclg CAM |
| | | | | | | | | | | | \$ 0.62 | | |
| 3W, 101 | Vacant | | | | | 1,656 | 3.36% | | | | | | |
| 2W, 107 | Vacant | | | | | 1,024 | 2.07% | | | | | | |
| 1W, 204 | Vacant | | | | | 1,280 | 2.59% | | | | | | |
| Total - Vacancies | | | | | | 3,960 | 8.02% | | | | | | |
| | | | | | | | | | | | | | |
| Total Suites-33 - 31 Suites Occupied | | \$ 59,395.10 | | | | 49,356 | 92.0% | \$ 74,262.26 | \$ 891,147.12 | \$ 1.64 | \$ 28,019.04 | \$ 102,281.30 | \$ 1,227,375.60 |
| | | | | | | | | | | | | | |
| | | | Summary - All Units | | | | | | | | | | |
| | | | Occupied | 45,396 | 92.0% | | | | | | | | |
| | | | Vacant | 3,960 | 8.0% | | | | | | | | |
| | | | Pending | 0 | 0% | | | | | | | | |
| | | | Total | 49,356 | 100% | | | | | | | | |

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| DESERT HEALTHCARE DISTRICT |
| SEPTEMBER 2020 FINANCIAL STATEMENTS |
| INDEX |
| |
| Year to Date Variance Analysis |
| Cumulative Profit & Loss Budget vs Actual - Summary |
| Cumulative Profit & Loss Budget vs Actual - District Including LPMP |
| Cumulative Profit & Loss Budget vs Actual - LPMP |
| Balance Sheet - Condensed View |
| Balance Sheet - Expanded View |
| Accounts Receivable Aging |
| Deposit Detail - District |
| Property Tax Receipts - YTD |
| Deposit Detail - LPMP |
| Check Register - District |
| Credit Card Expenditures |
| Check Register - LPMP |
| Retirement Protection Plan Update |
| Grants Schedule |

| DESERT HEALTHCARE DISTRICT | | | | |
|--|--------------|--------------|--------------|--|
| YEAR TO DATE VARIANCE ANALYSIS | | | | |
| ACTUAL VS BUDGET | | | | |
| THREE MONTHS ENDED SEPTEMBER 30, 2020 | | | | |
| Scope: \$25,000 Variance per Statement of Operations Summary | | | | |
| | | | | |
| | | | | |
| | YTD | | Over(Under) | |
| Account | Actual | Budget | Budget | Explanation |
| 4000 - Income | \$ 1,635,673 | \$ 1,936,485 | \$ (300,812) | Lower interest income and market fluctuations (net) from FRF investments \$290k; lower grant income \$13k; higher misc income \$2k |
| 5000 - Direct Expenses | \$ 267,190 | \$ 420,915 | \$ (153,725) | Lower wage related expenses \$80k due to open positions; lower board expenses \$24k; lower education expense \$22k; lower health insurance expense \$20k; lower retirement expense \$6k; lower workers comp expense \$2k |
| 6445 - LPMP Expense | \$ 239,594 | \$ 293,865 | \$ (54,271) | Lower landscaping expense \$42k; lower tenant improvement depreciation expense \$7k, higher plumbing expense \$3k, lower marketing expense \$4k, lower various \$4k |
| 6500 - Professional Fees Expense | \$ 118,896 | \$ 314,658 | \$ (195,762) | Lower Professional Services expense \$188k; lower PR/Communications expense \$29k; higher legal expense \$21k |
| 7000 - Grants Expense | \$ 537,283 | \$ 1,020,999 | \$ (483,716) | Budget of \$4 Million for fiscal year is amortized straight-line over 12-month fiscal year. |
| Las Palmas Medical Plaza - Net | \$ 73,088 | \$ 3,366 | \$ 69,722 | LPMP expenses lower \$54k; LPMP revenue higher \$15k |
| | | | | |
| | | | | |

Desert Healthcare District
Profit & Loss Budget vs. Actual
July through September 2020

| | | | | | | TOTAL | | |
|------------------------------|--|----------------|----------------|------------------|------------------|------------------|------------------|--|
| | | Sep 20 | Budget | \$ Over Budget | Jul - Sep 20 | Budget | \$ Over Budget | |
| Income | | | | | | | | |
| | 4000 · Income | 526,118 | 645,495 | (119,377) | 1,635,673 | 1,936,485 | (300,812) | |
| | 4500 · LPMP Income | 103,214 | 99,077 | 4,137 | 312,682 | 297,231 | 15,451 | |
| | 4501 · Miscellaneous Income | 750 | 950 | (200) | 2,250 | 2,850 | (600) | |
| Total Income | | 630,082 | 745,522 | (115,440) | 1,950,605 | 2,236,566 | (285,961) | |
| Expense | | | | | | | | |
| | 5000 · Direct Expenses | 93,272 | 140,305 | (47,033) | 267,190 | 420,915 | (153,725) | |
| | 6000 · General & Administrative Exp | 48,761 | 47,495 | 1,266 | 123,207 | 142,485 | (19,278) | |
| | 6325 · CEO Discretionary Fund | 0 | 2,083 | (2,083) | 0 | 6,249 | (6,249) | |
| | 6445 · LPMP Expenses | 84,515 | 97,955 | (13,440) | 239,594 | 293,865 | (54,271) | |
| | 6500 · Professional Fees Expense | 67,607 | 104,886 | (37,279) | 118,896 | 314,658 | (195,762) | |
| | 6700 · Trust Expenses | 7,576 | 8,792 | (1,216) | 28,492 | 26,376 | 2,116 | |
| Total Expense | | 301,731 | 401,516 | (99,785) | 777,379 | 1,204,556 | (427,177) | |
| 7000 · Grants Expense | | 53,631 | 340,333 | (286,702) | 537,283 | 1,020,999 | (483,716) | |
| Net Income | | 274,720 | 3,673 | 271,047 | 635,943 | 11,011 | 624,932 | |

Desert Healthcare District
Profit & Loss Budget vs. Actual
July through September 2020

| | | | | TOTAL | | | |
|------------------------|--|----------|----------|--------------|-----------|----------------|-----------|
| | | | | Sep 20 | Budget | \$ Over Budget | |
| | | | | Jul - Sep 20 | Budget | \$ Over Budget | |
| Income | | | | | | | |
| 4000 - Income | | | | | | | |
| | 4010 - Property Tax Revenues | 516,447 | 516,447 | 0 | 1,549,341 | 1,549,341 | 0 |
| | 4200 - Interest Income | | | | | | |
| | 4220 - Interest Income (FRF) | 74,795 | 86,965 | (12,170) | 284,152 | 260,895 | 23,257 |
| | 9999-1 - Unrealized gain(loss) on invest | (72,309) | 33,333 | (105,642) | (212,969) | 99,999 | (312,968) |
| | Total 4200 - Interest Income | 2,486 | 120,298 | (117,812) | 71,183 | 360,894 | (289,711) |
| | 4300 - DHC Recoveries | 3,554 | 1,750 | 1,804 | 7,105 | 5,250 | 1,855 |
| | 4400 - Grant Income | 3,631 | 7,000 | (3,369) | 8,044 | 21,000 | (12,956) |
| | Total 4000 - Income | 526,118 | 645,495 | (119,377) | 1,635,673 | 1,936,485 | (300,812) |
| | 4500 - LPMP Income | 103,214 | 99,077 | 4,137 | 312,682 | 297,231 | 15,451 |
| | 4501 - Miscellaneous Income | 750 | 950 | (200) | 2,250 | 2,850 | (600) |
| | Total Income | 630,082 | 745,522 | (115,440) | 1,950,605 | 2,236,566 | (285,961) |
| Expense | | | | | | | |
| 5000 - Direct Expenses | | | | | | | |
| | 5100 - Administration Expense | | | | | | |
| | 5110 - Wages Expense | 75,270 | 113,645 | (38,375) | 213,970 | 340,935 | (126,965) |
| | 5111 - Allocation to LPMP - Payroll | (5,161) | (5,166) | 5 | (15,483) | (15,498) | 15 |
| | 5112 - Vacation/Sick/Holiday Expense | 10,287 | 10,000 | 287 | 28,913 | 30,000 | (1,087) |
| | 5114 - Allocation to Foundation | (24,392) | (37,196) | 12,804 | (73,176) | (111,588) | 38,412 |
| | 5115 - Allocation to NEOPB | (3,631) | (7,571) | 3,940 | (8,044) | (22,713) | 14,669 |
| | 5119 - Allocation to RSS/CVHIP-DHCF | 0 | (1,431) | 1,431 | (903) | (4,293) | 3,390 |
| | 5120 - Payroll Tax Expense | 5,175 | 8,694 | (3,519) | 17,188 | 26,082 | (8,894) |
| | 5130 - Health Insurance Expense | | | | | | |
| | 5131 - Premiums Expense | 12,280 | 16,795 | (4,515) | 35,802 | 50,385 | (14,583) |
| | 5135 - Reimb./Co-Payments Expense | 424 | 3,000 | (2,576) | 3,834 | 9,000 | (5,166) |
| | Total 5130 - Health Insurance Expense | 12,704 | 19,795 | (7,091) | 39,636 | 59,385 | (19,749) |
| | 5140 - Workers Comp. Expense | 441 | 1,193 | (752) | 1,679 | 3,579 | (1,900) |
| | 5145 - Retirement Plan Expense | 6,168 | 7,848 | (1,680) | 17,709 | 23,544 | (5,835) |
| | 5160 - Education Expense | 70 | 7,250 | (7,180) | 70 | 21,750 | (21,680) |
| | Total 5100 - Administration Expense | 76,931 | 117,061 | (40,130) | 221,559 | 351,183 | (129,624) |
| | 5200 - Board Expenses | | | | | | |
| | 5210 - Healthcare Benefits Expense | 3,264 | 5,834 | (2,570) | 9,200 | 17,502 | (8,302) |
| | 5230 - Meeting Expense | 350 | 1,667 | (1,317) | 350 | 5,001 | (4,651) |
| | 5235 - Director Stipend Expense | 2,310 | 4,410 | (2,100) | 4,830 | 13,230 | (8,400) |
| | 5240 - Catering Expense | 0 | 708 | (708) | 0 | 2,124 | (2,124) |
| | 5250 - Mileage Reimbursement Expense | 0 | 208 | (208) | 0 | 624 | (624) |
| | 5270 - Election Fees Expense | 10,417 | 10,417 | 0 | 31,251 | 31,251 | 0 |
| | Total 5200 - Board Expenses | 16,341 | 23,244 | (6,903) | 45,631 | 69,732 | (24,101) |
| | Total 5000 - Direct Expenses | 93,272 | 140,305 | (47,033) | 267,190 | 420,915 | (153,725) |

Desert Healthcare District
Profit & Loss Budget vs. Actual
July through September 2020

| | | | | TOTAL | | | |
|--|---------------------------------------|--------|---------|----------------|----------------|------------------|----------------|
| | | | | Sep 20 | Budget | \$ Over Budget | Jul - Sep 20 |
| | | | | | Budget | | \$ Over Budget |
| 6000 • General & Administrative Exp | | | | | | | |
| | 6110 • Payroll fees Expense | 174 | 208 | (34) | 522 | 624 | (102) |
| | 6120 • Bank and Investment Fees Exp | 9,605 | 9,833 | (228) | 28,560 | 29,499 | (939) |
| | 6125 • Depreciation Expense | 1,102 | 1,167 | (65) | 3,306 | 3,501 | (195) |
| | 6126 • Depreciation-Solar Parking lot | 15,072 | 15,072 | 0 | 45,216 | 45,216 | 0 |
| | 6130 • Dues and Membership Expense | 12,155 | 3,337 | 8,818 | 14,332 | 10,011 | 4,321 |
| | 6200 • Insurance Expense | 2,343 | 2,417 | (74) | 7,029 | 7,251 | (222) |
| | 6300 • Minor Equipment Expense | 0 | 42 | (42) | 0 | 126 | (126) |
| | 6305 • Auto Allowance & Mileage Exp | 462 | 600 | (138) | 1,386 | 1,800 | (414) |
| | 6306 • Staff- Auto Mileage reimb | 0 | 625 | (625) | 56 | 1,875 | (1,819) |
| | 6309 • Personnel Expense | 750 | 1,167 | (417) | 1,800 | 3,501 | (1,701) |
| | 6310 • Miscellaneous Expense | 0 | 42 | (42) | 0 | 126 | (126) |
| | 6311 • Cell Phone Expense | 420 | 776 | (356) | 1,869 | 2,328 | (459) |
| | 6312 • Wellness Park Expenses | 0 | 83 | (83) | 0 | 249 | (249) |
| | 6315 • Security Monitoring Expense | 0 | 42 | (42) | 233 | 126 | 107 |
| | 6340 • Postage Expense | 0 | 417 | (417) | 472 | 1,251 | (779) |
| | 6350 • Copier Rental/Fees Expense | 0 | 458 | (458) | 788 | 1,374 | (586) |
| | 6351 • Travel Expense | 0 | 1,667 | (1,667) | 0 | 5,001 | (5,001) |
| | 6352 • Meals & Entertainment Exp | 0 | 875 | (875) | 0 | 2,625 | (2,625) |
| | 6355 • Computer Services Expense | 2,748 | 3,775 | (1,027) | 5,278 | 11,325 | (6,047) |
| | 6360 • Supplies Expense | 1,365 | 2,167 | (802) | 3,110 | 6,501 | (3,391) |
| | 6380 • LAFCO Assessment Expense | 144 | 208 | (64) | 432 | 624 | (192) |
| | 6400 • East Valley Office | 2,421 | 2,517 | (96) | 8,818 | 7,551 | 1,267 |
| Total 6000 • General & Administrative Exp | | | | 48,761 | 47,495 | 1,266 | 123,207 |
| | 6325 • CEO Discretionary Fund | 0 | 2,083 | (2,083) | 0 | 6,249 | (6,249) |
| | 6445 • LPMP Expenses | 84,515 | 97,955 | (13,440) | 239,594 | 293,865 | (54,271) |
| 6500 • Professional Fees Expense | | | | | | | |
| | 6516 • Professional Services Expense | 18,595 | 77,198 | (58,603) | 43,925 | 231,594 | (187,669) |
| | 6520 • Annual Audit Fee Expense | 1,313 | 1,313 | 0 | 3,939 | 3,939 | 0 |
| | 6530 • PR/Communications/Website | 1,013 | 11,375 | (10,362) | 4,828 | 34,125 | (29,297) |
| | 6560 • Legal Expense | 46,686 | 15,000 | 31,686 | 66,204 | 45,000 | 21,204 |
| Total 6500 • Professional Fees Expense | | | | 67,607 | 104,886 | (37,279) | 118,896 |
| 6700 • Trust Expenses | | | | | | | |
| | 6720 • Pension Plans Expense | | | | | | |
| | 6721 • Legal Expense | 0 | 167 | (167) | 0 | 501 | (501) |
| | 6725 • RPP Pension Expense | 2,500 | 7,500 | (5,000) | 22,500 | 22,500 | 0 |
| | 6728 • Pension Audit Fee Expense | 5,076 | 1,125 | 3,951 | 5,992 | 3,375 | 2,617 |
| Total 6700 • Trust Expenses | | | | 7,576 | 8,792 | (1,216) | 28,492 |
| Total Expense Before Grants | | | | 301,731 | 401,516 | (99,785) | 777,379 |
| 7000 • Grants Expense | | | | | | | |
| | 7010 • Major Grant Awards Expense | 50,000 | 333,333 | (283,333) | 529,239 | 999,999 | (470,760) |
| | 7027 • Grant Exp - NEOPB | 3,631 | 7,000 | (3,369) | 8,044 | 21,000 | (12,956) |
| Total 7000 • Grants Expense | | | | 53,631 | 340,333 | (286,702) | 537,283 |
| Net Income | | | | 274,720 | 3,673 | 271,047 | 635,943 |
| | | | | | | | 11,011 |
| | | | | | | | 624,932 |

