



DESERT HEALTHCARE DISTRICT
Special Meeting of the Finance, Legal, Administration, & Real Estate Committee
October 14, 2021

A special meeting of the Finance, Legal, Administration, & Real Estate Committee of the Desert Healthcare District will be held at 4:00 PM, Tuesday, October 14, 2021, via Zoom using the following link: <https://us02web.zoom.us/j/89768867830?pwd=b3ZYMmc1MkdDZUNCQzM0OWJST01uUT09>
Password: 975597

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

Dial in #:(669) 900-6833 To Listen and Address the Board when called upon:
Webinar ID: 897 6886 7830
Password: 975597

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 14, 2021 – Pg. 3-5 **ACTION**

V. CEO REPORT

VI. CHIEF ADMINISTRATION OFFICER'S REPORT – Pg. 6

1. LPMP Leasing Update – Pg. 7 Information

VII. FINANCIAL REPORTS **ACTION**

1. District and LPMP Financial Statements – Pg. 8-18
2. Accounts Receivable Aging Summary – Pg. 19
3. District - Deposits – Pg. 20
4. District - Property tax receipts – Pg. 21
5. LPMP – Deposits – Pg. 22-23
6. District – Check Register – Pg. 24-25
7. Credit Card – Detail of Expenditures – Pg. 26
8. LPMP – Check Register – Pg. 27
9. Retirement Protection Plan Update – Pg. 28
10. Grant Payment Schedule – Pg. 29

VIII. OTHER MATTERS

1. Gary Dack, CPA, Partner, and Shannon Maidment, CPA, Partner – Lund & Guttry **ACTION**
LLP – FY 2021 Audit Reports – District & RPP
- a. Communication Letter & Internal Controls Report – Pg. 30-35
 - b. District Audit Report – Pg. 36-79



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- c. RPP Audit Report – Pg. 80-97
- d. Desert Healthcare Foundation & A-133 Single Audit (Informational Purposes Only, Approval during the Foundation's F&A Committee meeting) - Pg. 98-125 Information
- 2. Retirement Protection Plan – Actuarial Valuation Report – Pg. 126-144 Information
- 3. Policy #FIN-06 – Financial Reserve – Pg. 145-149 **ACTION**

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 14, 2021

Directors Present	District Staff Present	Absent
Chair/Director Arthur Shorr President Leticia De Lara, MPH Director Les Zendle, MD	Conrado E. Bázquez, MD, Chief Executive Officer Chris Christensen, Chief Administration Officer Eric Taylor, Accounting Manager Donna Craig, Chief Program Officer Alejandro Espinoza, Chief of Community Outreach Andrea S. Hayles, Clerk to the Board	

AGENDA ITEMS	DISCUSSION	ACTION
I. Call to Order	Chair Shorr called the meeting to order at 3:31 p.m.	
II. Approval of Agenda	Chair Shorr asked for a motion to approve the agenda.	Moved and seconded by Director Zendle and President De Lara to approve the agenda. Motion passed unanimously.
III. Public Comment	There was no public comment.	
IV. Approval of Minutes 1. F&A Minutes – Meeting July 13, 2021	Chair Shorr motioned to approve the July 13, 2021, minutes.	Moved and seconded by Director Zendle and President De Lara to approve the July 13, 2021, meeting minutes. Motion passed unanimously.
V. CEO Report	There was no CEO Report.	
VI. Chief Administration Officer’s Report	Chris Christensen, CAO, described the final phases of the internal audit and the A133 audit from the CARES ACT and ELC funding, which will be presented at the October meeting. Another component of the audit process is the annual actuarial variable for the retirement protection plan, which has an unfunded pension liability of approximately \$4.6M. In prior years the valuation of the pension liability was above \$9.3M based on all the plan participants	

**DESERT HEALTHCARE DISTRICT
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	<p>receiving a lifetime annuity payment. Funds are dispersed in a lump sum when retirees leave the hospital or roll the funds into an IRA; thus, the liability assumptions were overstated and will be modified from \$9.3M in 2020 to \$3.5M in 2021.</p> <p>Two new tenants have executed the lease agreements at the Las Palmas Medical Plaza – Desert Oasis Healthcare and Premier Fertility which is moving forward with the tenant improvements. Two suites are currently vacant.</p>	
<p>VII. Financial Reports</p> <ol style="list-style-type: none"> 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 Shorr reviewed the financial reports with the committee, and Mr. Christensen answered a few minor questions.</p>	<p>Moved and seconded by President De Lara and Director Zendle to approve the July and August 2021 District Financial Reports - Items 1-10 and to forward to the Board for approval.</p> <p>Motion passed unanimously.</p>
<p>VIII. Other Matters</p>	<p>There were no other matters</p>	
<p>IV. Adjournment</p>	<p>Director Shorr adjourned the meeting at 3:56 p.m.</p>	<p>Audio recording available on the website at http://dhcd.org/Agendas-and-Documents</p>



**DESERT HEALTHCARE DISTRICT
FINANCE, ADMINISTRATION, REAL ESTATE, LEGAL, AND COMMITTEE
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ATTEST: _____

Arthur Shorr, Director, Board of Directors
Finance & Administration Committee Member
Desert Healthcare District Board of Directors

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

DRAFT



Chief Administration Officer's Report

October 14, 2021

The annual audits for the District, Retirement Protection Plan, Foundation, and Single Audit (CARES and ELC funding) are complete and will be presented at today's committee meeting.

Las Palmas Medical Plaza - Property Management:

Occupancy:

See attached unit rental status report.

95.6% currently occupied –

Total annual rent including CAM fees is **\$1,340,672**.

Leasing Activity:

Leasing activity has been on the rise recently. It appears medical providers are beginning to resume their normal business plans as the Coronavirus subsides and vaccinations increase. Staff and the real estate broker are actively seeking lease considerations for the two remaining vacant suites.

Since we have not received response from Dr. Kim regarding Suite 1W-204, staff will actively seek alternate prospective tenants.

Las Palmas Medical Plaza

Unit Rental Status

As of October 1, 2021

Unit	Tenant Name	Deposit	Lease Dates		Term	Unit Sq Feet	Percent of Total	Monthly Rent	Annual Rent	Rent Per Sq Foot	Monthly CAM	Total Monthly Rent Inclg CAM	Total Annual Rent Inclg CAM
			From	To									
											\$ 0.69		
1E, 204	Vacant					880	1.78%						
1W, 204	Vacant					1,280	2.59%						
Total - Vacancies						2,160	4.38%						
Total Suites-31 - 29 Suites Occupied		\$ 59,100.54				49,356	95.6%	\$ 79,298.22	\$ 951,578.64	\$ 1.68	\$ 32,424.48	\$ 111,722.70	\$ 1,340,672.40
Summary - All Units													
	Occupied	47,196	95.6%										
	Vacant	2,160	4.4%										
	Pending	0	0%										
	Total	49,356	100%										

DESERT HEALTHCARE DISTRICT
SEPTEMBER 2021 FINANCIAL STATEMENTS
INDEX
Year to Date Variance Analysis
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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, 2021**

Scope: \$25,000 Variance per Statement of Operations Summary				
Account	YTD		Over(Under)	Explanation
	Actual	Budget	Budget	
	4000 - Income	\$ 108,423	\$ 515,564	
5000 - Direct Expenses	\$ 174,649	\$ 341,142	\$ (166,493)	Lower wage related expenses \$95k due to open positions; lower board expenses \$26k; lower education expense \$19k; lower health insurance expense \$16k; lower retirement plan expense \$6k; lower workers comp expense \$3k; lower various \$1k
6000-General & Admin Expense	\$ 108,204	\$ 143,586	\$ (35,382)	Lower depreciation expense \$15k; lower supplies expense \$5k; lower personnel expense \$4k; lower travel expense \$4k; lower computer services expense \$4k; lower various \$3k
6500 - Professional Fees Expense	\$ 46,102	\$ 311,700	\$ (265,598)	Lower Professional Services expense \$211k; lower legal expense \$33k; lower PR/Communications expense \$22k
7000 - Grants Expense	\$ (5,517)	\$ 1,014,999	\$ (1,020,516)	Budget of \$4 Million for fiscal year is amortized straight-line over 12-month fiscal year. As of September 30, 2021, there is \$4 million remaining in the fiscal year grant budget as well as \$1.867.619 from FY21.

Desert Healthcare District
Profit & Loss Budget vs. Actual
 July through September 2021

	MONTH			TOTAL		
	Sep 21	Budget	\$ Over Budget	Jul - Sep 21	Budget	\$ Over Budget
Income						
4000 · Income	(52,361)	198,753	(251,114)	108,423	515,564	(407,141)
4500 · LPMP Income	105,175	106,370	(1,195)	316,416	319,110	(2,694)
4501 · Miscellaneous Income	750	750	0	2,250	2,250	0
Total Income	53,564	305,873	(252,309)	427,089	836,924	(409,835)
Expense						
5000 · Direct Expenses	63,564	113,714	(50,150)	174,649	341,142	(166,493)
6000 · General & Administrative Exp	38,600	47,862	(9,262)	108,204	143,586	(35,382)
6325 · CEO Discretionary Fund	0	2,083	(2,083)	0	6,249	(6,249)
6445 · LPMP Expenses	82,003	85,772	(3,769)	271,511	257,316	14,195
6500 · Professional Fees Expense	22,695	103,900	(81,205)	46,102	311,700	(265,598)
6600 · Mobile Medical Unit	0	3,125	(3,125)	0	9,375	(9,375)
6700 · Trust Expenses	7,958	8,792	(834)	23,874	26,376	(2,502)
Total Expense	214,820	365,248	(150,428)	624,338	1,095,748	(471,410)
7000 · Grants Expense	3,554	338,333	(334,779)	(5,517)	1,014,999	(1,020,516)
Net Income	(164,810)	(397,708)	232,898	(191,732)	(1,273,823)	1,082,091