Las Palmas Medical Plaza
Profit & Loss Budget vs. Actual
July through September 2020

| | | | | MONTH | | | TOTAL | | |
|--|--|--|--|---------|--------|----------------|--------------|---------|----------------|
| | | | | Sep 20 | Budget | \$ Over Budget | Jul - Sep 20 | Budget | \$ Over Budget |
| Income | | | | | | | | | |
| 4500 · LPMP Income | | | | | | | | | |
| 4505 · Rental Income | | | | 75,195 | 71,672 | 3,523 | 227,037 | 215,016 | 12,021 |
| 4510 · CAM Income | | | | 28,019 | 27,372 | 647 | 85,645 | 82,116 | 3,529 |
| 4513 · Misc. Income | | | | 0 | 33 | (33) | 0 | 99 | (99) |
| Total 4500 · LPMP Income | | | | 103,214 | 99,077 | 4,137 | 312,682 | 297,231 | 15,451 |
| Expense | | | | | | | | | |
| 6445 · LPMP Expenses | | | | | | | | | |
| 6420 · Insurance Expense | | | | 2,599 | 2,750 | (151) | 7,797 | 8,250 | (453) |
| 6425 · Building - Depreciation Expense | | | | 21,487 | 21,879 | (392) | 64,461 | 65,637 | (1,176) |
| 6426 · Tenant Improvements -Dep Exp | | | | 14,916 | 16,833 | (1,917) | 43,618 | 50,499 | (6,881) |
| 6427 · HVAC Maintenance Expense | | | | 2,414 | 1,333 | 1,081 | 3,625 | 3,999 | (374) |
| 6428 · Roof Repairs Expense | | | | 0 | 208 | (208) | 0 | 624 | (624) |
| 6431 · Building -Interior Expense | | | | 0 | 833 | (833) | 0 | 2,499 | (2,499) |
| 6432 · Plumbing -Interior Expense | | | | 0 | 333 | (333) | 4,588 | 999 | 3,589 |
| 6433 · Plumbing -Exterior Expense | | | | 0 | 208 | (208) | 0 | 624 | (624) |
| 6434 · Allocation Internal Prop. Mgmt | | | | 5,161 | 5,166 | (5) | 15,483 | 15,498 | (15) |
| 6435 · Bank Charges | | | | 1,249 | 1,125 | 124 | 3,405 | 3,375 | 30 |
| 6437 · Utilities -Vacant Units Expense | | | | 257 | 83 | 174 | 736 | 249 | 487 |
| 6439 · Deferred Maintenance Repairs Ex | | | | 0 | 833 | (833) | 0 | 2,499 | (2,499) |
| 6440 · Professional Fees Expense | | | | 10,117 | 10,472 | (355) | 30,351 | 31,416 | (1,065) |
| 6441 · Legal Expense | | | | 0 | 83 | (83) | 0 | 249 | (249) |
| 6455 · Bad Debt Expense | | | | 5,543 | | | 5,543 | | |
| 6458 · Elevators - R & M Expense | | | | 1,593 | 1,000 | 593 | 4,693 | 3,000 | 1,693 |
| 6460 · Exterminating Service Expense | | | | 440 | 333 | 107 | 615 | 999 | (384) |
| 6463 · Landscaping Expense | | | | 0 | 14,167 | (14,167) | 850 | 42,501 | (41,651) |
| 6467 · Lighting Expense | | | | 0 | 500 | (500) | 0 | 1,500 | (1,500) |
| 6468 · General Maintenance Expense | | | | 0 | 83 | (83) | 0 | 249 | (249) |
| 6471 · Marketing-Advertising | | | | 0 | 1,250 | (1,250) | 0 | 3,750 | (3,750) |
| 6475 · Property Taxes Expense | | | | 6,000 | 6,008 | (8) | 18,000 | 18,024 | (24) |
| 6476 · Signage Expense | | | | 0 | 125 | (125) | 0 | 375 | (375) |
| 6480 · Rubbish Removal Medical Waste E | | | | 1,675 | 1,583 | 92 | 3,188 | 4,749 | (1,561) |
| 6481 · Rubbish Removal Expense | | | | 2,227 | 2,250 | (23) | 6,681 | 6,750 | (69) |
| 6482 · Utilities/Electricity/Exterior | | | | 588 | 625 | (37) | 1,192 | 1,875 | (683) |
| 6484 · Utillties - Water (Exterior) | | | | 919 | 625 | 294 | 2,529 | 1,875 | 654 |
| 6485 · Security Expenses | | | | 7,319 | 7,167 | 152 | 21,939 | 21,501 | 438 |
| 6490 · Miscellaneous Expense | | | | 11 | 100 | (89) | 300 | 300 | 0 |
| 6445 · LPMP Expenses | | | | 84,515 | 97,955 | (13,440) | 239,594 | 293,865 | (54,271) |
| Net Income | | | | 18,699 | 1,122 | 17,577 | 73,088 | 3,366 | 69,722 |

Desert Healthcare District
Balance Sheet
As of September 30, 2020

| | | | Sep 30, 20 |
|---------------|---|-------------------|------------|
| ASSETS | | | |
| | Current Assets | | |
| | Checking/Savings | | |
| | 1000 · CHECKING CASH ACCOUNTS | 1,800,727 | |
| | 1100 · INVESTMENT ACCOUNTS | 58,928,790 | |
| | Total Checking/Savings | 60,729,517 | |
| | Accounts Receivable | 30,173 | |
| | Other Current Assets | | |
| | 1204.1 · Rent Receivable-Deferred COVID | 201,414 | |
| | 1270 · Prepaid Insurance -Ongoing | 48,207 | |
| | 1279 · Pre-Paid Fees | 14,440 | |
| | 1281 · NEOPB Receivable | 8,043 | |
| | 1295 · Property Tax Receivable | 1,558,479 | |
| | Total Other Current Assets | 1,830,583 | |
| | Total Current Assets | 62,590,273 | |
| | Fixed Assets | | |
| | 1300 · FIXED ASSETS | 4,913,164 | |
| | 1335-00 · ACC DEPR | (2,075,876) | |
| | 1400 · LPMP Assets | 6,813,634 | |
| | Total Fixed Assets | 9,650,922 | |
| | Other Assets | | |
| | 1700 · OTHER ASSETS | 2,909,152 | |
| | Total Other Assets | 2,909,152 | |
| | TOTAL ASSETS | 75,150,347 | |

Desert Healthcare District
Balance Sheet
As of September 30, 2020

| | | | | | Sep 30, 20 |
|---------------------------------|--|--|--|--|-------------------|
| LIABILITIES & EQUITY | | | | | |
| | Liabilities | | | | |
| | Current Liabilities | | | | |
| | Accounts Payable | | | | |
| | 2000 · Accounts Payable | | | | 73,634 |
| | 2001 · LPMP Accounts Payable | | | | 3,460 |
| | Total Accounts Payable | | | | 77,094 |
| | Other Current Liabilities | | | | |
| | 2002 · LPMP Property Taxes | | | | 18,000 |
| | 2131 · Grant Awards Payable | | | | 2,427,627 |
| | 2133 · Accrued Accounts Payable | | | | 173,028 |
| | 2141 · Accrued Vacation Time | | | | 56,974 |
| | 2188 · Current Portion - LTD | | | | 11,103 |
| | 2190 · Investment Fees Payable | | | | 27,000 |
| | Total Other Current Liabilities | | | | 2,713,732 |
| | Total Current Liabilities | | | | 2,790,826 |
| | Long Term Liabilities | | | | |
| | 2170 · RPP - Pension Liability | | | | 4,626,754 |
| | 2171 · RPP-Deferred Inflows-Resources | | | | 370,700 |
| | 2280 · Long-Term Disability | | | | 28,809 |
| | 2281 · Grants Payable - Long-term | | | | 6,660,000 |
| | 2286 · Retirement BOD Medical Liabilit | | | | 64,764 |
| | 2290 · LPMP Security Deposits | | | | 59,395 |
| | Total Long Term Liabilities | | | | 11,810,422 |
| | Total Liabilities | | | | 14,601,248 |
| | Equity | | | | |
| | 3900 · *Retained Earnings | | | | 59,913,158 |
| | Net Income | | | | 635,943 |
| | Total Equity | | | | 60,549,101 |
| | TOTAL LIABILITIES & EQUITY | | | | 75,150,347 |

Desert Healthcare District
Balance Sheet
As of September 30, 2020

| | | | Sep 30, 20 |
|-------------------------------------|---|--|------------|
| ASSETS | | | |
| Current Assets | | | |
| Checking/Savings | | | |
| 1000 · CHECKING CASH ACCOUNTS | | | |
| | 1010 · Union Bank - Checking | | 1,455,797 |
| | 1046 · Las Palmas Medical Plaza | | 344,430 |
| | 1047 · Petty Cash | | 500 |
| Total 1000 · CHECKING CASH ACCOUNTS | | | 1,800,727 |
| 1100 · INVESTMENT ACCOUNTS | | | |
| | 1130 · Facility Replacement Fund | | 57,686,334 |
| | 1135 · Unrealized Gain(Loss) FRF | | 1,242,456 |
| Total 1100 · INVESTMENT ACCOUNTS | | | 58,928,790 |
| Total Checking/Savings | | | 60,729,517 |
| Accounts Receivable | | | |
| 1201 · Accounts Receivable | | | |
| | 1204 · LPMP Accounts Receivable | | 27,888 |
| | 1205 · Misc. Accounts Receivable | | 3,229 |
| | 1211 · A-R Foundation - Exp Allocation | | (944) |
| Total Accounts Receivable | | | 30,173 |
| Other Current Assets | | | |
| | 1204.1 · Rent Receivable-Deferred COVID | | 201,414 |
| | 1270 · Prepaid Insurance -Ongoing | | 48,207 |
| | 1279 · Pre-Paid Fees | | 14,440 |
| | 1281 · NEOPB Receivable | | 8,043 |
| | 1295 · Property Tax Receivable | | 1,558,479 |
| Total Other Current Assets | | | 1,830,583 |
| Total Current Assets | | | 62,590,273 |
| Fixed Assets | | | |
| 1300 · FIXED ASSETS | | | |
| | 1310 · Computer Equipment | | 94,034 |
| | 1315 · Computer Software | | 68,770 |
| | 1320 · Furniture and Fixtures | | 33,254 |
| | 1325 · Offsite Improvements | | 300,849 |
| | 1331 · DRMC - Parking lot | | 4,416,257 |
| Total 1300 · FIXED ASSETS | | | 4,913,164 |
| 1335-00 · ACC DEPR | | | |
| | 1335 · Accumulated Depreciation | | (213,757) |

Desert Healthcare District
Balance Sheet
As of September 30, 2020

| | | | Sep 30, 20 |
|--|--|--|--------------------|
| | | 1336 · Acc. Software Depreciation | (68,770) |
| | | 1337 · Accum Deprec- Solar Parking Lot | (1,643,019) |
| | | 1338 · Accum Deprec - LPMP Parking Lot | (150,330) |
| | | Total 1335-00 · ACC DEPR | (2,075,876) |
| | | 1400 · LPMP Assets | |
| | | 1401 · Building | 8,705,680 |
| | | 1402 · Land | 2,165,300 |
| | | 1403 · Tenant Improvements -New | 2,197,477 |
| | | 1404 · Tenant Improvements - CIP | 129,550 |
| | | 1406 · Building Improvements | |
| | | 1406.1 · LPMP-Replace Parking Lot | 676,484 |
| | | 1406.2 · Building Improvements-CIP | 66,704 |
| | | 1406 · Building Improvements - Other | 1,559,534 |
| | | Total 1406 · Building Improvements | 2,302,722 |
| | | 1407 · Building Equipment Improvements | 364,891 |
| | | 1409 · Accumulated Depreciation | |
| | | 1410 · Accum. Depreciation | (7,468,015) |
| | | 1412 · T I Accumulated Dep.-New | (1,583,971) |
| | | Total 1409 · Accumulated Depreciation | (9,051,986) |
| | | Total 1400 · LPMP Assets | 6,813,634 |
| | | Total Fixed Assets | 9,650,922 |
| | | Other Assets | |
| | | 1700 · OTHER ASSETS | |
| | | 1731 · Wellness Park | 1,693,800 |
| | | 1740 · RPP-Deferred Outflows-Resources | 1,204,238 |
| | | 1741 · OPEB-Deferred Outflows-Resourc | 11,114 |
| | | Total Other Assets | 2,909,152 |
| | | TOTAL ASSETS | 75,150,347 |

Desert Healthcare District
Balance Sheet
As of September 30, 2020

| | | | | | Sep 30, 20 |
|---------------------------------|---------------------------------------|--|--|--|-------------------|
| LIABILITIES & EQUITY | | | | | |
| | Liabilities | | | | |
| | Current Liabilities | | | | |
| | Accounts Payable | | | | |
| | | 2000 - Accounts Payable | | | 73,634 |
| | | 2001 - LPMP Accounts Payable | | | 3,460 |
| | | Total Accounts Payable | | | 77,094 |
| | Other Current Liabilities | | | | |
| | | 2002 - LPMP Property Taxes | | | 18,000 |
| | | 2131 - Grant Awards Payable | | | 2,427,627 |
| | | 2133 - Accrued Accounts Payable | | | 173,028 |
| | | 2141 - Accrued Vacation Time | | | 56,974 |
| | | 2188 - Current Portion - LTD | | | 11,103 |
| | | 2190 - Investment Fees Payable | | | 27,000 |
| | | Total Other Current Liabilities | | | 2,713,732 |
| | Total Current Liabilities | | | | 2,790,826 |
| | Long Term Liabilities | | | | |
| | | 2170 - RPP - Pension Liability | | | 4,626,754 |
| | | 2171 - RPP-Deferred Inflows-Resources | | | 370,700 |
| | | 2280 - Long-Term Disability | | | 28,809 |
| | | 2281 - Grants Payable - Long-term | | | 6,660,000 |
| | | 2286 - Retirement BOD Medical Liabilit | | | 64,764 |
| | | 2290 - LPMP Security Deposits | | | 59,395 |
| | Total Long Term Liabilities | | | | 11,810,422 |
| | Total Liabilities | | | | 14,601,248 |
| | Equity | | | | |
| | | 3900 - *Retained Earnings | | | 59,913,158 |
| | | Net Income | | | 635,943 |
| | Total Equity | | | | 60,549,101 |
| | TOTAL LIABILITIES & EQUITY | | | | 75,150,347 |

Desert Healthcare District
A/R Aging Summary
As of September 30, 2020

| | Current | 1 - 30 | 31 - 60 | 61 - 90 | > 90 | TOTAL | COMMENT |
|--|----------------|---------------|----------------|----------------|----------------|---------------|---------------------|
| Desert Healthcare Foundation- | 24,392 | (25,336) | 0 | 0 | 0 | (944) | Due from Foundation |
| Desert Oasis Healthcare Medical Group | (2,177) | 0 | 0 | 0 | 0 | (2,177) | Prepaid |
| Desert Regional Medical Center | 0 | 5,310 | 0 | 0 | 0 | 5,310 | Slow pay |
| Hassan Bencheqroun, M.D. | (2,580) | 0 | 0 | 0 | 0 | (2,580) | Prepaid |
| Laboratory Corporation of America | 0 | (4,774) | 0 | 0 | 0 | (4,774) | Prepaid |
| Mark Matthews | 0 | 0 | 0 | 0 | 979 | 979 | Director Premiums |
| Sovereign | 750 | 750 | 0 | 750 | 0 | 2,250 | Slow pay |
| Steven Gundry, M.D. | (5,471) | 0 | 0 | 0 | 0 | (5,471) | Prepaid |
| Tenet HealthSystem Desert, Inc | 0 | 6,066 | 0 | 0 | 0 | 6,066 | Slow Pay |
| Tenet HealthSystem Desert, Inc. | 0 | 31,515 | 0 | 0 | 0 | 31,515 | Slow Pay |
| TOTAL | 14,914 | 10,684 | 2,847 | 750 | 979 | 30,173 | |