Desert Healthcare District
Profit & Loss Budget vs. Actual
 July through September 2021

	MONTH			TOTAL		
	Sep 21	Budget	\$ Over Budget	Jul - Sep 21	Budget	\$ Over Budget
Income						
4000 · Income						
4010 · Property Tax Revenues	0	190,138	(190,138)	37,405	489,971	(452,566)
4200 · Interest Income						
4220 · Interest Income (FRF)	61,322	80,907	(19,585)	234,580	242,721	(8,141)
9999-1 · Unrealized gain(loss) on invest	(121,237)	(79,167)	(42,070)	(178,427)	(237,501)	59,074
Total 4200 · Interest Income	(59,915)	1,740	(61,655)	56,153	5,220	50,933
4300 · DHC Recoveries	4,000	1,875	2,125	7,636	5,373	2,263
4400 · Grant Income	3,554	5,000	(1,446)	7,229	15,000	(7,771)
Total 4000 · Income	(52,361)	198,753	(251,114)	108,423	515,564	(407,141)
4500 · LPMP Income	105,175	106,370	(1,195)	316,416	319,110	(2,694)
4501 · Miscellaneous Income	750	750	0	2,250	2,250	0
Total Income	53,564	305,873	(252,309)	427,089	836,924	(409,835)
Expense						
5000 · Direct Expenses						
5100 · Administration Expense						
5110 · Wages Expense	87,171	108,345	(21,174)	237,390	325,035	(87,645)
5111 · Allocation to LPMP - Payroll	(5,470)	(5,470)	0	(16,410)	(16,410)	0
5112 · Vacation/Sick/Holiday Expense	12,469	10,833	1,636	33,562	32,499	1,063
5114 · Allocation to Foundation	(31,823)	(31,823)	0	(95,469)	(95,469)	0
5115 · Allocation to NEOPB	(3,244)	(7,413)	4,169	(6,919)	(22,239)	15,320
5119 · Allocation to RSS/CVHIP-DHCF	(26,455)	(21,134)	(5,321)	(79,365)	(63,402)	(15,963)
5120 · Payroll Tax Expense	6,256	9,252	(2,996)	19,601	27,756	(8,155)
5130 · Health Insurance Expense						
5131 · Premiums Expense	14,895	17,658	(2,763)	43,681	52,974	(9,293)
5135 · Reimb./Co-Payments Expense	399	3,000	(2,601)	1,986	9,000	(7,014)
Total 5130 · Health Insurance Expense	15,294	20,658	(5,364)	45,667	61,974	(16,307)
5140 · Workers Comp. Expense	567	1,270	(703)	567	3,810	(3,243)
5145 · Retirement Plan Expense	7,089	8,994	(1,905)	21,110	26,982	(5,872)
5160 · Education Expense	(3,416)	7,250	(10,666)	2,488	21,750	(19,262)
Total 5100 · Administration Expense	58,438	100,762	(42,324)	162,222	302,286	(140,064)
5200 · Board Expenses						
5210 · Healthcare Benefits Expense	2,192	5,834	(3,642)	4,188	17,502	(13,314)
5230 · Meeting Expense	(1,695)	1,667	(3,362)	1,050	5,001	(3,951)
5235 · Director Stipend Expense	3,255	4,410	(1,155)	5,565	13,230	(7,665)
5240 · Catering Expense	1,374	833	541	1,624	2,499	(875)
5250 · Mileage Reimbursement Expense	0	208	(208)	0	624	(624)
Total 5200 · Board Expenses	5,126	12,952	(7,826)	12,427	38,856	(26,429)
Total 5000 · Direct Expenses	63,564	113,714	(50,150)	174,649	341,142	(166,493)
6000 · General & Administrative Exp						
6110 · Payroll fees Expense	181	208	(27)	466	624	(158)
6120 · Bank and Investment Fees Exp	5,178	4,500	678	15,455	13,500	1,955
6125 · Depreciation Expense	1,011	6,167	(5,156)	3,033	18,501	(15,468)

Desert Healthcare District
Profit & Loss Budget vs. Actual
 July through September 2021

	MONTH			TOTAL		
	Sep 21	Budget	\$ Over Budget	Jul - Sep 21	Budget	\$ Over Budget
6126 · Depreciation-Solar Parking lot	15,072	15,072	0	45,216	45,216	0
6130 · Dues and Membership Expense	7,264	3,737	3,527	11,640	11,211	429
6200 · Insurance Expense	2,855	2,667	188	8,565	8,001	564
6300 · Minor Equipment Expense	0	42	(42)	0	126	(126)
6305 · Auto Allowance & Mileage Exp	462	500	(38)	1,386	1,500	(114)
6306 · Staff- Auto Mileage reimb	(28)	625	(653)	33	1,875	(1,842)
6309 · Personnel Expense	0	1,167	(1,167)	0	3,501	(3,501)
6310 · Miscellaneous Expense	0	42	(42)	0	126	(126)
6311 · Cell Phone Expense	527	776	(249)	1,590	2,328	(738)
6312 · Wellness Park Expenses	0	83	(83)	0	249	(249)
6315 · Security Monitoring Expense	0	50	(50)	108	150	(42)
6340 · Postage Expense	302	417	(115)	669	1,251	(582)
6350 · Copier Rental/Fees Expense	377	500	(123)	1,267	1,500	(233)
6351 · Travel Expense	(1,605)	1,667	(3,272)	968	5,001	(4,033)
6352 · Meals & Entertainment Exp	226	875	(649)	721	2,625	(1,904)
6355 · Computer Services Expense	4,116	3,875	241	7,831	11,625	(3,794)
6360 · Supplies Expense	48	2,167	(2,119)	1,779	6,501	(4,722)
6380 · LAFCO Assessment Expense	182	208	(26)	546	624	(78)
6400 · East Valley Office	2,432	2,517	(85)	6,931	7,551	(620)
Total 6000 · General & Administrative Exp	38,600	47,862	(9,262)	108,204	143,586	(35,382)
6325 · CEO Discretionary Fund	0	2,083	(2,083)	0	6,249	(6,249)
6445 · LPMP Expenses	82,003	85,772	(3,769)	271,511	257,316	14,195
6500 · Professional Fees Expense						
6516 · Professional Services Expense	18,480	77,483	(59,003)	21,499	232,449	(210,950)
6520 · Annual Audit Fee Expense	1,375	1,375	0	4,125	4,125	0
6530 · PR/Communications/Website	500	8,042	(7,542)	1,995	24,126	(22,131)
6560 · Legal Expense	2,340	17,000	(14,660)	18,483	51,000	(32,517)
Total 6500 · Professional Fees Expense	22,695	103,900	(81,205)	46,102	311,700	(265,598)
6600 · Mobile Medical Unit	0	3,125	(3,125)	0	9,375	(9,375)
6700 · Trust Expenses						
6720 · Pension Plans Expense						
6721 · Legal Expense	0	167	(167)	0	501	(501)
6725 · RPP Pension Expense	7,500	7,500	0	22,500	22,500	0
6728 · Pension Audit Fee Expense	458	1,125	(667)	1,374	3,375	(2,001)
Total 6700 · Trust Expenses	7,958	8,792	(834)	23,874	26,376	(2,502)
Total Expense Before Grants	214,820	365,248	(150,428)	624,338	1,095,748	(471,410)
7000 · Grants Expense						
7010 · Major Grant Awards Expense	0	333,333	(333,333)	(12,746)	999,999	(1,012,745)
7027 · Grant Exp - NEOPB	3,554	5,000	(1,446)	7,229	15,000	(7,771)
Total 7000 · Grants Expense	3,554	338,333	(334,779)	(5,517)	1,014,999	(1,020,516)
Net Income	(164,810)	(397,708)	232,898	(191,732)	(1,273,823)	1,082,091

Las Palmas Medical Plaza
Profit & Loss Budget vs. Actual
July through September 2021