Desert Healthcare District
Deposit Detail
September 2020

| Type | Date | Name | Amount |
|----------------|-------------------|-----------------------------------|----------------|
| Deposit | 09/01/2020 | | 156,761 |
| Payment | 09/01/2020 | Desert Healthcare Foundation- | (156,761) |
| TOTAL | | | (156,761) |
| Deposit | 09/02/2020 | | 1,749 |
| | | T-Mobile | (1,749) |
| TOTAL | | | (1,749) |
| Deposit | 09/14/2020 | | 1,115 |
| | | State Compensation Insurance Fund | (1,115) |
| TOTAL | | | (1,115) |
| Deposit | 09/18/2020 | | 56 |
| | | California Business Bureau, Inc. | (56) |
| TOTAL | | | (56) |
| Deposit | 09/30/2020 | | 1,749 |
| | | T-Mobile | (1,749) |
| TOTAL | | | (1,749) |
| | | TOTAL | 161,430 |

| DESERT HEALTHCARE DISTRICT | | | | | | | | | | | |
|--|-------------------------------|--------------|--------|-----------------|----------------|--|-------------------------------|--------------|-------|-----------------|--------------|
| PROPERTY TAX RECEIPTS FY 2020 - 2021 | | | | | | | | | | | |
| RECEIPTS - TWELVE MONTHS ENDED JUNE 30, 2021 | | | | | | | | | | | |
| | | | | | | | | | | | |
| | FY 2019-2020 Projected/Actual | | | | | | FY 2020-2021 Projected/Actual | | | | |
| | Budget % | Budget \$ | Act % | Actual Receipts | Variance | | Budget % | Budget \$ | Act % | Actual Receipts | Variance |
| July | 2.5% | \$ 168,407 | 1.3% | \$ - | \$ (168,407) | | 2.5% | \$ 154,934 | 0.0% | \$ - | \$ (154,934) |
| Aug | 1.6% | \$ 107,780 | 1.3% | \$ 207,292 | \$ 99,512 | | 1.6% | \$ 99,158 | 2.4% | \$ 149,547 | \$ 50,390 |
| Sep | 2.6% | \$ 175,143 | 2.4% | \$ - | \$ (175,143) | | 2.6% | \$ 161,131 | 0.0% | \$ - | \$ (161,131) |
| Oct | 0.0% | \$ - | 0.0% | \$ 158,895 | \$ 158,895 | | 0.0% | \$ - | 0.0% | | |
| Nov | 0.4% | \$ 26,945 | 0.0% | \$ - | \$ (26,945) | | 0.4% | \$ 24,789 | 0.0% | | |
| Dec | 16.9% | \$ 1,138,429 | 17.8% | \$ 1,222,723 | \$ 84,294 | | 16.9% | \$ 1,047,354 | 0.0% | | |
| Jan | 31.9% | \$ 2,148,868 | 19.7% | \$ 2,228,697 | \$ 79,829 | | 31.9% | \$ 1,976,959 | 0.0% | | |
| Feb | 0.0% | \$ - | 13.9% | \$ 69,468 | \$ 69,468 | | 0.0% | \$ - | 0.0% | | |
| Mar | 0.3% | \$ 20,209 | 0.7% | \$ 71,486 | \$ 51,277 | | 0.3% | \$ 18,592 | 0.0% | | |
| Apr | 5.5% | \$ 370,495 | 5.9% | \$ 405,506 | \$ 35,012 | | 5.5% | \$ 340,855 | 0.0% | | |
| May | 19.9% | \$ 1,340,517 | 20.3% | \$ 101,619 | \$ (1,238,897) | | 19.9% | \$ 1,233,275 | 0.0% | | |
| June | 18.4% | \$ 1,239,473 | 22.3% | \$ 2,695,867 | \$ 1,456,394 | | 18.4% | \$ 1,140,315 | 0.0% | | |
| Total | 100% | \$ 6,736,264 | 105.6% | \$ 7,161,553 | \$ 425,289 | | 100.00% | \$ 6,197,363 | 2.4% | \$ 149,547 | \$ (265,676) |

Las Palmas Medical Plaza
Deposit Detail - LPMP
September 2020

| Type | Date | Name | Amount |
|----------------|-------------------|----------------------------------|---------------|
| Deposit | 09/03/2020 | | 2,580 |
| Payment | 09/03/2020 | Hassan Bencheqroun, M.D. | (2,580) |
| TOTAL | | | (2,580) |
| Deposit | 09/04/2020 | | 3,864 |
| Payment | 09/01/2020 | Quest Diagnostics Incorporated | (3,864) |
| TOTAL | | | (3,864) |
| Deposit | 09/08/2020 | | 7,140 |
| Payment | 09/08/2020 | Desert Family Medical Center | (3,570) |
| Payment | 09/08/2020 | Desert Family Medical Center | (3,570) |
| TOTAL | | | (7,140) |
| Deposit | 09/09/2020 | | 3,166 |
| Payment | 09/08/2020 | Quest Diagnostics Incorporated | (3,166) |
| TOTAL | | | (3,166) |
| Deposit | 09/09/2020 | | 22,754 |
| Payment | 09/08/2020 | Pathway Pharmaceuticals, Inc. | (2,296) |
| Payment | 09/08/2020 | Aijaz Hashmi, M.D., Inc. | (2,803) |
| Payment | 09/08/2020 | Brad A. Wolfson, M.D. | (3,430) |
| Payment | 09/08/2020 | Cohen Musch Thomas Medical Group | (4,261) |
| Payment | 09/08/2020 | Ramy Awad, M.D. | (3,246) |
| Payment | 09/08/2020 | Palmtree Clinical Research | (6,717) |
| TOTAL | | | (22,754) |
| Deposit | 09/11/2020 | | 8,930 |
| Payment | 09/10/2020 | Derakhsh Fozouni, M.D. | (5,969) |
| Payment | 09/10/2020 | Cure Cardiovascular Consultants | (2,962) |
| TOTAL | | | (8,930) |

Las Palmas Medical Plaza
Deposit Detail - LPMP
September 2020

| Type | Date | Name | Amount |
|----------------|-------------------|--|---------------|
| Deposit | 09/14/2020 | | 4,232 |
| | | | |
| Payment | 09/14/2020 | Peter Jamieson, M.D. | (3,232) |
| Payment | 09/14/2020 | Arrowhead Evaluation Services, Inc. | (1,000) |
| TOTAL | | | (4,232) |
| | | | |
| Deposit | 09/18/2020 | | 7,079 |
| | | | |
| Payment | 09/18/2020 | EyeCare Services Partners Management LLC | (7,079) |
| TOTAL | | | (7,079) |
| | | | |
| Deposit | 09/22/2020 | | 4,774 |
| | | | |
| Payment | 09/22/2020 | Laboratory Corporation of America | (4,774) |
| TOTAL | | | (4,774) |
| | | | |
| Deposit | 09/30/2020 | | 7,648 |
| | | | |
| Payment | 09/30/2020 | Steven Gundry, M.D. | (5,471) |
| Payment | 09/30/2020 | Desert Oasis Healthcare Medical Group | (2,177) |
| TOTAL | | | (7,648) |
| | | | |
| Deposit | 09/30/2020 | | 2,580 |
| | | | |
| Payment | 09/30/2020 | Hassan Bencheqroun, M.D. | (2,580) |
| TOTAL | | | (2,580) |
| | | | |
| | | TOTAL | 74,748 |

Desert Healthcare District
Check Register
As of September 30, 2020

| Type | Date | Num | Name | Amount |
|--------------------------------------|------------|------------|--|----------|
| 1000 - CHECKING CASH ACCOUNTS | | | | |
| 1010 - Union Bank - Checking | | | | |
| Liability Check | 09/03/2020 | | QuickBooks Payroll Service | (39,689) |
| Check | 09/08/2020 | Auto Pay | Calif. Public Employees' Retirement System | (12,733) |
| Bill Pmt -Check | 09/08/2020 | 16122 | Boyd & Associates | (125) |
| Bill Pmt -Check | 09/08/2020 | 16123 | Graphtek Interactive | (413) |
| Bill Pmt -Check | 09/08/2020 | 16124 | HARC, INC. | (9,012) |
| Bill Pmt -Check | 09/08/2020 | 16125 | Image Source | (151) |
| Bill Pmt -Check | 09/08/2020 | 16126 | Lund & Guttry LLP | (1,000) |
| Bill Pmt -Check | 09/08/2020 | 16127 | Palm Desert Chamber of Commerce | (225) |
| Bill Pmt -Check | 09/08/2020 | 16128 | Palm Springs Chamber of Commerce | (250) |
| Bill Pmt -Check | 09/08/2020 | 16129 | Rauch Communication Consultants | (429) |
| Bill Pmt -Check | 09/08/2020 | 16130 | Rogers, Carole | (420) |
| Bill Pmt -Check | 09/08/2020 | 16131 | So.Cal Computer Shop | (810) |
| Bill Pmt -Check | 09/08/2020 | 16132 | The Nyhart Company | (4,618) |
| Bill Pmt -Check | 09/08/2020 | 16133 | Verizon Wireless | (575) |
| Bill Pmt -Check | 09/08/2020 | 16134 | First Bankcard (Union Bank) | (2,100) |
| Bill Pmt -Check | 09/08/2020 | 16135 | Mangus Accountancy Group, A.P.C. | (500) |
| Bill Pmt -Check | 09/08/2020 | 16136 | Staples Credit Plan | (188) |
| Bill Pmt -Check | 09/08/2020 | 16137 | State Compensation Insurance Fund | (118) |
| Bill Pmt -Check | 09/14/2020 | 16138 | So.Cal Computer Shop | (275) |
| Bill Pmt -Check | 09/14/2020 | 16139 | Time Warner Cable | (250) |
| Bill Pmt -Check | 09/14/2020 | 16140 | State Compensation Insurance Fund | (862) |
| Bill Pmt -Check | 09/15/2020 | 16141 | Southern California Grantmakers | (5,067) |
| Liability Check | 09/17/2020 | | QuickBooks Payroll Service | (39,396) |
| Bill Pmt -Check | 09/21/2020 | 16142 | California Chamber of Commerce | (649) |
| Bill Pmt -Check | 09/21/2020 | 16143 | CoPower Employers' Benefits Alliance | (2,151) |
| Bill Pmt -Check | 09/21/2020 | 16144 | Frazier Pest Control, Inc. | (60) |
| Bill Pmt -Check | 09/21/2020 | 16145 | Principal Life Insurance Co. | (1,575) |
| Bill Pmt -Check | 09/24/2020 | ACH 092420 | US Environmental Protection Agency | (35,099) |
| Bill Pmt -Check | 09/24/2020 | 16146 | Jeff Crider | (200) |
| Bill Pmt -Check | 09/25/2020 | ACH 092520 | Law Offices of Scott & Jackson | (11,588) |
| Check | 09/25/2020 | | Bank Service Charge | (605) |
| Bill Pmt -Check | 09/30/2020 | 16147 | Eric Taylor | (23) |
| Bill Pmt -Check | 09/30/2020 | 16148 | Frazier Pest Control, Inc. | (30) |
| Bill Pmt -Check | 09/30/2020 | 16149 | Image Source | (107) |
| Bill Pmt -Check | 09/30/2020 | 16150 | Ready Refresh | (50) |
| Bill Pmt -Check | 09/30/2020 | 16151 | Regional Access Project Foundation | (2,421) |
| Bill Pmt -Check | 09/30/2020 | 16152 | Shred-It | (192) |

Desert Healthcare District
Check Register
As of September 30, 2020

| Type | Date | Num | Name | Amount |
|-----------------|------------|-------|--------------------------|------------------|
| Bill Pmt -Check | 09/30/2020 | 16153 | Tri-Star Risk Management | (576) |
| Bill Pmt -Check | 09/30/2020 | 16154 | Leticia De Lara | (735) |
| Bill Pmt -Check | 09/30/2020 | 16155 | Zendle, Les- | (525) |
| Bill Pmt -Check | 09/30/2020 | 16156 | Verizon Wireless | (625) |
| TOTAL | | | | (176,417) |

Las Palmas Medical plaza
Check Register - LPMP
As of September 30, 2020

| Type | Date | Num | Name | Amount |
|--|------------|-------|------------------------------------|-----------------|
| 1000 - CHECKING CASH ACCOUNTS | | | | |
| 1046 - Las Palmas Medical Plaza | | | | |
| Bill Pmt -Check | 09/08/2020 | 10232 | Desert Air Conditioning Inc. | (755) |
| Bill Pmt -Check | 09/08/2020 | 10233 | Desert Water Agency - VOID | 0 |
| Bill Pmt -Check | 09/08/2020 | 10234 | Imperial Security | (3,400) |
| Bill Pmt -Check | 09/08/2020 | 10235 | KC's Plumbing | (1,278) |
| Bill Pmt -Check | 09/08/2020 | 10236 | Desert Water Agency | (965) |
| Bill Pmt -Check | 09/08/2020 | 10237 | Palm Springs Disposal Services Inc | (2,227) |
| Bill Pmt -Check | 09/08/2020 | 10238 | Cohen, Musch, Thomas Med Group | (28,800) |
| Bill Pmt -Check | 09/14/2020 | 10239 | Imperial Security | (1,785) |
| Bill Pmt -Check | 09/21/2020 | 10240 | Desert Air Conditioning Inc. | (2,414) |
| Bill Pmt -Check | 09/21/2020 | 10241 | Frazier Pest Control, Inc. | (350) |
| Bill Pmt -Check | 09/21/2020 | 10242 | Frontier Communications | (228) |
| Bill Pmt -Check | 09/21/2020 | 10243 | Imperial Security | (1,964) |
| Bill Pmt -Check | 09/21/2020 | 10244 | Southern California Edison | (845) |
| Bill Pmt -Check | 09/24/2020 | 10245 | INPRO-EMS Construction | (10,117) |
| Check | 09/24/2020 | | Bank Service Charge | (1,249) |
| Bill Pmt -Check | 09/30/2020 | 10246 | Amtech Elevator Services | (1,365) |
| Bill Pmt -Check | 09/30/2020 | 10247 | Imperial Security | (1,785) |
| Bill Pmt -Check | 09/30/2020 | 10248 | Desert Water Agency | (919) |
| TOTAL | | | | (60,446) |



MEMORANDUM

DATE: October 13, 2020

TO: F&A Committee

RE: Retirement Protection Plan (RPP)

Current number of participants in Plan:

| | <u>Aug</u> | <u>Sep</u> |
|---|------------|------------|
| Active – still employed by hospital | 98 | 96 |
| Vested – no longer employed by hospital | 61 | 62 |
| Former employees receiving annuity | <u>7</u> | <u>7</u> |
| Total | <u>166</u> | <u>165</u> |

The outstanding liability for the RPP is approximately **\$4.0M** (Actives - \$2.6M and Vested - \$1.4M). US Bank investment account balance \$4.8M. Per the June 30, 2020 Actuarial Valuation, the RPP has an Unfunded Pension Liability of approximately **\$4.6M**. A monthly accrual of \$10K is being recorded each month as an estimate for FY2021.

The payouts, excluding monthly annuity payments, made from the Plan for the Three (3) months ended September 30, 2020 totaled **\$202K**. Monthly annuity payments (7 participants) total **\$1.0K** per month.