	MONTH			TOTAL		
	Sep 21	Budget	\$ Over Budget	Jul - Sep 21	Budget	\$ Over Budget
Income						
4500 · LPMP Income						
4505 · Rental Income	74,600	75,162	(562)	223,591	225,486	(1,895)
4510 · CAM Income	30,575	31,125	(550)	92,825	93,375	(550)
4513 · Misc. Income	0	83	(83)	0	249	(249)
Total 4500 · LPMP Income	105,175	106,370	(1,195)	316,416	319,110	(2,694)
Expense						
6445 · LPMP Expenses						
6420 · Insurance Expense	3,114	2,917	197	9,342	8,751	591
6425 · Building - Depreciation Expense	21,076	21,462	(386)	63,228	64,386	(1,158)
6426 · Tenant Improvements -Dep Exp	17,033	16,667	366	51,099	50,001	1,098
6427 · HVAC Maintenance Expense	3,058	1,333	1,725	4,012	3,999	13
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	542	(542)	14,686	1,626	13,060
6433 · Plumbing -Exterior Expense	0	208	(208)	0	624	(624)
6434 · Allocation Internal Prop. Mgmt	5,470	5,470	0	16,410	16,410	0
6435 · Bank Charges	30	417	(387)	86	1,251	(1,165)
6437 · Utilities -Vacant Units Expense	344	183	161	2,725	549	2,176
6439 · Deferred Maintenance Repairs Ex	0	1,250	(1,250)	0	3,750	(3,750)
6440 · Professional Fees Expense	10,825	10,825	0	32,475	32,475	0
6441 · Legal Expense	0	83	(83)	0	249	(249)
6458 · Elevators - R & M Expense	1,648	1,000	648	3,534	3,000	534
6460 · Exterminating Service Expense	175	333	(158)	525	999	(474)
6463 · Landscaping Expense	0	1,000	(1,000)	7,294	3,000	4,294
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	1,000	(1,000)	7,395	3,000	4,395
6475 · Property Taxes Expense	6,250	6,250	0	18,750	18,750	0
6476 · Signage Expense	0	125	(125)	0	375	(375)
6480 · Rubbish Removal Medical Waste E	1,613	1,583	30	4,771	4,749	22
6481 · Rubbish Removal Expense	2,283	2,250	33	6,849	6,750	99
6482 · Utilities/Electricity/Exterior	632	625	7	1,902	1,875	27
6484 · Utilities - Water (Exterior)	967	625	342	2,878	1,875	1,003
6485 · Security Expenses	7,198	7,833	(635)	23,263	23,499	(236)
6490 · Miscellaneous Expense	287	167	120	287	501	(214)
6445 · LPMP Expenses	82,003	85,772	(3,769)	271,511	257,316	14,195
Net Income	23,172	20,598	2,574	44,905	61,794	(16,889)

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of September 30, 2021

			Sep 30, 21	Sep 30, 20
ASSETS				
Current Assets				
Checking/Savings				
		1000 · CHECKING CASH ACCOUNTS	1,512,525	1,800,727
		1100 · INVESTMENT ACCOUNTS	61,705,638	58,928,790
Total Checking/Savings			63,218,163	60,729,517
Total Accounts Receivable			184,558	30,173
Other Current Assets				
		1204.1 · Rent Receivable-Deferred COVID	141,503	201,414
		1270 · Prepaid Insurance -Ongoing	57,346	48,207
		1279 · Pre-Paid Fees	24,563	14,440
		1281 · NEOPB Receivable	11,115	8,043
		1295 · Property Tax Receivable	0	1,558,479
Total Other Current Assets			234,527	1,830,583
Total Current Assets			63,637,248	62,590,273
Fixed Assets				
		1300 · FIXED ASSETS	4,910,941	4,913,164
		1335-00 · ACC DEPR	(2,207,058)	(2,075,876)
		1400 · LPMP Assets	7,119,700	6,813,634
Total Fixed Assets			9,823,583	9,650,922
Other Assets				
		1700 · OTHER ASSETS	3,972,720	2,909,152
TOTAL ASSETS			77,433,551	75,150,347

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of September 30, 2021

				Sep 30, 21	Sep 30, 20
LIABILITIES & EQUITY					
Liabilities					
Current Liabilities					
Accounts Payable					
2000 · Accounts Payable				6,167	73,634
2001 · LPMP Accounts Payable				10,589	3,460
Total Accounts Payable				16,756	77,094
Other Current Liabilities					
2002 · LPMP Property Taxes				18,750	18,000
2003 · Prepaid Rents				9,121	0
2131 · Grant Awards Payable				4,169,055	2,427,627
2133 · Accrued Accounts Payable				139,550	173,028
2141 · Accrued Vacation Time				82,401	56,974
2188 · Current Portion - LTD				11,103	11,103
2190 · Investment Fees Payable				28,500	27,000
Total Other Current Liabilities				4,458,480	2,713,732
Total Current Liabilities				4,475,236	2,790,826
Long Term Liabilities					
2170 · RPP - Pension Liability				0	4,626,754
2171 · RPP-Deferred Inflows-Resources				675,732	370,700
2280 · Long-Term Disability				16,281	28,809
2281 · Grants Payable - Long-term				4,990,000	6,660,000
2286 · Retirement BOD Medical Liabilit				0	64,764
2290 · LPMP Security Deposits				59,101	59,395
Total Long Term Liabilities				5,741,114	11,810,422
Total Liabilities				10,216,350	14,601,248
Equity					
3900 · *Retained Earnings				67,408,928	59,913,158
Net Income				(191,732)	635,943
Total Equity				67,217,196	60,549,101
TOTAL LIABILITIES & EQUITY				77,433,551	75,150,347