| DESERT HEALTHCARE DISTRICT | | | | | | |
|--|---|--------------------------------|-------------------------|--------------------------|-------------------------|---------------------|
| OUTSTANDING GRANTS AND GRANT PAYMENT SCHEDULE | | | | | | |
| As of 9/30/20 | | | | | | |
| TWELVE MONTHS ENDED JUNE 30, 2021 | | | | | | |
| Grant ID Nos. | Name | Approved Grants - Prior Yrs | Current Yr 2020-2021 | 6/30/2020 Bal Fwd/New | Total Paid July-June | Open BALANCE |
| 2014-MOU-BOD-11/21/13 | Memo of Understanding CVAG CV Link Support | \$ 10,000,000 | | \$ 8,330,000 | \$ - | \$ 8,330,000 |
| 2018-974-BOD-09-25-18 | HARC - 2019 Coachella Valley Community Health Survey - 2 Yr | \$ 399,979 | | \$ 39,999 | \$ - | \$ 39,999 |
| 2019-985-BOD-03-26-19 | Coachella Valley Volunteers in Medicine - Primary Healthcare & Support Services - 1 Yr | \$ 121,500 | | \$ 12,150 | \$ 12,150 | \$ - |
| 2019-986-BOD-05-28-19 | Ronald McDonald House Charities - Temporary Housing & Family Support Services - 1 Yr | \$ 200,000 | | \$ 20,000 | \$ 20,000 | \$ - |
| 2019-997-BOD-05-28-19 | Martha's Village & Kitchen - Homeless Housing With Wrap Around Services - 1 Yr | \$ 200,896 | | \$ 20,090 | \$ 20,090 | \$ - |
| 2019-989-BOD-05-28-19 | Pegasus Riding Academy - Cover the Hard Costs of Pegasus Clients - 1 Yr | \$ 109,534 | | \$ 10,954 | \$ 10,954 | \$ - |
| 2019-994-BOD-05-28-19 | One Future Coachella Valley - Mental Health College & Career Pathway Development - 2 Yr | \$ 700,000 | | \$ 385,000 | \$ 78,750 | \$ 306,250 |
| 2019-1000-BOD-05-28-19 | Voices for Children - Court Appointed Special Advocate Program - 1 Yr | \$ 24,000 | | \$ 2,400 | \$ 2,400 | \$ - |
| 2019-1017-BOD-09-24-19 | Jewish Family Services - Case Management Services for Homeless Prevention - 1 Yr | \$ 90,000 | | \$ 9,000 | \$ - | \$ 9,000 |
| 2019-1023-BOD-10-22-19 | CVRM - Transportation for Seniors & Homeless Hospital Discharge Referrals - 1 Yr | \$ 216,200 | | \$ 118,910 | \$ 97,290 | \$ 21,620 |
| 2019-1021-BOD-11-26-19 | Neuro Vitality Center - Community Based Adult Services Program - 6 Months | \$ 143,787 | | \$ 79,083 | \$ 50,323 | \$ 28,760 |
| | Unexpended funds Grant #1021 | | | | | \$ (28,760) |
| 2020-1045-BOD-03-24-20 | FIND Food Bank - Ending Hunger Today, Tomorrow, and for a Lifetime - 1 Yr | \$ 401,380 | | \$ 311,069 | \$ 90,311 | \$ 220,758 |
| 2020-1129-BOD-05-26-20 | Coachella Valley Volunteers In Medicine - Response to COVID-19 | \$ 149,727 | | \$ 149,727 | \$ 149,727 | \$ - |
| 2020-1085-BOD-05-26-20 | Olive Crest Treatment Center - General Support for Mental Health Services | \$ 50,000 | | \$ 27,500 | \$ - | \$ 27,500 |
| 2020-1057-BOD-05-26-20 | Desert Cancer Foundation - Patient Assistance Program | \$ 150,000 | | \$ 82,500 | \$ - | \$ 82,500 |
| 2020-1124-BOD-06-23-20 | Regents of UCR - COVID-19 Testing & Health Education for Eastern Valley - 5 Months | \$ 149,976 | | \$ 149,976 | \$ 149,976 | \$ - |
| 2020-1134-BOD-07-28-20 | 1 Desert Healthcare Foundation - Addressing Healthcare Needs of Black Communities | | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ - |
| 2020-1139-BOD-09-22-20 | 1 CSU San Bernardino Palm Desert Campus Street Medicine Program - 1 Yr | | \$ 50,000 | \$ 50,000 | \$ - | \$ 50,000 |
| TOTAL GRANTS | | \$ 13,106,979 | \$ 550,000 | \$ 10,298,358 | \$ 1,181,971 | \$ 9,087,627 |
| Amts available/remaining for Grant/Programs - FY 2020-21: | | | | | | |
| Amount budgeted 2020-2021 | | | \$ 4,000,000 | | G/L Balance: | 9/30/2020 |
| Amount granted through June 30, 2021: | | | \$ (550,000) | | 2131 | \$ 2,427,627 |
| Mini Grants: | 1132 | | \$ (5,000) | | 2281 | \$ 6,660,000 |
| Financial Audits of Non-Profits | 8/15/20 | | \$ (3,000) | | | |
| Net adj - Grants not used: | 1021 | | \$ 28,760 | | Total | \$ 9,087,627 |
| Matching external grant contributions | | | \$ - | | | \$ (0) |
| Balance available for Grants/Programs | | | \$ 3,470,760 | | | |
| Strategic Focus Areas FY20-21: | | | | | | |
| | | Grant Budget | Granted YTD | Available | | |
| 1 | Healthcare Infrastructure and Services | \$ 1,500,000 | \$ (526,240) | \$ 973,760 | | |
| 2 | Behavioral Health/Mental Health | \$ 500,000 | | \$ 500,000 | | |
| 3 | Homelessness | \$ 500,000 | | \$ 500,000 | | |
| 4 | Vital Human Services to People with Chronic Conditions | \$ 1,000,000 | | \$ 1,000,000 | | |
| 5 | Economic Protection, Recovery and Food Security | \$ 500,000 | \$ (3,000) | \$ 497,000 | | |
| | Balance available for Grants/Programs | \$ 4,000,000 | \$ (529,240) | \$ 3,470,760 | | |



Date: October 13, 2020
To: Finance & Administration Committee
Subject: Lund & Guttry LLP – FY2020 Audit Reports – District & RPP

Staff Recommendation: Consideration to approve the FY2020 Audit reports for the Desert Healthcare District and the Retirement Protection Plan (RPP).

Background:

- At the February 25, 2020 meeting, the Board of Directors approved Lund & Guttry LLP as the chosen audit firm to complete the FY2020 Audit Reports for the District, Foundation and RPP.
- During the COVID-19 pandemic staff worked with Gary Dack, the managing partner, to remotely provide the necessary information to complete the FY2020 Audit.
- Staff's work was greatly increased due to the transition to a new audit firm and the remote field work required during the pandemic to maintain safety for staff of the District and Lund & Guttry.
- *It is important to note, the audits of the District and Foundation received unmodified opinions, with no exceptions.*
- Gary Dack, CPA, will be presenting the following reports for your review and consideration for approval:
 - 1. Communication Letter
 - 2. Internal Controls Report
 - 3. District Audit Report
 - 4. Retirement Protection Plan (RPP) Audit Report
 - 5. Desert Healthcare Foundation Audit Report (Information only. To be approved during the Foundation's F&A Committee meeting)
- Staff recommends approval of the FY2020 Audit Reports for the District and Retirement Protection Plan.

Fiscal Impact:

No



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 13, 2020

To the Honorable Board of Directors
Desert Healthcare District, Desert Healthcare Foundation and Desert Hospital Retirement
Protection Plan (the Entities)
Palm Springs, California

We have audited the financial statements of Desert Healthcare District, Desert Healthcare Foundation and Desert Hospital Retirement Protection Plan (“the Entities”) for the year ended June 30, 2020, and have issued our report thereon dated October 13, 2020. Professional standards require that we provide you with information about our responsibility under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 23, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the entities are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Entities during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District’s financial statements were:

- Accounts Receivable and Taxes Receivable – Management’s estimate of accounts receivable and taxes receivable is based on historical revenues and analysis of the collectability of individual accounts.

- Useful Life of Capital Assets – Management’s estimate of the useful life of capital assets is based on the historical asset life for the entities capital assets and industry standards, in order to determine the value and period of time over which individual capital assets are to be depreciated.
- RPP and OPEB Plans – The funding progress and footnote disclosures are based on consultant’s estimates.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We are pleased to report that no misstatements were identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 13, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Entities’ financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge there were no such consultations with other accountants.

Other Audit Findings or Issues

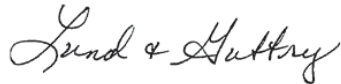
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Entities' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the information and use of the members of the Board of Directors and Management and should not be used for any other purpose.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Lund & Guttry".

Lund & Guttry LLP



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

To the Honorable Board of Directors
Desert Healthcare District, Desert Healthcare Foundation and Desert Hospital Retirement
Protection Plan (the Entities)
Palm Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business activities and the fiduciary funds financial statements of Desert Healthcare District, the financial statements of the Desert Healthcare Foundation and Desert Hospital Retirement Protection Plan (the entities), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the entities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. Accordingly, we do not express an opinion on the effectiveness of the entities' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

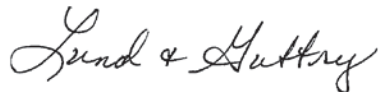
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the entities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Lund & Guttry".

October 13, 2020

DESERT HEALTHCARE DISTRICT
PALM SPRINGS, CALIFORNIA
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

DESERT HEALTHCARE DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business type activities and the fiduciary fund financial statements of the Desert Healthcare District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the fiduciary fund financial statements of the District as of June 30, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

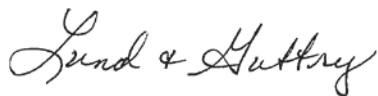
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, 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. 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.

Report on Summarized Comparative Information

The financial statements of Desert Healthcare District for the year ended June 30, 2019, were audited by other auditors whose report dated October 1, 2019, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020, on our consideration of Desert Healthcare 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 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 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 Desert Healthcare District's internal control over financial reporting and compliance.



October 13, 2020

DESERT HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020 AND 2019

The Desert Healthcare District (the District) has issued its financial statements for the fiscal years ended June 30, 2020 and June 30, 2019 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 Agency 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 debts.

The Statement of Revenues, Expenses, and Changes in Net Position (Income Statement) provide 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 2020 HIGHLIGHTS

Desert Healthcare District ("the 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 provides 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 30, 2020 AND 2019

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 2020 and 2019.

| | <u>Table A</u> | | |
|-------------------------------------|-----------------------|----------------------|-----------------------|
| | 6/30/2020 | 6/30/2019 | Change |
| Assets: | | | |
| Cash and cash equivalents | \$ 7,613,546 | \$ 12,052,794 | \$ (4,439,248) |
| Investments | 54,366,920 | 48,228,320 | 6,138,600 |
| Capital assets, net | 11,464,523 | 11,972,558 | (508,035) |
| All Other Assets | 457,128 | 249,194 | 207,934 |
| Total Assets | \$ 73,902,117 | \$ 72,502,866 | \$ 1,399,251 |
| Deferred Outflows: | | | |
| GASB 68 Reporting for Pension Plans | \$ 1,204,238 | \$ 1,159,189 | \$ 45,049 |
| GASB 75 Reporting for OPEB Plans | 11,114 | 14,147 | (3,033) |
| Total Deferred Outflows | \$ 1,215,352 | \$ 1,173,336 | \$ 42,016 |
| Liabilities: | | | |
| Grants payable | \$ 9,748,358 | \$ 12,809,355 | \$ (3,060,997) |
| Net Pension Liability | 4,604,254 | 3,395,623 | 1,208,631 |
| All Other Liabilities | 480,999 | 620,125 | (139,126) |
| Total Liabilities | \$ 14,833,611 | \$ 16,825,103 | \$ (1,991,492) |
| Deferred Inflows: | | | |
| GASB 68 Reporting for Pension Plans | \$ 370,700 | \$ 1,643,743 | \$ (1,273,043) |
| Total Deferred Inflows | \$ 370,700 | \$ 1,643,743 | \$ (1,273,043) |
| Net Assets: | | | |
| Net investment in capital assets | \$ 11,464,523 | \$ 11,972,558 | \$ (508,035) |
| Unrestricted | 48,448,635 | 43,234,798 | 5,213,837 |
| Restricted | - | - | - |
| Total Net Position | \$ 59,913,158 | \$ 55,207,356 | \$ 4,705,802 |

The \$4,705,802 increase in Total Net Position is due to the net income of \$4,705,802 for the current fiscal year ended June 30, 2020. This compares to a net income of \$4,252,508 for the fiscal year ended June 30, 2019. The increase is primarily due to a net combination of increased Property Tax Revenue of \$194,387, increased Contributions received of \$150,000, increased RPP Pension Expense of \$452,503, decreased Election Fees of \$109,347, and decreased Grant Expense of \$452,819. The \$4,439,248 decrease in Cash and cash equivalents and \$6,138,600 increase in Investments is due primarily to an increase in the Investment account. The \$508,035 decrease in Capital Assets is due primarily to depreciation of capital assets. The \$207,934 increase in All Other Assets is due primarily to Rent Receivable deferred because of COVID-19. The \$3,060,997 decrease in Grants Payable is due primarily to larger grant disbursements than new accrued grants. The \$1,208,631 increase in Net Pension Liability is due primarily to a change in actuarial assumptions. The \$139,126 decrease in All Other Liabilities is due primarily to a decrease in Accounts Payable. The \$1,273,043 decrease in Deferred Inflows is due to a timing difference in the actuarial valuation for GASB 68 reporting for the RPP.

DESERT HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

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, 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 a grant and preventative health initiatives 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 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 2020 results to Fiscal Year 2019.

Table B

| | <u>6/30/20</u> | <u>6/30/19</u> | <u>Change</u> |
|-------------------------------|---------------------|---------------------|---------------------|
| Revenue: | | | |
| Property Tax Revenue | \$ 7,166,583 | \$ 6,972,196 | \$ 194,387 |
| Rental income | 1,218,339 | 1,203,940 | 14,399 |
| All other income | 237,070 | 125,687 | 111,383 |
| Total Revenue | <u>\$ 8,621,992</u> | <u>\$ 8,301,823</u> | <u>\$ 320,169</u> |
| Expenses: | | | |
| Grants program | \$ 3,174,052 | \$ 3,626,871 | \$ (452,819) |
| Administrative Expense | 2,892,970 | 2,553,703 | 339,267 |
| Total Expense | <u>\$ 6,067,022</u> | <u>\$ 6,180,574</u> | <u>\$ (113,552)</u> |
| Nonoperating Income(Expenses) | <u>\$ 2,150,832</u> | <u>\$ 2,131,259</u> | <u>19,573</u> |
| Net Income | <u>\$ 4,705,802</u> | <u>\$ 4,252,508</u> | <u>\$ 453,294</u> |

DESERT HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

Revenue

Property taxes are the District's primary source of operating revenues. The property tax revenue for the fiscal year ended June 30, 2020 was \$7,166,583, which was an increase of \$194,387 from the fiscal year ended June 30, 2019.

Rental income of \$1,218,339 for the fiscal year ended June 30, 2020 was \$14,399 higher than the fiscal year ended June 30, 2019.

All other income for the fiscal year ended June 30, 2020 increased \$111,383 compared to the fiscal year ended June 30, 2019. The increase was due primarily to external contributions received.

Expenses

Grant Program expense for the fiscal year ended June 30, 2020 decreased by \$452,819 compared to the fiscal year ended June 30, 2019. This is due primarily to decreased approved grants. 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, 2020 increased \$339,223 from the fiscal year ended June 30, 2019. The increase is due to various expenses including higher Retirement Protection Plan Pension Expense of \$452,503 and lower election fees expense of \$109,347.

CAPITAL ASSETS

At June 30, 2020, the District had \$22,435,784 in capital assets and \$10,971,261 accumulated depreciation, resulting in \$11,464,523 net capital assets. At June 30, 2019, the District had \$22,348,945 in capital assets and \$10,376,387 in accumulated depreciation, resulting in \$11,972,558 net capital assets.

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

Table C

| | Balance 6/30/18 | Net Additions | Net Retirements | Balance 6/30/19 | Net Additions | Net Retirements | Balance 6/30/20 |
|---------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|--------------------|
| Cost | \$ 22,121,177 | \$ 230,526 | \$ (2,758) | \$ 22,348,945 | \$ 132,325 | \$ (45,486) | \$ 22,435,784 |
| Acc. Depreciation | (9,739,013) | (639,405) | 2,031 | (10,376,387) | (640,360) | 45,486 | (10,971,261) |
| Capital Assets, Net | \$ 12,382,164 | \$ (408,879) | \$ (727) | \$ 11,972,558 | \$ (508,035) | \$ - | \$ 11,464,523 |

DEBT ADMINISTRATION

The District has no outstanding debt.

DESERT HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020 AND 2019

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The Fiscal Year 2021 budget reflects revenues of \$8,946,270 and operating expenses of \$8,902,204. Capital expenditures are budgeted at \$485,000. The Desert Healthcare District/Foundation adopted a 1-Year Strategic Plan, with five Community Health Focus Areas: Healthcare Infrastructure/Services, Behavioral/Mental Health, Homelessness, Vital Human Services to People with Chronic Conditions, and Economic Protection/Recovery/Food Security. The District/Foundation continues to work on connecting District residents to programs and services to meet their healthcare needs. 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 District will be seeking resources to fund the access to programs and services; and grant funding for the residents of the expanded area.

During the fiscal year ended June 30, 2020, the District awarded \$3,201,070 in new grants and distributed grants in the amount of \$6,140,621. Projected new grants to be awarded for the fiscal year 2020–2021 amount to \$4,000,000 and distributions for grants could possibly total \$6,718,150 due to the existing grant liability as of June 30, 2020 and the projected grant awards.