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of September 30, 2021

				Sep 30, 21	Sep 30, 20
ASSETS					
Current Assets					
Checking/Savings					
1000 · CHECKING CASH ACCOUNTS					
			1010 · Union Bank - Checking	1,296,711	1,455,797
			1046 · Las Palmas Medical Plaza	215,314	344,430
			1047 · Petty Cash	500	500
			Total 1000 · CHECKING CASH ACCOUNTS	1,512,525	1,800,727
1100 · INVESTMENT ACCOUNTS					
			1130 · Facility Replacement Fund	61,255,623	57,686,334
			1135 · Unrealized Gain(Loss) FRF	450,015	1,242,456
			Total 1100 · INVESTMENT ACCOUNTS	61,705,638	58,928,790
			Total Checking/Savings	63,218,163	60,729,517
Accounts Receivable					
			1201 · Accounts Receivable		
			1204 · LPMP Accounts Receivable	(17,059)	27,888
			1205 · Misc. Accounts Receivable	0	3,229
			1211 · A-R Foundation - Exp Allocation	201,617	(944)
			Total Accounts Receivable	184,558	30,173
Other Current Assets					
			1204.1 · Rent Receivable-Deferred COVID	141,503	201,414
			1270 · Prepaid Insurance -Ongoing	57,346	48,207
			1279 · Pre-Paid Fees	24,563	14,440
			1281 · NEOPB Receivable	11,115	8,043
			1295 · Property Tax Receivable	0	1,558,479
			Total Other Current Assets	234,527	1,830,583
			Total Current Assets	63,637,248	62,590,273
Fixed Assets					
1300 · FIXED ASSETS					
			1310 · Computer Equipment	80,487	94,034
			1315 · Computer Software	0	68,770
			1320 · Furniture and Fixtures	33,254	33,254
			1321 · Autos	59,500	0
			1322 · Tenant Improvement - RAP #G100	20,594	0
			1325 · Offsite Improvements	300,849	300,849
			1331 · DRMC - Parking lot	4,416,257	4,416,257
			Total 1300 · FIXED ASSETS	4,910,941	4,913,164

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of September 30, 2021

		Sep 30, 21	Sep 30, 20
	1335-00 · ACC DEPR		
	1335 · Accumulated Depreciation	(210,296)	(213,757)
	1336 · Acc. Software Depreciation	0	(68,770)
	1337 · Accum Deprec- Solar Parking Lot	(1,823,883)	(1,643,019)
	1338 · Accum Deprec - LPMP Parking Lot	(172,879)	(150,330)
	Total 1335-00 · ACC DEPR	(2,207,058)	(2,075,876)
	1400 · LPMP Assets		
	1401 · Building	8,705,680	8,705,680
	1402 · Land	2,165,300	2,165,300
	1403 · Tenant Improvements -New	2,185,396	2,197,477
	1404 · Tenant Improvements - CIP	129,550	129,550
	1406 · Building Improvements		
	1406.1 · LPMP-Replace Parking Lot	676,484	676,484
	1406.2 · Building Improvements-CIP	711,496	66,704
	1406 · Building Improvements - Other	1,581,558	1,559,534
	Total 1406 · Building Improvements	2,969,538	2,302,722
	1407 · Building Equipment Improvements	414,851	364,891
	1409 · Accumulated Depreciation		
	1410 · Accum. Depreciation	(7,701,511)	(7,468,015)
	1412 · T I Accumulated Dep.-New	(1,749,104)	(1,583,971)
	Total 1409 · Accumulated Depreciation	(9,450,615)	(9,051,986)
	Total 1400 · LPMP Assets	7,119,700	6,813,634
	Total Fixed Assets	9,823,583	9,650,922
	Other Assets		
	1700 · OTHER ASSETS		
	1731 · Wellness Park	1,693,800	1,693,800
	1740 · RPP-Deferred Outflows-Resources	494,388	1,204,238
	1741 · OPEB-Deferrred Outflows-Resourc	0	11,114
	1742 · RPP - Net Pension Asset	1,784,532	0
	Total Other Assets	3,972,720	2,909,152
	TOTAL ASSETS	77,433,551	75,150,347

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of September 30, 2021

			Sep 30, 21	Sep 30, 20
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable				
		2000 - Accounts Payable	6,167	73,634
		2001 - LPMP Accounts Payable	10,589	3,460
		Total Accounts Payable	16,756	77,094
Other Current Liabilities				
		2002 - LPMP Property Taxes	18,750	18,000
		2003 - Prepaid Rents	9,121	0
		2131 - Grant Awards Payable	4,169,055	2,427,627
		2133 - Accrued Accounts Payable	139,550	173,028
		2141 - Accrued Vacation Time	82,401	56,974
		2188 - Current Portion - LTD	11,103	11,103
		2190 - Investment Fees Payable	28,500	27,000
		Total Other Current Liabilities	4,458,480	2,713,732
		Total Current Liabilities	4,475,236	2,790,826
Long Term Liabilities				
		2170 - RPP - Pension Liability	0	4,626,754
		2171 - RPP-Deferred Inflows-Resources	675,732	370,700
		2280 - Long-Term Disability	16,281	28,809
		2281 - Grants Payable - Long-term	4,990,000	6,660,000
		2286 - Retirement BOD Medical Liabilit	0	64,764
		2290 - LPMP Security Deposits	59,101	59,395
		Total Long Term Liabilities	5,741,114	11,810,422
		Total Liabilities	10,216,350	14,601,248
Equity				
		3900 - *Retained Earnings	67,408,928	59,913,158
		Net Income	(191,732)	635,943
		Total Equity	67,217,196	60,549,101
TOTAL LIABILITIES & EQUITY			77,433,551	75,150,347