The District has also established a reserve fund of approximately \$59,000,000 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 will be 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, which ranges between \$119,000,000 and \$180,000,000, and is reviewing options for timely 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

Desert Healthcare District
1140 N. Indian Canyon Drive
Palm Springs, CA 92262
(760) 323-6113 Office
(760) 323-6825 Fax
www.dhcd.org Website

DESERT HEALTHCARE DISTRICT

STATEMENTS OF NET POSITION

JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 7,613,546 | \$ 12,052,794 |
| Investments | 15,681,020 | 13,491,775 |
| Accounts receivable, net | 386,593 | 193,311 |
| Prepaid items and deposits | <u>70,535</u> | <u>55,883</u> |
| Total current assets | <u>23,751,694</u> | <u>25,793,763</u> |
| NON-CURRENT ASSETS | | |
| Investments | 38,685,900 | 34,736,545 |
| Capital assets, net | <u>11,464,523</u> | <u>11,972,558</u> |
| Total non-current assets | <u>50,150,423</u> | <u>46,709,103</u> |
| DEFERRED OUTFLOWS | | |
| Deferred Outflows of Resources | | |
| Pension plans | 1,204,238 | 1,159,189 |
| OPEB | <u>11,114</u> | <u>14,147</u> |
| Total deferred outflows of resources | <u>1,215,352</u> | <u>1,173,336</u> |
| TOTAL ASSETS | <u>75,117,469</u> | <u>73,676,202</u> |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 259,877 | 387,096 |
| Grants payable | 3,088,358 | 7,409,355 |
| Compensated absences | 48,184 | 31,110 |
| Disability claims, reserve, current portion | <u>14,803</u> | <u>14,803</u> |
| Total current liabilities | <u>3,411,222</u> | <u>7,842,364</u> |
| NON-CURRENT LIABILITIES | | |
| Grants payable | 6,660,000 | 5,400,000 |
| Long-term disability claims reserve | 28,809 | 40,626 |
| Net pension liability | 4,604,254 | 3,395,623 |
| Net OPEB liability | 67,364 | 87,973 |
| Deposits payable | <u>61,962</u> | <u>58,517</u> |
| Total non-current liabilities | <u>11,422,389</u> | <u>8,982,739</u> |
| DEFERRED INFLOWS | | |
| Deferred Inflows of Resources | | |
| Pension plans | <u>370,700</u> | <u>1,643,743</u> |
| Total deferred inflows of resources | <u>370,700</u> | <u>1,643,743</u> |
| TOTAL LIABILITIES | <u>15,204,311</u> | <u>18,468,846</u> |
| <u>NET POSITION</u> | | |
| Net investment in capital assets | 11,464,523 | 11,972,558 |
| Unrestricted | <u>48,448,635</u> | <u>43,234,798</u> |
| TOTAL NET POSITION | <u>\$ 59,913,158</u> | <u>\$ 55,207,356</u> |

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

DESERT HEALTHCARE DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|-----------------------------|
| OPERATING REVENUES | | |
| Property taxes | \$ 7,166,583 | \$ 6,972,196 |
| Rental income | 1,218,339 | 1,203,940 |
| Contributions | 150,000 | - |
| Other income | <u>87,070</u> | <u>125,687</u> |
| Total revenues | <u>8,621,992</u> | <u>8,301,823</u> |
| OPERATING EXPENSES | | |
| Grant allocations | 3,174,052 | 3,626,871 |
| General expenses | 518,876 | 560,859 |
| Rental expenses | 967,727 | 941,062 |
| Salaries and benefits | 801,937 | 304,560 |
| Legal fees | 176,873 | 235,836 |
| Depreciation | 188,833 | 193,276 |
| Other | 238,724 | 208,763 |
| Election fees | <u>-</u> | <u>109,347</u> |
| Total operating expenses | <u>6,067,022</u> | <u>6,180,574</u> |
| Income from operations | <u>2,554,970</u> | <u>2,121,249</u> |
| NONOPERATING INCOME (EXPENSES) | | |
| Investment income | 2,273,515 | 2,245,953 |
| Loss on disposal of capital assets | - | (727) |
| Investment expenses | <u>(122,683)</u> | <u>(113,967)</u> |
| Total nonoperating income (loss) | <u>2,150,832</u> | <u>2,131,259</u> |
| Increase in net position | 4,705,802 | 4,252,508 |
| NET POSITION | | |
| Beginning of year | <u>55,207,356</u> | <u>50,954,848</u> |
| End of year | <u><u>\$ 59,913,158</u></u> | <u><u>\$ 55,207,356</u></u> |

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

DESERT HEALTHCARE DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from County | \$ 7,161,553 | \$ 6,975,239 |
| Cash received from grantor and donors | 224,181 | 79,234 |
| Cash received from rentals and other operating revenues | 1,124,722 | 1,244,087 |
| Cash payments to suppliers for goods and services | (1,594,546) | (2,879,404) |
| Cash payments to employees for services and benefits | (1,000,016) | (899,033) |
| Cash payments to grantee | <u>(6,235,049)</u> | <u>(2,471,615)</u> |
| Net cash provided (used) by operating activities | <u>(319,155)</u> | <u>2,048,508</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchases of capital assets | <u>(132,325)</u> | <u>(230,526)</u> |
| Net cash used by capital and related financing activities | <u>(132,325)</u> | <u>(230,526)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net investment sales (purchases) - net | <u>(3,987,768)</u> | <u>8,230,077</u> |
| Net cash (used) provided by investing activities | <u>(3,987,768)</u> | <u>8,230,077</u> |
| Net increase (decrease) in cash | <u>(4,439,248)</u> | <u>10,048,059</u> |
| CASH AND CASH EQUIVALENTS | | |
| BEGINNING OF YEAR | <u>12,052,794</u> | <u>2,004,735</u> |
| END OF YEAR | <u><u>\$ 7,613,546</u></u> | <u><u>\$ 12,052,794</u></u> |

-Continued-

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

DESERT HEALTHCARE DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

-Continued-

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Income from operations | \$ 2,554,970 | \$ 2,121,249 |
| Adjustments to reconciliation of income from operations to net cash provided (used) by operating activities: | | |
| Depreciation | 640,360 | 639,406 |
| Changes in assets, deferred outflows, liabilities and deferred inflows: | | |
| Accounts receivables | (193,282) | (3,263) |
| Prepaid items and deposits | (14,652) | (10,156) |
| Deferred outflow-pension | (45,049) | (101,347) |
| Deferred outflow-OPEB | 3,033 | 7,997 |
| Net pension liabilities | 1,208,631 | 117,830 |
| Net OPEB liabilities | (20,609) | (20,714) |
| Accounts payable and accrued liabilities | (127,219) | (1,259,511) |
| Grants payable | (3,060,997) | 1,155,256 |
| Deposits payable | 3,445 | - |
| Compensated absences | 17,074 | (8,675) |
| Long-term disability claims reserve | (11,817) | (11,117) |
| Deferred inflow - pension | <u>(1,273,043)</u> | <u>(578,447)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (319,155)</u> | <u>\$ 2,048,508</u> |

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

DESERT HEALTHCARE DISTRICT

STATEMENTS OF FIDUCIARY NET POSITION

DESERT HEALTHCARE FOUNDATION

JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,145,289 | \$ 945,995 |
| Grants receivable | - | 1,000,000 |
| Prepaid expenses | 3,000 | 3,500 |
| Accrued interest and dividends receivable | 18,931 | 17,732 |
| Total current assets | <u>1,167,220</u> | <u>1,967,227</u> |
| OTHER ASSETS | | |
| Contributions receivable - charitable remainder trusts | 187,298 | 189,239 |
| Investments | <u>5,020,682</u> | <u>5,853,791</u> |
| Total other assets | <u>5,207,980</u> | <u>6,043,030</u> |
| TOTAL ASSETS | <u>6,375,200</u> | <u>8,010,257</u> |
| | | |
| <u>LIABILITIES</u> | | |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 100,467 | 70,955 |
| Grants payable - current | <u>2,694,224</u> | <u>3,384,450</u> |
| Total current liabilities | <u>2,794,691</u> | <u>3,455,405</u> |
| Long-term liabilities | | |
| Grants payable - long-term | <u>1,600,000</u> | <u>2,260,000</u> |
| Total long-term liabilities | <u>1,600,000</u> | <u>2,260,000</u> |
| TOTAL LIABILITIES | <u>4,394,691</u> | <u>5,715,405</u> |
| NET POSITION | <u>\$ 1,980,509</u> | <u>\$ 2,294,852</u> |

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

DESERT HEALTHCARE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------|-------------------------|
| ADDITIONS | | |
| Contributions | \$ 73,222 | \$ 30,748 |
| Grants and bequests | 264,668 | 1,266,188 |
| Interest and dividends | 184,904 | 115,058 |
| Investment gains (losses) | 41,026 | 386,648 |
| Change in value - charitable trusts | <u>(1,940)</u> | <u>310</u> |
| TOTAL SUPPORT AND REVENUE | <u>561,880</u> | <u>1,798,952</u> |
| DEDUCTIONS | | |
| Grants and services | 508,667 | 1,536,658 |
| Management and general | <u>367,556</u> | <u>246,663</u> |
| TOTAL EXPENSES | <u>876,223</u> | <u>1,783,321</u> |
| INCREASE (DECREASE) IN NET POSITION | (314,343) | 15,631 |
| NET POSITION, BEGINNING OF YEAR | <u>2,294,852</u> | <u>2,279,221</u> |
| NET POSITION, END OF YEAR | <u>\$ 1,980,509</u> | <u>\$ 2,294,852</u> |

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 designated zone 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.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity – Continued

As required by 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:

- 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 it.

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

Desert Healthcare Foundation (Foundation)

The Foundation is a 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 the 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 Assets, Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows. These statements present summaries of business-type activities for the District.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting and Measurement Focus – Continued

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 Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents changes in net assets for the 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 Assets. Their reported fund equity presents total net assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. 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 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 benefits of the District. The Fiduciary fund is accounted for using the accrual basis of accounting.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Foundation’s policy is to apply restricted net assets 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.

Prepaid Items and Deposits

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 market 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 |

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.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 (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.

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 Notes 9 and 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 Note 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 \$58,887,967 as of June 30, 2020, identified as the Facility Replacement Fund. The lease agreement contains provisions in the event the lease terminates prior to May 30, 2021. If the lease terminates for reasons such as default by the lessor to perform obligations

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

2. LEASE AGREEMENT – TENET HEALTH SYSTEM DESERT, INC. - Continued

within a sixty day period or the premises are totally destroyed and repairs are not feasible between the dates of June 1, 2019 and May 30, 2021, the District may be obligated to repay Tenet beginning June 1, 2019 the unamortized prepaid rent as defined in the lease agreement which decreases annually through May 2021. However, the District does not expect these conditions to occur during the term of the lease and therefore recorded the full amount of the payments received to income in fiscal year ended June 30, 1997. The lease agreement was amended to allow the District to provide the funding for the cost of preapproved capital improvements that will reduce the amount of the prepaid rent schedule by a ratio of \$3 for each \$1 spent, and in some cases a ratio of \$3.50 for each \$1 spent.

The \$4,387,240 construction cost and credit received from Desert Regional Medical Center for lower electrical costs of the hospital parking lot provided for a \$3 for \$1 reduction amounting to \$14,042,229 to the prepaid lease schedule. An additional \$4,589,200 reduction to the prepaid lease schedule was due to a \$3.50 for \$1 reduction per a 10 year facility lease agreement between the District and Hospital for facility space at the District's medical office building to be occupied by the Hospital.

As of June 30, 2020 the prepaid lease balance is \$2,835,230. This amount will decrease annually by \$3,066,667 per terms of the lease agreement. By May 31, 2021, the remaining prepaid lease balance will be zero.

3. CASH AND INVESTMENTS

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

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|---------------------------------------|--------------------------|--------------------------|
| District's Statement of Net Position: | | |
| Cash and cash equivalents | \$ 7,613,546 | \$ 12,052,794 |
| Investments | 54,366,920 | 48,228,320 |
| Fiduciary Statement of Net Position: | | |
| Cash and cash equivalents | 1,145,289 | 945,995 |
| Investments | 5,020,682 | 5,853,791 |
| Total Cash and Investments | <u>\$ 68,146,437</u> | <u>\$ 67,080,900</u> |

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. CASH AND INVESTMENTS - Continued

Cash and Investments consist
of the following:

| | June 30, 2020 | June 30, 2019 |
|----------------------------|----------------------|----------------------|
| Cash on Hand | \$ 700 | \$ 700 |
| Cash in Bank-District | 3,091,999 | 2,049,242 |
| Cash in Bank-Foundation | 998,158 | 810,227 |
| Money Market Funds | 4,667,978 | 10,138,620 |
| Investments | 59,387,602 | 54,082,111 |
| Total Cash and Investments | <u>\$ 68,146,437</u> | <u>\$ 67,080,900</u> |

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 | \$65 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 (must be dollar denominated) | 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 |

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. CASH AND INVESTMENTS - Continued

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

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|-----------------------------------|---------------------|---------------------------------------|--|
| Collateralized Bank Deposits | 5 years | None | None |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| County Pooled Investments 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 |

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.

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

As of June 30, 2020

| 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 |
| Corporate Bonds* | \$ 1,581,765 | \$ 64,845 | \$ 104,496 | \$ 238,816 | \$ 131,685 | \$ 1,041,923 |
| U.S. Government Agencies | 14,954,820 | 5,569,590 | 7,225,250 | 2,159,980 | - | - |
| U.S. Government Agencies* | 117,910 | - | - | - | - | 117,910 |
| U.S. Treasury Notes | 39,412,100 | 10,111,430 | 15,183,725 | 11,519,850 | 2,597,095 | - |
| U.S. Treasury Notes* | 1,172,774 | 40,182 | 257,158 | 159,345 | 84,129 | 631,960 |
| Mutual Funds-Open Ended* | 269,060 | 269,060 | - | - | - | - |
| Domestic Common Stock* | 1,879,173 | 1,879,173 | - | - | - | - |
| Total | <u>\$59,387,602</u> | <u>\$17,934,280</u> | <u>\$22,770,629</u> | <u>\$14,077,991</u> | <u>\$ 2,812,909</u> | <u>\$ 1,791,793</u> |

*Held by Foundation

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk (Continued)

As of June 30, 2019

| 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 |
| Corporate Bonds* | \$ 1,410,937 | \$ 50,074 | \$ 73,371 | \$ 70,047 | \$ 251,864 | \$ 965,581 |
| U.S. Government Agencies | 22,160,590 | 7,486,335 | 5,519,485 | 7,066,850 | 2,087,920 | - |
| U.S. Government Agencies* | 867,003 | - | 105,004 | 173,290 | 109,954 | 478,755 |
| U.S. Treasury Notes | 26,067,730 | 6,005,440 | 7,064,840 | 7,868,280 | 5,129,170 | - |
| U.S. Treasury Notes* | 418,965 | 62,881 | 101,210 | - | 52,612 | 202,262 |
| Mutual Funds-Open Ended* | 1,204,392 | 1,204,392 | - | - | - | - |
| Domestic Common Stock* | 1,952,494 | 1,952,494 | - | - | - | - |
| Total | <u>\$54,082,111</u> | <u>\$16,761,616</u> | <u>\$12,863,910</u> | <u>\$15,178,467</u> | <u>\$ 7,631,520</u> | <u>\$ 1,646,598</u> |

*Held by Foundation

Disclosure 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 national 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 the fiscal year end for each investment type.

As of June 30, 2020

| Investment Type | Carrying Amount | Minimum Legal Rating | Exempt From Disclosure | Rating as of Fiscal Year End | | | |
|---------------------------|---------------------|----------------------|------------------------|------------------------------|-------------------|-------------------|---------------------|
| | | | | AAA/AA | A | BBB/BB | Not Rated |
| Corporate Bonds* | \$ 1,581,765 | N/A | \$ - | \$ 201,620 | \$ 642,662 | \$ 737,483 | \$ - |
| U.S. Government Agencies | 14,954,820 | N/A | - | 14,954,820 | - | - | - |
| U.S. Government Agencies* | 117,910 | N/A | - | 117,910 | - | - | - |
| U.S. Treasury Notes | 39,412,100 | N/A | 39,412,100 | - | - | - | - |
| U.S. Treasury Notes* | 1,172,774 | N/A | 1,172,774 | - | - | - | - |
| Mutual Funds-Open Ended* | 269,060 | N/A | - | - | - | - | 269,060 |
| Domestic Common Stock* | 1,879,173 | N/A | - | - | - | - | 1,879,173 |
| Total | <u>\$59,387,602</u> | | <u>\$40,584,874</u> | <u>\$15,274,350</u> | <u>\$ 642,662</u> | <u>\$ 737,483</u> | <u>\$ 2,148,233</u> |

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. CASH AND INVESTMENTS - Continued

Disclosure Relating to Credit Risk (Continued)

As of June 30, 2019

| Investment Type | Carrying Amount | Minimum Legal Rating | Exempt From Disclosure | Rating as of Fiscal Year End | | | |
|---------------------------|---------------------|----------------------|------------------------|------------------------------|------------------|-------------------|---------------------|
| | | | | AAA/AA | A | BBB/BB | Not Rated |
| Corporate Bonds* | \$ 1,410,937 | N/A | \$ - | \$ 242,228 | \$ 464,545 | \$ 704,164 | \$ - |
| U.S. Government Agencies | 22,160,590 | N/A | - | 22,160,590 | - | - | - |
| U.S. Government Agencies* | 867,003 | N/A | - | 867,003 | - | - | - |
| U.S. Treasury Notes | 26,067,730 | N/A | 26,067,730 | - | - | - | - |
| U.S. Treasury Notes* | 418,965 | N/A | 418,965 | - | - | - | - |
| Mutual Funds-Open Ended* | 1,204,392 | N/A | - | - | - | - | 1,204,392 |
| Domestic Common Stock* | 1,952,494 | N/A | - | - | - | - | 1,952,494 |
| Total | <u>\$54,082,111</u> | | <u>\$26,486,695</u> | <u>\$23,269,821</u> | <u>\$464,545</u> | <u>\$ 704,164</u> | <u>\$ 3,156,886</u> |

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

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 three investments at June 30, 2020 that represent 5% or more of total District investments (other than U.S. Treasury Notes). These investments are:

- Federal Home Loan Banks: \$4,189,420 with various maturity dates through June 30, 2023, and interest rates of 1.875-3.625%.
- Federal Home Loan Mortgage Corporation: \$3,141,550 with various maturity dates through June 30, 2023, and interest rates of 2.375-2.750%.
- Federal National Mortgage Association: \$7,623,850 with various maturity dates through June 30, 2022, and interest rates of 1.250-2.000%.

There are three investments at June 30, 2019 that represent 5% or more of total District investments (other than U.S. Treasury Notes). These investments are:

- Federal Home Loan Banks: \$6,615,025 with various maturity dates through June 30, 2023, and interest rates of 1.375-4.500%.
- Federal Home Loan Mortgage Corporation: \$5,058,980 with various maturity dates through June 30, 2023, and interest rates of 1.250-2.750%.
- Federal National Mortgage Association: \$10,486,585 with various maturity dates through June 30, 2022, and interest rates of 1.250-2.000%.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. CASH AND INVESTMENTS - Continued

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, 2020 and 2019, 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 similar observable asset either directly or indirectly, which may include inputs in markets that not considered active;
- Level 3: Investments reflect prices based upon unobservable sources.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. CASH AND INVESTMENTS - Continued

Custodial Credit Risk

The District has the following recurring fair value measurements;

At June 30, 2020 and 2019, the District's cash, cash equivalents, and investments classified by risk category consisted of the following:

As of June 30, 2020

| 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 | \$ 1,581,765 | \$ 1,581,765 | \$ - | \$ - |
| U.S. Government Agencies | 15,072,730 | 15,072,730 | - | - |
| U.S. Treasury Notes | 40,584,874 | 40,584,874 | - | - |
| Mutual Funds-Open Ended | 269,060 | 269,060 | - | - |
| Domestic Common Stock | 1,879,173 | 1,879,173 | - | - |
| | <u>\$ 59,387,602</u> | <u>\$ 59,387,602</u> | <u>\$ -</u> | <u>\$ -</u> |

As of June 30, 2019

| 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 | \$ 1,410,937 | \$ 1,410,937 | \$ - | \$ - |
| U.S. Government Agencies | 23,027,593 | 23,027,593 | - | - |
| U.S. Treasury Notes | 26,486,695 | 26,486,695 | - | - |
| Mutual Funds-Open Ended | 1,204,392 | 1,204,392 | - | - |
| Domestic Common Stock | 1,952,494 | 1,952,494 | - | - |
| | <u>\$ 54,082,111</u> | <u>\$ 54,082,111</u> | <u>\$ -</u> | <u>\$ -</u> |

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

4. CAPITAL ASSETS

Business-Type Activities

At June 30, 2020 and 2019 the capital assets of the business-type activities consisted of the following:

| <u>June 30, 2020</u> | <u>Balance</u> <u>July 1, 2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2020</u> |
|-------------------------------|---------------------------------------|---------------------|------------------|--|
| Non-depreciable assets: | | | | |
| Land and CIP | \$ 3,988,650 | \$ 58,704 | \$ - | \$ 4,047,354 |
| Total non-depreciable assets | <u>3,988,650</u> | <u>58,704</u> | <u>-</u> | <u>4,047,354</u> |
| Depreciable assets: | | | | |
| Building and improvements | 18,177,558 | 60,300 | (45,486) | 18,192,372 |
| Furniture and equipment | <u>182,737</u> | <u>13,321</u> | <u>-</u> | <u>196,058</u> |
| Total depreciable assets | 18,360,295 | 73,621 | (45,486) | 18,388,430 |
| Less accumulated depreciation | <u>(10,376,387)</u> | <u>(640,360)</u> | <u>45,486</u> | <u>(10,971,261)</u> |
| Total depreciable assets, net | <u>7,983,908</u> | <u>(508,035)</u> | <u>-</u> | <u>7,417,169</u> |
| Total capital assets, net | <u>\$11,972,558</u> | <u>\$ (508,035)</u> | <u>\$ -</u> | <u>\$ 11,464,523</u> |

Depreciation expense consists of operating expense depreciation of \$188,833 and rental expense depreciation of \$451,527.

| <u>June 30, 2019</u> | <u>Balance</u> <u>July 1, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2019</u> |
|-------------------------------|---------------------------------------|---------------------|------------------|--|
| Non-depreciable assets: | | | | |
| Land | \$ 3,988,650 | \$ - | \$ - | \$ 3,988,650 |
| Total non-depreciable assets | <u>3,988,650</u> | <u>-</u> | <u>-</u> | <u>3,988,650</u> |
| Depreciable assets: | | | | |
| Building and improvements | 17,955,981 | 222,077 | (500) | 18,177,558 |
| Furniture and equipment | <u>176,546</u> | <u>8,449</u> | <u>(2,258)</u> | <u>182,737</u> |
| Total depreciable assets | 18,132,527 | 230,526 | (2,758) | 18,360,295 |
| Less accumulated depreciation | <u>(9,739,013)</u> | <u>(639,405)</u> | <u>2,031</u> | <u>(10,376,387)</u> |
| Total depreciable assets, net | <u>8,393,514</u> | <u>(408,879)</u> | <u>(727)</u> | <u>7,983,908</u> |
| Total capital assets, net | <u>\$ 12,382,164</u> | <u>\$ (408,879)</u> | <u>\$ (727)</u> | <u>\$ 11,972,558</u> |

Depreciation expense consists of operating expense depreciation of \$193,276 and rental expense depreciation of \$446,129.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

5. RESTRICTED NET POSITION

The District had \$0 of restricted net position at June 30, 2020 and 2019.

6. SPLIT INTEREST AGREEMENTS - FOUNDATION

At June 30, 2020 and 2019, the split interest agreements of the fiduciary fund consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Contribution receivable – charitable remainder trusts | <u>\$ 187,298</u> | <u>\$ 189,239</u> |

Charitable Reminder 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 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.

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, 2020 and 2019 was \$61,276 and \$63,217, respectively.

7. 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, 2020 and 2019, the total grant awards payable were \$9,748,358 and \$12,809,355, respectively. Total grants expense for the years ended June 30, 2020 and 2019 amounted to \$3,174,052 and \$3,626,871, respectively.

The Foundation has granted awards to various healthcare providers that provide needed healthcare services. At June 30, 2020 and 2019, the total grant awards payable were \$4,294,224 and \$5,644,450, respectively. Total grants and services expense for the years ended June 30, 2020 and 2019 amounted to \$508,667 and \$1,536,658, respectively.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

8. LONG-TERM DISABILITY CLAIMS RESERVE

Long-term disability claims were self-insured by the Corporation. Claimants' payments are administered by the District who processes payments made pursuant to the plan. Claimants are paid either to age 65 or until they return to work. At June 30, 2020 and 2019, the long-term disability claims reserves were as follows:

| | <u>Balance at July 1, 2019</u> | <u>Claims Paid</u> | <u>Changes in Estimates</u> | <u>Balance at June 30, 2020</u> | <u>Due Within One Year</u> |
|----------------|------------------------------------|------------------------|---------------------------------|-------------------------------------|--------------------------------|
| Claims payable | \$ 55,429 | \$ (14,803) | \$ 2,986 | \$ 43,612 | \$ 14,803 |

| | <u>Balance at July 1, 2018</u> | <u>Claims Paid</u> | <u>Changes in Estimates</u> | <u>Balance at June 30, 2019</u> | <u>Due Within One Year</u> |
|----------------|------------------------------------|------------------------|---------------------------------|-------------------------------------|--------------------------------|
| Claims payable | \$ 66,546 | \$ (14,803) | \$ 3,686 | \$ 55,429 | \$ 14,803 |

9. POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provided OPEB for the two retired Board of Directors of the District. The plan is a single employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – Following is a description of the current retiree benefit plan:

| | <u>Board Members</u> |
|-------------------------|-----------------------------|
| Benefit types provided | Medical and dental |
| Duration of benefits | Lifetime |
| Dependent coverage | Yes |
| District contribution % | 100% |
| District cap | None |

Employees Covered by Benefit Terms – At June 30, 2020, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees receiving benefits | 2 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 |
| Active employees | 0 |

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

9. POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

B. Total OPEB Liability

The District's total OPEB liability of \$67,364 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| <i>Inflation</i> | 2.75 percent |
| <i>Investment return/discount rate</i> | 3.50 percent net of expenses. Based on the Bond Buyer 20 Bond Index |
| <i>Healthcare cost trend rates</i> | 4.00 percent |
| <i>Payroll increase</i> | 2.75 percent |
| <i>The mortality assumptions</i> | Based on the 2009 CalPERS Mortality for Retired Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis. |
| <i>Cost for retiree coverage</i> | Based on actual employer contribution. Liabilities for active participants are based on the first year costs. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps. |

C. Changes in the Total OPEB Liability

| | |
|--|-------------------------|
| Balance at June 30, 2019 | \$ <u>87,973</u> |
| <u>Changes for the fiscal year</u> | |
| Service cost | - |
| Interest | 2,957 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (3,680) |
| Changes in assumptions or other inputs | 435 |
| Benefit payments | <u>(20,321)</u> |
| Net changes | <u>67,364</u> |
| Balance at June 30, 2020 | <u>\$ <u>67,364</u></u> |

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

9. POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS – Continued

C. Changes in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | Discount Rate | Valuation | Discount Rate |
|--------------------|-----------------|----------------------|------------------|
| | <u>1% Lower</u> | <u>Discount Rate</u> | <u>1% Higher</u> |
| Net OPEB liability | \$68,865 | \$67,364 | \$65,941 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following present the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

| | Trend | Valuation | Discount Rate |
|--------------------|-----------------|--------------|------------------|
| | <u>1% Lower</u> | <u>Trend</u> | <u>1% Higher</u> |
| Net OPEB liability | \$65,934 | \$67,364 | \$68,843 |

D. OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

There were no amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in OPEB expenses in the future.

10. 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.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

11. RENTAL INCOME

The District rents commercial office suites subject to lease terms ranging from three to five years. Rental income includes the base monthly rental payments plus the common area maintenance fee. Rental income consisted of the following for the years ended June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|-------------------------|--------------------|--------------------|
| Base rent | \$ 879,153 | \$ 863,595 |
| Common area maintenance | <u>339,186</u> | <u>340,345</u> |
| | <u>\$1,218,339</u> | <u>\$1,203,940</u> |

The five fiscal year minimum rental schedule follows:

| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|-------------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| Base rent | \$ 914,262 | \$ 929,472 | \$ 755,093 | \$ 392,442 | \$ 159,861 |
| Common area maintenance | 343,569 | 339,204 | 272,504 | 139,299 | 55,665 |
| | <u>\$ 1,257,831</u> | <u>\$ 1,268,676</u> | <u>\$ 1,027,597</u> | <u>\$ 531,741</u> | <u>\$ 215,525</u> |

12. 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 a 457(B) and 401(A) retirement plans. A 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, 2020 and 2019 were \$64,172 and \$47,285, respectively.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 statements for more detail 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.

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 as of June 30, 2020, the Plan’s independent actuary determined that the actuarial value of the Plan’s net pension liability was \$4,604,254 at June 30, 2020 and \$3,395,623 at June 30, 2019. In the report it was recommended that an actuarially determined contribution of \$366,275 as of June 30, 2020 and \$288,378 as of June 30, 2019, should be made. The District’s board of directors elected not to fund the Plan during 2020. The plan was funded in the amount of \$0 during 2020 and 2019.

Distributions

Although the pension liability is determined by calculating the present value of future annuity payments, it is the practice of the District to disburse 100% of the participant’s funds at the time the participant leaves employment of Desert Hospital. The disbursements are in the form of either a roll over to an IRA or a direct disbursement to the participant.

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.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN - Continued

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 |

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

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

Plan Description

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.

Employees Covered

At June 30, 2020 and 2019, the following employees were covered by the benefit terms:

| | <u>Miscellaneous</u> | |
|---|----------------------|------|
| | 2020 | 2019 |
| Inactive plan members if beneficiaries currently receiving benefits | 8 | 8 |
| Inactive plan members entitled to but not yet receiving benefits | 61 | 61 |
| Active plan members | 114 | 114 |
| Total Employees Covered | 183 | 183 |

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

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

Net Pension Liability

The District's net pension liability 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, 2020 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---------------------------------|--|
| Inflation | 2.75% |
| Discount rate | 3.77% net of pension plan investment expense, including inflation. |
| Measurement date | June 30, 2020, based on valuation date of June 30, 2019. |
| Ad hoc cost-of-living increases | Not applicable |
| Mortality | Pre-Retirement: None Post-Retirement: Pub G Sex distinct mortality tables projected generationally with Scale MP-2018 |
| 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, 2020 funding valuation for other relevant assumptions. |

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

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

Net Pension Liability (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.77 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 3.77 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.82 percent is applied to all plans in the Plan. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the Districts' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 3.77 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 3.92 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 2019-20 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.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

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

Net Pension Liability (Continued)

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.

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 | 36.0% | 2.50% |
| Domestic equities | 45.0 | 5.50 |
| International equities | 15.0 | 6.50 |
| International Fixed Income Securities | 2.0 | 2.50 |
| Cash | 2.0 | 0.00 |

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follows:

| | Increase (Decrease) | | |
|---|--------------------------------|------------------------------------|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Position Liability/(Asset) (c) = (a) – (b) |
| Balance, June 30, 2019 | \$ 8,309,530 | \$ 4,913,906 | \$ 3,395,624 |
| Changes in Recognized for the Measurement Period: | | | |
| Employer Contributions | - | - | - |
| Interest on the Total Pension Liability | 374,170 | | 374,170 |
| Differences between Expected and Actual Experience | - | - | - |
| Changes in Assumptions | 912,601 | - | 912,601 |
| Net Investment Income ** | - | 109,665 | (109,665) |
| Benefit Payments, including Refunds of Employee Contributions | (208,084) | (208,084) | - |
| Administrative Expenses | - | (31,524) | 31,524 |
| Net Changes during 2019-20 | 1,078,687 | (129,943) | 1,208,630 |
| Balance, June 30, 2020 * | \$ 9,388,217 | \$ 4,783,963 | \$ 4,604,254 |

* The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

** Net of administrative expenses.

Sensitivity of the Net Pension Liability 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 3.77 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 (2.77 percent) or 1 percentage-point higher (4.77 percent) than the current rate:

| | <u>1% Decrease (2.77%)</u> | <u>Current Discount Rate (3.77%)</u> | <u>1% Increase (4.77%)</u> |
|-----------------------|---------------------------------------|---|---------------------------------------|
| Net pension liability | \$ 5,988,086 | \$ 4,604,254 | \$ 3,471,841 |

Plan Fiduciary Net Position

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Changes in the Net Pension Liability (Continued)

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

For the fiscal year ended June 30, 2020, the District recognized pension expense of (\$109,461). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ - | \$ (267,370) |
| Net differences between projected and actual | | |
| Earnings on pension plan investments | 260,292 | (103,330) |
| Changes in assumptions | 943,946 | - |
| Total | <u>\$ 1,204,238</u> | <u>\$ (370,700)</u> |

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 |
|---------------------------------------|---|
| 2021 | \$ 357,812 |
| 2022 | 355,644 |
| 2023 | 70,105 |
| 2024 | 49,977 |
| Total | <u>\$ 833,538</u> |

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 \$200,000 to the Foundation, to help fulfill their purpose. The District also provided the Foundation with office space and personnel of \$305,676.