Desert Healthcare District
A/R Aging Summary
As of September 30, 2021

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL	COMMENT
Desert Healthcare Foundation-	58,299	58,299	0	58,264	26,756	201,618	Due from Foundation
Hassan Bencheqroun, M.D.	0	287	0	0	0	287	Slow pay
Laboratory Corporation of America	(5,013)	(2,283)	0	0	0	(7,296)	Prepaid
Quest Diagnostics Incorporated	0	(4,067)	(357)	0	0	(4,424)	Prepaid
Steven Gundry, M.D.	0	(5,625)	0	0	0	(5,625)	Prepaid
TOTAL	53,286	46,611	(357)	58,264	26,756	184,560	

Desert Healthcare District
Deposit Detail
September 2021

Type	Date	Name	Amount
Deposit	09/02/2021		2,000
		T-Mobile	(2,000)
TOTAL			(2,000)
Deposit	09/14/2021		315
		Chris Christensen - Return of Expense Reimbursement	(315)
TOTAL			(315)
Deposit	09/22/2021		3,011
		Riverside County Treasurer - CalFresh	(3,011)
TOTAL			(3,011)
Deposit	09/29/2021		2,000
		T-Mobile	(2,000)
TOTAL			(2,000)
Deposit	09/30/2021		283
		Principal Financial Group - Dividend	(283)
TOTAL			(283)
		TOTAL	7,609

DESERT HEALTHCARE DISTRICT										
PROPERTY TAX RECEIPTS FY 2021 - 2022										
RECEIPTS - THREE MONTHS ENDED SEPTEMBER 30, 2021										
	FY 2020-2021 Projected/Actual					FY 2021-2022 Projected/Actual				
	Budget %	Budget \$	Act %	Actual Receipts	Variance	Budget %	Budget \$	Act %	Actual Receipts	Variance
July	2.5%	\$ 154,934	0.0%	\$ -	\$ (154,934)	2.5%	\$ 182,825	2.2%	\$ 162,345	\$ (20,480)
Aug	1.6%	\$ 99,158	1.9%	\$ 149,547	\$ 50,390	1.6%	\$ 117,008	0.2%	\$ 11,529	\$ (105,479)
Sep	2.6%	\$ 161,131	0.0%	\$ -	\$ (161,131)	2.6%	\$ 190,138	0.0%	\$ -	\$ (190,138)
Oct	0.0%	\$ -	2.1%	\$ 162,968	\$ 162,968	0.0%	\$ -	0.0%		
Nov	0.4%	\$ 24,789	0.0%	\$ -	\$ (24,789)	0.4%	\$ 29,252	0.0%		
Dec	16.9%	\$ 1,047,354	16.4%	\$ 1,279,429	\$ 232,075	16.9%	\$ 1,235,897	0.0%		
Jan	31.9%	\$ 1,976,959	33.4%	\$ 2,596,795	\$ 619,836	31.9%	\$ 2,332,847	0.0%		
Feb	0.0%	\$ -	1.2%	\$ 94,294	\$ 94,294	0.0%	\$ -	0.0%		
Mar	0.3%	\$ 18,592	0.2%	\$ 18,789	\$ 196	0.3%	\$ 21,939	0.0%		
Apr	5.5%	\$ 340,855	5.4%	\$ 422,690	\$ 81,835	5.5%	\$ 402,215	0.0%		
May	19.9%	\$ 1,233,275	18.1%	\$ 1,411,155	\$ 177,880	19.9%	\$ 1,455,287	0.0%		
June	18.4%	\$ 1,140,315	21.2%	\$ 1,647,263	\$ 506,948	18.4%	\$ 1,345,592	0.0%		
Total	100%	\$ 6,197,363	100.0%	\$ 7,782,929	\$ 1,585,566	100.00%	\$ 7,313,000	2.4%	\$ 173,874	\$ (316,097)