16. UNCERTAINTIES

As a result of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which could have an impact on the operations of the District and Foundation. The related financial impact and duration cannot be reasonably estimated at this time.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

17. SUBSEQUENT EVENTS

The District and Foundation evaluated all potential subsequent events as of October 13, 2020 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2020 or as of October 13, 2020 that require disclosure to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2020

Prepared for the Desert Healthcare District, a Single-Employer Defined Benefit Pension Plan as of June 30, 2020

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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Measurement Period | 2018-2019 | 2018-2019 | 2016-2017 | 2016-2017 | 2014-2015 | 2013-2014 |
| Total Pension Liability | | | | | | |
| Interest on total pension liability | \$ 374,170 | \$ 385,951 | \$ 399,298 | \$ 321,990 | \$ 397,980 | \$ 418,035 |
| Differences between expected and actual experience | - | (802,110) | - | (437,093) | (493,455) | (537,276) |
| Changes in assumptions | 912,601 | 769,854 | 315,705 | (2,852,163) | 1,944,607 | - |
| Benefit payments, including refunds of employee contributions | (208,084) | (511,792) | (466,670) | (382,380) | (459,397) | (304,566) |
| Net change in total pension liability | 1,078,687 | (158,097) | 248,333 | (3,349,646) | 1,389,735 | (423,807) |
| Total pension liability - beginning | 8,309,530 | 8,467,627 | 8,219,294 | 11,568,940 | 10,179,205 | 10,603,012 |
| Total pension liability - ending (a) | 9,388,217 | 8,309,530 | 8,467,627 | 8,219,294 | 11,568,940 | 10,179,205 |
| Plan fiduciary net position | | | | | | |
| Employer contributions | - | - | - | 3,400,000 | - | - |
| Net investment income | 109,665 | 268,701 | 347,969 | 426,828 | (6,638) | 71,101 |
| Benefit payments | (208,084) | (511,792) | (466,670) | (382,380) | (459,397) | (304,566) |
| Administrative expenses | (31,524) | (32,836) | (35,638) | (24,513) | (14,983) | (17,886) |
| Net change in plan fiduciary net position | (129,943) | (275,927) | (154,339) | 3,419,935 | (481,018) | (251,351) |
| Plan fiduciary net position - beginning | 4,913,907 | 5,189,834 | 5,344,173 | 1,924,238 | 2,405,256 | 2,656,607 |
| Plan fiduciary net position - ending (b) | 4,783,963 | 4,913,907 | 5,189,834 | 5,344,173 | 1,924,238 | 2,405,256 |
| Net pension liability - ending (a) - (b) | \$ 4,604,254 | \$ 3,395,623 | \$ 3,277,793 | \$ 2,875,121 | \$ 9,644,702 | \$ 7,773,949 |
| Plan fiduciary net position as percentage of the total pension liability | 50.96% | 59.14% | 61.29% | 65.02% | 16.63% | 23.63% |
| Covered - employee payroll | N/A | N/A | N/A | N/A | N/A | N/A |
| Net pension liability as a percentage of covered - employee payroll | N/A | N/A | N/A | N/A | N/A | N/A |

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%.

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

DESERT HEALTHCARE DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2020

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

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

Notes to Schedule:

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

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

DESERT HOSPITAL
RETIREMENT PROTECTION PLAN

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2020 AND 2019



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INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Directors
of the Desert Hospital Retirement Protection Plan
Palm Springs, California

We have audited the accompanying financial statements of Desert Hospital Retirement Protection Plan (the Plan) which comprise the statement of net assets available for benefits and of accumulated plan benefits as of June 30, 2020 and the related statement of changes in net assets available for benefits and changes in accumulated plan benefits for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan's financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Due to the Plan's status as a "frozen plan" as of May 31, 1997 (Note 1), certain disclosures and supplemental schedules required for the financial statements to be in accordance with generally accepted accounting principles in the United States of America are not included in the accompanying financial statements.

Qualified Opinion

In our opinion, except for the omission of the information discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of June 30, 2020, and the changes in financial status for the fiscal year then ended, in conformity with generally accepted accounting principles in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

Other Matters

Other Report Required by Government Auditing Standards

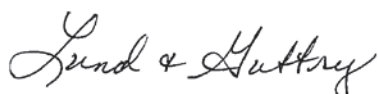
In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020 on our consideration of the Plan's internal control over financial reporting and on our tests of compliance with laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Schedule of Funding Progress be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial statements, for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Comparative Information

The financial statements of Desert Hospital Retirement Protection Plan for the year ended June 30, 2019 were audited by other auditors whose report dated October 1, 2019, expressed a qualified opinion on those statements for the reason described in the first paragraph above.



October 13, 2020

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AND OF ACCUMULATED
PLAN BENEFITS
JUNE 30, 2020 AND 2019**

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 305,423 | \$ 63,564 |
| Investments, at fair value | | |
| U.S. Government securities | 745,008 | 852,161 |
| Corporate equity securities | 494,184 | 405,507 |
| Corporate debt securities | 748,676 | 716,638 |
| Mutual funds | <u>2,488,266</u> | <u>2,872,938</u> |
| Total investments | <u>4,476,134</u> | <u>4,847,244</u> |
| Interest and dividends receivable | <u>10,001</u> | <u>11,287</u> |
| <u>LIABILITIES</u> | | |
| Accrued trustee fees | <u>7,595</u> | <u>8,189</u> |
| <u>NET POSITION RESTRICTED FOR PENSION</u> | <u>\$ 4,783,963</u> | <u>\$ 4,913,906</u> |

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS AND
CHANGES IN ACCUMULATED PLAN BENEFITS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------------|--------------------------------|
| ADDITIONS | | |
| Contributions | \$ - | \$ - |
| Investment income | | |
| Net appreciation in fair value of Plan assets | 98,401 | 125,149 |
| Interest, dividends and other investment income | 115,080 | 126,183 |
| Net gain (loss) from sale of investments | <u>(104,280)</u> | <u>17,367</u> |
| Total additions | <u>109,201</u> | <u>268,699</u> |
| <u>DEDUCTIONS</u> | | |
| Distributions of benefits to participants | 207,620 | 511,792 |
| Administrative expenses | <u>31,524</u> | <u>32,836</u> |
| Total deductions | <u>239,144</u> | <u>544,628</u> |
| NET DECREASE IN NET POSITION | (129,943) | (275,929) |
| NET POSITION RESTRICTED FOR PENSION: | | |
| BEGINNING OF YEAR | <u>4,913,906</u> | <u>5,189,835</u> |
| END OF YEAR | <u><u>\$ 4,783,963</u></u> | <u><u>\$ 4,913,906</u></u> |

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 Tenet 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, 2020 AND 2019

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, 2020 by the Plan's independent actuary determined that the actuarial value of the Plan's net pension liability was \$4,604,254 and \$3,395,624 at June 30, 2020 and 2019, respectively. The actuary recommended to the District an actuarially determined contribution of \$366,275 and \$288,378 as of June 30, 2020 and 2019, respectively.

Distributions

Although the pension liability is determined by calculating the present value of future annuity payments, it is the practice of the District to disburse 100% of the participant's funds at the time the participant leaves employment of Desert Hospital. The disbursements are in the form of either a roll over to an IRA or a direct disbursement to the participant.

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 generally accepted accounting principles 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 generally accepted accounting principles 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.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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:

| Investment Type | 2020 | | 2019 | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Cash | \$ 305,423 | \$ 305,423 | \$ 63,564 | \$ 63,564 |
| Investments | | | | |
| U. S. Government securities | 713,103 | 745,008 | 848,667 | 852,161 |
| Corporate equity securities | 346,110 | 494,184 | 307,796 | 405,507 |
| Corporate debt securities | 733,689 | 748,676 | 722,751 | 716,638 |
| Mutual funds | <u>2,133,627</u> | <u>2,488,266</u> | <u>2,412,793</u> | <u>2,872,938</u> |
| Investments total | <u>3,926,529</u> | <u>4,476,134</u> | <u>4,292,007</u> | <u>4,847,244</u> |
| Total cash and investments | <u>\$ 4,231,952</u> | <u>\$ 4,781,557</u> | <u>\$ 4,355,571</u> | <u>\$ 4,910,808</u> |

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

4. CASH AND INVESTMENTS – (Continued)

Disclosure 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.

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, 2020

| 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 | \$ 2,267,093 | \$ 2,267,093 | \$ - | \$ - | \$ - | \$ - |
| Fixed Income Mutual Funds | 221,173 | 221,173 | - | - | - | - |
| Corporate Bonds | 748,676 | 201,793 | 157,187 | 52,207 | 218,268 | 119,221 |
| U.S. Government Agencies | 534,465 | - | 51,667 | - | - | 482,798 |
| U.S. Treasury Note | 210,543 | 50,860 | 51,113 | - | 108,570 | - |
| Foreign Stock | 33,722 | 33,722 | - | - | - | - |
| Domestic Common Stock | 460,462 | 460,462 | - | - | - | - |
| Total | <u>\$ 4,476,134</u> | <u>\$ 3,235,103</u> | <u>\$ 259,967</u> | <u>\$ 52,207</u> | <u>\$ 326,838</u> | <u>\$ 602,019</u> |

As of June 30, 2019

| 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 | \$ 2,673,134 | \$ 2,673,134 | \$ - | \$ - | \$ - | \$ - |
| Fixed Income Mutual Funds | 199,804 | 199,804 | - | - | - | - |
| Corporate Bonds | 716,638 | 100,257 | 202,170 | 154,292 | 50,682 | 209,237 |
| U.S. Government Agencies | 597,094 | - | - | 50,739 | - | 546,355 |
| U.S. Treasury Note | 255,067 | 49,948 | 50,420 | 50,496 | - | 104,203 |
| Foreign Stock | 30,812 | 30,812 | - | - | - | - |
| Domestic Common Stock | 374,695 | 374,695 | - | - | - | - |
| Total | <u>\$ 4,847,244</u> | <u>\$ 3,428,650</u> | <u>\$ 252,590</u> | <u>\$ 255,527</u> | <u>\$ 50,682</u> | <u>\$ 859,795</u> |

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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, 2020

| 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 | \$ 2,267,093 | N/A | \$ - | \$ - | \$ - | \$ - | \$ 2,267,093 |
| Fixed Income Mutual Funds | 221,173 | N/A | - | - | - | - | 221,173 |
| Corporate Bonds | 748,676 | A | - | 263,265 | 366,190 | 119,221 | - |
| U.S. Government Agencies | 534,465 | A | - | 51,667 | 482,798 | - | - |
| U.S. Treasury Note | 210,543 | N/A | 210,543 | - | - | - | - |
| Foreign Stock | 33,722 | N/A | - | - | - | - | 33,722 |
| Domestic Common Stock | 460,462 | N/A | - | - | - | - | 460,462 |
| Total | <u>\$ 4,476,134</u> | | <u>\$ 210,543</u> | <u>\$ 314,932</u> | <u>\$ 848,988</u> | <u>\$ 119,221</u> | <u>\$ 2,982,450</u> |

As of June 30, 2019

| Investment Type | Carrying Amount | Minimum Legal Rating | Exempt From Disclosure | Rating as of Fiscal Year End | | | |
|---------------------------|---------------------|----------------------|------------------------|------------------------------|-------------------|-------------------|---------------------|
| | | | | AAA | AA | A | Not Rated |
| Equity Based Mutual Funds | \$ 2,673,134 | N/A | \$ - | \$ - | \$ - | \$ - | \$ 2,673,134 |
| Fixed Income Mutual Funds | 199,804 | N/A | - | - | - | - | 199,804 |
| Corporate Bonds | 716,638 | A | - | - | 358,632 | 358,006 | - |
| U.S. Government Agencies | 597,094 | A | - | 50,739 | - | 546,355 | - |
| U.S. Treasury Note | 255,067 | N/A | 255,067 | - | - | - | - |
| Foreign Stock | 30,812 | N/A | - | - | - | - | 30,812 |
| Domestic Common Stock | 374,695 | N/A | - | - | - | - | 374,695 |
| Total | <u>\$ 4,847,244</u> | | <u>\$ 255,067</u> | <u>\$ 50,739</u> | <u>\$ 358,632</u> | <u>\$ 904,361</u> | <u>\$ 3,278,445</u> |

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 three investments at June 30, 2020 that represent 5% or more of total Plan investments. These investments are:

1695 shares of IShares S&P 500 Growth Etf valued at \$351,696
2795 shares of IShares S&P 500 Value Etf valued at \$302,447
6754 shares of Vanguard Ftsc Developed Etf valued at \$261,988

There are three investments at June 30, 2019 that represent 5% or more of total Plan investments. These investments are:

1,695 Shares of IShares S&P 500 Growth Etf valued at \$303,812
3,245 Shares of IShares S&P 500 Value Etf valued at \$378,270
4,275 Shares of IShares Msci Eafe Etf valued at \$280,996

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of 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, 2020, 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 requirement 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.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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, 2020:

| | | <u>Fair Value Measurement Using</u> | | |
|---------------------------------|---------------------|---|--|--|
| <u>Investment by fair value</u> | <u>Total</u> | <u>Quoted prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Debt Securities | | | | |
| US Government Issues | \$ 745,008 | \$ 210,543 | \$ 534,465 | \$ - |
| Corporate Issues | 748,676 | - | 748,676 | - |
| Mutual Funds – Equity | 2,267,093 | 2,267,093 | - | - |
| Mutual Funds – Fixed Income | 221,173 | 25,793 | 195,380 | - |
| Domestic Common Stock | 460,462 | 460,462 | - | - |
| Foreign Stock | 33,722 | 33,722 | - | - |
| Total | <u>\$ 4,476,134</u> | <u>\$ 2,997,613</u> | <u>\$ 1,478,521</u> | <u>\$ -</u> |

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

4. CASH AND INVESTMENTS – (Continued)

Fair Value Measurements – (Continued)

The Plan has the following recurring fair value measurements as of June 30, 2019:

| | | Fair Value Measurement Using | | |
|--------------------------------|---------------------|---|--|---|
| Investment by fair value | Total | Quoted prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Debt Securities | | | | |
| US Government Issues | \$ 852,161 | \$ 255,067 | \$ 597,094 | \$ - |
| Corporate Issues | 716,638 | - | 716,638 | - |
| Mutual Funds – Equity | 2,673,134 | 2,673,134 | - | - |
| Mutual Funds – Fixed Income | 199,804 | - | 199,804 | - |
| Domestic Common Stock | 374,695 | 374,695 | - | - |
| Foreign Stock | 30,812 | 30,812 | - | - |
| Total | <u>\$ 4,847,244</u> | <u>\$ 3,333,708</u> | <u>\$ 1,513,536</u> | <u>\$ -</u> |

5. ACTUARIAL ASSUMPTIONS

The total pension liability as of June 30, 2020 was determined using the following actuarial assumptions:

| | |
|------------------------------------|--|
| Inflation | 2.75% |
| Discount rate | 3.77%, net pension plan investment expense, including inflation. |
| Measurement date | June 30, 2020, based on a valuation date of June 30, 2019. |
| 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-2018 |
| 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. |

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

5. ACTUARIAL ASSUMPTIONS – (Continued)

| | |
|-------------------|--|
| 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, 2020 funding valuation for other relevant assumptions. |

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

6. NET PENSION LIABILITY OF THE PLAN

Schedule of Changes in Net Pension Liability and Related Ratios

| Total pension liability: | 2020 | 2019 |
|---|---------------------|---------------------|
| Service Cost | \$ - | \$ - |
| Interest | 374,170 | 385,951 |
| Changes of benefit terms | - | - |
| Differences between expected and actual experience | - | (802,110) |
| Changes of assumptions | 912,601 | 769,854 |
| Benefit payments, including refunds of member contributions | (208,084) | (511,792) |
| Net change in total pension liability | 1,078,687 | (158,097) |
| Total pension liability – beginning | 8,309,530 | 8,467,627 |
| Total pension liability – ending (a) | \$ 9,388,217 | \$ 8,309,530 |
| Plan fiduciary net position | | |
| Contributions – employer | \$ - | \$ - |
| Net investment income | 109,665 | 268,699 |
| Benefit payments, including refunds of member contributions | (208,084) | (511,792) |
| Administrative expenses | (31,524) | (32,836) |
| Net change in plan fiduciary net position | (129,943) | (275,929) |
| Plan fiduciary net position – beginning | 4,913,906 | 5,189,835 |
| Plan fiduciary net position – ending (b) | 4,783,963 | 4,913,906 |
| Net pension liability – ending (a) – (b) | \$ 4,604,254 | \$ 3,395,624 |
| Plan fiduciary net position as a percentage of the total pension liability | 50.96% | 59.14% |
| 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, 2020 AND 2019

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 3.77%. 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 member rates. 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 2.45% was used to discount unfunded projected benefit payments to determine the total pension liability. The single effective discount rate was 3.77%.

2. Sensitivity of the Net Pension Liability to Changes in the Discounted Rate

The following presents the net pension liability, calculated using the discount rate of 3.77%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount</u> | <u>1% Increase</u> |
|-----------------------|--------------------|-------------------------|--------------------|
| | <u>(2.77%)</u> | <u>Rate (3.77%)</u> | <u>(4.77%)</u> |
| Net pension liability | \$ 5,988,086 | \$ 4,604,254 | \$ 3,471,841 |

Summary

Plan membership

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

Inactive plan members if beneficiaries currently receiving benefits
Inactive plan members entitled to but not yet receiving benefits
Active plan members

| <u>2020</u> | <u>2019</u> |
|-------------|-------------|
| 8 | 8 |
| 61 | 61 |
| 114 | 114 |
| <u>183</u> | <u>183</u> |

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

6. NET PENSION LIABILITY OF THE PLAN - (Continued)

Summary – (Continued)

Net Pension Liability

| The components of the net pension liability at June 30, | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| Total pension liability | \$ 9,388,217 | \$ 8,309,530 |
| Plan fiduciary | <u>(4,783,963)</u> | <u>(4,913,906)</u> |
| Net pension liability | <u>\$ 4,604,254</u> | <u>\$ 3,395,624</u> |

| | | |
|---|--------|--------|
| Plan fiduciary net position as a % of the total pension liability | 50.96% | 59.14% |
|---|--------|--------|

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions

| | <u>2020</u> | <u>2019</u> |
|---------------------------|--------------------|--------------------|
| Inflation | 2.75% | 2.75% |
| Salary Increases | N/A | N/A |
| Investment rate of return | 6.82% | 6.82% |
| Discount rate | 3.77% | 4.56% |

7. SUBSEQUENT EVENTS

The Plan evaluated all potential subsequent events as October 13, 2020 when the financial statements were authorized and available to be issued. No subsequent events or transaction were identified after June 30, 2020 or as of October 13, 2020 that require disclosure to the financial statements.

SUPPLEMENTARY INFORMATION

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2020 AND 2019

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll | UAAL as a % of Covered Payroll |
|--------------------------------|--|---|------------------------------------|--------------------------|--------------------|---|
| 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 | 5,189,835 | 8,467,627 | 3,277,792 | 61% | N/A | N/A |
| 6/30/2019 | 4,913,906 | 8,309,530 | 3,395,624 | 59% | N/A | N/A |
| 6/30/2020 | 4,783,963 | 9,388,217 | 4,604,254 | 51% | N/A | N/A |

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

DESERT HEALTHCARE FOUNDATION
PALM SPRINGS, CALIFORNIA
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

DESERT HEALTHCARE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Desert Healthcare Foundation (Foundation), a not-for-profit organization and a component unit of the Desert Healthcare District, which comprise the statement of financial position, as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

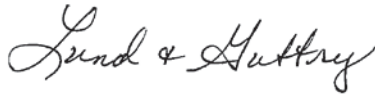
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desert Healthcare Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Foundation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of Desert Healthcare Foundation for the year ended June 30, 2019 were audited by other auditors whose report dated October 1, 2019, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it was derived.



October 13, 2020

DESERT HEALTHCARE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

| | Totals | |
|---|---------------------|------------------------------|
| | 2020 | 2019 (Memorandum Only) |
| <u>ASSETS</u> | | |
| ASSETS | | |
| Cash and cash equivalents | \$ 1,145,289 | \$ 945,995 |
| Grants receivable | - | 1,000,000 |
| Prepaid expenses | 3,000 | 3,500 |
| Accrued interest and dividend receivable | 18,931 | 17,732 |
| Total current assets | <u>1,167,220</u> | <u>1,967,227</u> |
| OTHER ASSETS | | |
| Contributions receivable - charitable remainder trusts | 187,298 | 189,239 |
| Investments | <u>5,020,682</u> | <u>5,853,791</u> |
| | <u>5,207,980</u> | <u>6,043,030</u> |
| TOTAL ASSETS | <u>\$ 6,375,200</u> | <u>\$ 8,010,257</u> |
| <u>LIABILITIES AND NET POSITION</u> | | |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued payroll | \$ 100,467 | \$ 70,955 |
| Grants payable - current | <u>2,694,224</u> | <u>3,384,450</u> |
| Total current liabilities | <u>2,794,691</u> | <u>3,455,405</u> |
| Long-term liabilities | | |
| Grants payable - long-term | <u>1,600,000</u> | <u>2,260,000</u> |
| Total long-term liabilities | <u>1,600,000</u> | <u>2,260,000</u> |
| TOTAL LIABILITIES | <u>4,394,691</u> | <u>5,715,405</u> |
| NET POSITION | | |
| Without donor restrictions | 1,776,489 | 2,096,517 |
| With donor restrictions | <u>204,020</u> | <u>198,335</u> |
| Total net position | <u>1,980,509</u> | <u>2,294,852</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 6,375,200</u> | <u>\$ 8,010,257</u> |

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

DESERT HEALTHCARE FOUNDATION**STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED JUNE 30, 2020**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019**

| | | | Totals | |
|--|-------------------------------|----------------------------|--------------|------------------------------|
| | Without Donor Restrictions | With Donor Restrictions | 2020 | 2019 (Memorandum Only) |
| REVENUES AND GAINS | | | | |
| Contributions | \$ 46,753 | \$ 26,469 | \$ 73,222 | \$ 30,748 |
| Grants and bequests | 264,668 | - | 264,668 | 1,266,188 |
| Interest and dividends | 184,904 | - | 184,904 | 115,058 |
| Investment gains (losses) | 41,026 | - | 41,026 | 386,648 |
| Change in value - charitable trust | - | (1,940) | (1,940) | 310 |
| Net assets released from restrictions | 18,844 | (18,844) | - | - |
| Total revenues and gains | 556,195 | 5,685 | 561,880 | 1,798,952 |
| EXPENSES | | | | |
| Grants and social services | 508,667 | - | 508,667 | 1,536,658 |
| Management and general | 367,556 | - | 367,556 | 246,663 |
| Total expenses | 876,223 | - | 876,223 | 1,783,321 |
| INCREASE (DECREASE) IN NET POSITION | (320,028) | 5,685 | (314,343) | 15,631 |
| NET POSITION, BEGINNING OF YEAR | 2,096,517 | 198,335 | 2,294,852 | 2,279,221 |
| NET POSITION, END OF YEAR | \$ 1,776,489 | \$ 204,020 | \$ 1,980,509 | \$ 2,294,852 |

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

DESERT HEALTHCARE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

| | | | Totals | |
|----------------------------------|--------------------------|---------------------------|--------------------------|------------------------------|
| | Grants and Services | Management and General | 2020 | 2019 (Memorandum Only) |
| Grants and social services | \$ 508,667 | \$ - | \$ 508,667 | \$ 1,536,658 |
| Management and general expenses | <u>-</u> | <u>367,556</u> | <u>367,556</u> | <u>246,663</u> |
| TOTAL FUNCTIONAL EXPENSES | <u><u>\$ 508,667</u></u> | <u><u>\$ 367,556</u></u> | <u><u>\$ 876,223</u></u> | <u><u>\$ 1,783,321</u></u> |

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

DESERT HEALTHCARE FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

| | <u>2020</u> | 2019 (Memorandum Only) <u>Only)</u> |
|--|----------------------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net position | \$ (314,343) | \$ 15,631 |
| Adjustments to reconcile increase (decrease) in net position to net cash provided (used) by operating activities: | | |
| Unrealized gains on investments | (41,026) | (386,648) |
| Increase (decrease) in operating assets: | | |
| Grants receivable | 1,000,000 | 30,829 |
| Prepaid expenses | 500 | 40 |
| Charitable remainder trusts | 1,941 | (310) |
| Accrued interest and dividends receivable | (1,199) | (3,945) |
| Increase (decrease) in operating liabilities | | |
| Accounts payable and accrued payroll | 29,512 | (13,025) |
| Grants payable | <u>(1,350,226)</u> | <u>823,283</u> |
| Net cash provided (used) by operating activities | <u>(674,841)</u> | <u>465,855</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net investment activity | <u>874,135</u> | <u>(2,967,857)</u> |
| Net cash provided (used) by investing activities | <u>874,135</u> | <u>(2,967,857)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 199,294 | (2,502,002) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>945,995</u> | <u>3,447,997</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 1,145,289</u></u> | <u><u>\$ 945,995</u></u> |

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

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Desert Healthcare Foundation (Foundation), a not-for-profit organization, is a health and welfare organization created to identify the health care needs of the Desert Healthcare District (District) and to work toward treating those needs through various programs and services. The Foundation is a component unit of the District due to the nature and significance of their relationship with the District. 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 asset values at various times.

Basis of Accounting

The Foundation uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Financial Statement Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Net position and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net positions of the Foundation and changes therein are classified as follows:

Net position without donor restrictions: Net position that is not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.

Net position with donor restrictions: Net position subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Foundation has net position with donor restrictions of \$204,020 at June 30, 2020. (See note 6)

Donated Facilities and Services

The District has provided to the Foundation the use of its office facilities at no charge. For the fiscal year ended June 30, 2020 the District allocated to the Foundation \$305,676 related to personnel charges. The value of the on-site facilities is not reflected in these statements, as they do not meet the criteria for recognition. (See note 7)

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Contributions

Unconditional contributions are recognized when pledged and recorded as net position without donor restrictions or net position with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net position with donor restrictions are reclassified to net position without donor restrictions and reported in the statement of activities as net position released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net position without donor restriction support.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Use of Estimates

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

Investments

Investments are stated at fair market value. Realized and unrealized gains and losses on investments are recognized as changes in net assets in the periods in which they occur.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), and from California franchise taxes under related state tax regulations and classified by the Internal Revenue Service as other than a private foundation. The Foundation may be subject to tax on income from any unrelated business operations. The Foundation does not currently have any unrelated business operations. The federal and State income tax returns are subject to examination over three and four years, respectively.

Memorandum Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the prior year, from which the summarized information was derived.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

2. FAIR VALUE MEASUREMENTS

The Foundation applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

At June 30, 2020, all investments are measured at fair value on a recurring basis and were valued at Level 1 inputs (quoted prices in active markets for identical assets). Fair value for investments at June 30, 2020 was \$5,020,682. (See Note 3)

3. CASH AND INVESTMENTS

Demand Deposits

The carrying amounts at June 30, 2020, of the Foundation's cash deposits were \$998,358, and money market funds were \$146,931. Bank balances were \$1,151,126 at June 30, 2020. Occasionally, the Foundation's cash balance in banks exceeds the Federal Deposit Insurance Corporation's insurance limits but management does not expect any significant credit risk relating to cash.

Investments

At June 30, 2020, investments consisted of the following:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain</u> |
|--------------------------|---------------------|---------------------|----------------------------|
| Corporate bonds | \$ 1,481,003 | \$ 1,581,765 | \$ 100,762 |
| U.S. Government agencies | 1,174,835 | 1,290,684 | 115,849 |
| Mutual funds | 261,168 | 269,060 | 7,892 |
| Marketable securities | <u>1,657,861</u> | <u>1,879,173</u> | <u>221,312</u> |
| Total Investments | <u>\$ 4,574,867</u> | <u>\$ 5,020,682</u> | <u>\$ 445,815</u> |

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

4. CHARITABLE REMAINDER TRUSTS

The Foundation was named beneficiary to two charitable remainder unitrusts (whose trustees are someone other than the Foundation), all of which are recorded at fair value. The balances at June 30, 2020 amounted to \$187,298 and general terms of the 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.

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, 2020 was \$61,276.

5. GRANTS PAYABLE

Grants payable consisted of the following for the fiscal years ended June 30:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Behavioral Health Initiative Collective Fund | \$ 1,952,000 | \$ 1,985,200 |
| Avery Trust – Pulmonary | 919,801 | 1,000,000 |
| West Valley Homelessness Initiative | 711,383 | 2,125,712 |
| East Valley Grant Funding | 419,156 | 225,000 |
| Grant for Swim Lessons | 174,279 | 70,573 |
| Grant for Health Portal | 110,105 | 131,898 |
| Galilee Center – Emergency | 7,500 | 41,250 |
| California Endowment and School District | <u>-</u> | <u>64,817</u> |
| | <u>\$ 4,294,224</u> | <u>\$ 5,644,450</u> |

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

6. NET POSITION – WITH DONOR RESTRICTIONS

Donor restricted net position consists of the following purposes as of June 30:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| <u>Subject to expenditure for specified purpose:</u> | | |
| Summer Homeless Survival Fund | \$ 16,722 | \$ 9,096 |
| Charitable Remainder Trust | <u>126,022</u> | <u>126,022</u> |
| | <u>142,744</u> | <u>135,118</u> |
| <u>Subject to the passage of time:</u> | | |
| Charitable Remainder Trust | <u>61,276</u> | <u>63,217</u> |
| Net Position – with donor restrictions | <u>\$ 204,020</u> | <u>\$ 198,335</u> |

7. RELATED PARTY TRANSACTIONS

The Foundation and the Desert Healthcare District are related parties. The Foundation is organized to provide health and welfare assistance to Coachella Valley residents in need. The District donated funds of \$200,000 to the Foundation during the year ended June 30, 2020 to help fulfill their purpose. The District also provided the Foundation with office space and personnel of \$305,676.

8. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30 are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Financial assets: | | |
| Cash | \$ 1,145,289 | \$ 945,995 |
| Investments | 5,020,682 | 5,853,791 |
| Grants receivable | - | 1,000,000 |
| Accrued interest and dividend receivable | 18,931 | 17,732 |
| Contributions receivable – CRT | <u>187,298</u> | <u>189,239</u> |
| Total financial assets | <u>6,372,200</u> | <u>8,006,757</u> |
| Less financial assets held to meet donor-imposed restrictions: | | |
| Purpose-restricted net assets (Note 5) | (4,294,224) | (5,644,450) |
| Interest in charitable remainder trust (Note 4) | (187,298) | (189,239) |
| Donor-restricted funds (Note 6) | <u>(16,722)</u> | <u>(9,096)</u> |
| Amount available for general expenditures within one year | <u>\$ 1,873,956</u> | <u>\$ 2,163,972</u> |

The above table reflects donor-restricted and board-designated funds as unavailable because it is the Foundation's intention to invest resources for the long-term support of the organization. However, in the case of need, the Board of Directors could appropriate resources from the purpose-restricted funds available for general use. As part of the Foundation's liquidity management plan, they invest cash in excess of daily requirements in short-term investments (Note 3).

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

9. UNCERTAINTIES

As a result of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which could have an impact on the operations of the Foundation. The related financial impact and duration cannot be reasonably estimated at this time.

10. SUBSEQUENT EVENTS

The Foundation evaluated all potential subsequent events as of October 13, 2020 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2020 or as of October 13, 2020 that require disclosure to the financial statements.



Date: October 13, 2020

To: Finance & Administration Committee

Subject: Consideration to Approve the Las Palmas Medical Plaza (LPMP) Landscape Renovation and Fire Alarm Electrical rebid process

Staff Recommendation: Consideration to approve a rebid process for the LPMP Landscape Renovation and Fire Alarm Electrical project.

Background:

- The Las Palmas Medical Plaza is a medical office building owned and operated by the Desert Healthcare District.
- Over the years, the landscaping at LPMP has experienced challenges and deterioration, mostly due to the drought conditions, which required removal of grass and irrigation issues.
- Recently, the fire sprinkler infrastructure was installed at LPMP, which damaged more of the plant life on Tachevah.
- The Board approved the Landscape Plans, Cost Estimates, and Phasing Plan prepared by a local landscape design architect at the March 24, 2020 meeting.
- The Cost Estimate was for \$313,000 for labor and materials for the landscape component.
- An electrical component, which also needs to be completed per city requirements, was added to the project for the electrical connection of the fire alarm system of the six buildings.
- Staff and the architect, Chris Mills, believed it was best to enlist a general contractor due to the nature of the medical plaza with heavy vehicle and pedestrian traffic .
- For a general contractor with a Class B license, the estimate could be over \$400,000.
- A Notice Inviting Bids was released on September 1, 2020.
- On October 6, 2020, a public bid opening was held with four (4) sealed bids received.
- The bids range from \$386,700 to \$1,222,000, with the second low bid at \$565,000.
- The Bid Results Tabulation is included in the packet.
- A review of the low bidder's bid documents determined the contractor possesses a Class C27 (landscaper) contractor's license, not the Class B general contractor's license that was a requirement in the bid documents. Therefore, this rendered the bid non-responsive.
- Staff met with District counsel, Jeff Scott, and the architect to discuss possible options. The following options were discussed.

- A. Reject the low bid and accept the second low bid of \$565,000, which is substantially higher than the estimate of \$400,000.

- B. Reject all bids and rebid the project with separate landscape and electrical contractors.

Pro: This may create a lower cost overall.

Cons:

- 1) A significant risk exists with the coordination of the electrical connection component and the landscape work, presenting the possibility of one contractor pointing the finger at the other for possible errors.
 - 2) The oversight of a general contractor with regard to the traffic at the medical plaza would be significantly lost.
- C. Reject all bids and rebid the project with similar specifications, including the Class B licensed contractor and combined landscape renovation and fire alarm electrical connection.

Pro: Confidence of a coordinated effort to complete both components of work with the oversight of a general contractor.

Con: Potentially with cost greater than the estimate of \$400,000. However, there is possibility that contractors may reduce their bid to remain competitive.

- Staff recommends Option C for consideration of approval.

Fiscal Impact:

Estimated Cost presently unclear, but could be in the \$450,000 to \$550,000 range.

Bid Tabulation

LPMPLandscape Renovation & Fire Alarm Electrical

Desert Healthcare District

October 6, 2020

[illegible]