**Las Palmas Medical Plaza
Deposit Detail - LPMP
September 2021**

Type	Date	Name	Amount
Deposit	09/07/2021		2,711
Payment	09/07/2021	Hassan Bencheqroun, M.D.	(2,711)
TOTAL			(2,711)
Deposit	09/08/2021		3,268
Payment	09/08/2021	Peter Jamieson, M.D.	(3,268)
TOTAL			(3,268)
Deposit	09/09/2021		21,602
Payment	09/09/2021	Palmtree Clinical Research	(7,051)
Payment	09/08/2021	Cure Cardiovascular Consultants	(3,203)
Payment	09/08/2021	Aijaz Hashmi, M.D., Inc.	(3,037)
Payment	09/08/2021	Brad A. Wolfson, M.D.	(3,701)
Payment	09/08/2021	Cohen Musch Thomas Medical Group	(4,610)
TOTAL			(21,602)
Deposit	09/13/2021		3,753
Payment	09/13/2021	Desert Family Medical Center	(3,753)
TOTAL			(3,753)
Deposit	09/14/2021		8,789
Payment	09/14/2021	Pathway Pharmaceuticals, Inc.	(2,420)
Payment	09/14/2021	Tenet HealthSystem Desert, Inc	(6,369)
TOTAL			(8,789)
Deposit	09/16/2021		6,277
Payment	09/16/2021	Derakhsh Fozouni, M.D.	(6,277)
TOTAL			(6,277)

**Las Palmas Medical Plaza
Deposit Detail - LPMP
September 2021**

Type	Date	Name	Amount
Deposit	09/22/2021		42,051
Payment	09/22/2021	Desert Regional Medical Center	(5,580)
Payment	09/22/2021	Tenet HealthSystem Desert, Inc.	(33,048)
Payment	09/22/2021	Ramy Awad, M.D.	(3,423)
TOTAL			(42,051)
Deposit	09/27/2021		5,625
Payment	09/27/2021	Steven Gundry, M.D.	(5,625)
TOTAL			(5,625)
Deposit	09/29/2021		1,235
Payment	09/29/2021	Sleep Treatment Partners, Inc.	(1,235)
TOTAL			(1,235)
Deposit	09/29/2021		4,067
Payment	09/29/2021	Quest Diagnostics Incorporated	(4,067)
TOTAL			(4,067)
Deposit	09/30/2021		5,013
Payment	09/30/2021	Laboratory Corporation of America	(5,013)
TOTAL			(5,013)
Deposit	09/30/2021		2,499
		Desert Oasis Healthcare	(2,499)
TOTAL			(2,499)
		TOTAL	106,890

Desert Healthcare District
Check Register
As of September 30, 2021

Type	Date	Num	Name	Amount
1000 - CHECKING CASH ACCOUNTS				
1010 - Union Bank - Checking				
Bill Pmt -Check	09/02/2021	16602	Llft To Rise - Grant Payment	(90,000)
Bill Pmt -Check	09/02/2021	16603	Palms to Pines Printing	(196)
Bill Pmt -Check	09/02/2021	16604	Pitney Bowes Global Financial Services	(29)
Bill Pmt -Check	09/02/2021	16605	HARC, INC.	(613)
Bill Pmt -Check	09/02/2021	16606	So.Cal Computer Shop	(810)
Bill Pmt -Check	09/02/2021	16607	Underground Service Alert of Southern Cal	(2)
Bill Pmt -Check	09/02/2021	16608	Zendle, Les - Stipend	(210)
Liability Check	09/03/2021		QuickBooks Payroll Service	(46,864)
Check	09/07/2021	Auto Pay	Calif. Public Employees'Retirement System	(12,363)
Bill Pmt -Check	09/08/2021	16609	First Bankcard (Union Bank)	(1,235)
Bill Pmt -Check	09/08/2021	16610	Arthur Shorr - Stipend	(420)
Bill Pmt -Check	09/08/2021	16611	Lund & Guttry LLP	(2,500)
Bill Pmt -Check	09/08/2021	16612	Mangus Accountancy Group, A.P.C.	(500)
Bill Pmt -Check	09/08/2021	16613	First Bankcard (Union Bank)	(6,469)
Bill Pmt -Check	09/08/2021	16614	Image Source	(100)
Bill Pmt -Check	09/08/2021	16615	Staples Credit Plan	(723)
Bill Pmt -Check	09/08/2021	16616	State Compensation Insurance Fund	(567)
Bill Pmt -Check	09/08/2021	16617	Time Warner Cable	(250)
Bill Pmt -Check	09/08/2021	16618	Xerox Financial Services	(377)
Bill Pmt -Check	09/08/2021	16619	INPRO-EMS Construction	(4,500)
Bill Pmt -Check	09/14/2021	16621	Carmina Zavala - Stipend & Expense Reimbursement	(1,719)
Bill Pmt -Check	09/14/2021	16622	Rogers, Carole - Stipend	(315)
Bill Pmt -Check	09/14/2021	16623	So.Cal Computer Shop	(695)
Bill Pmt -Check	09/14/2021	16624	Alzheimer's Association - Grant Payment	(14,969)
Bill Pmt -Check	09/14/2021	16625	CoPower Employers' Benefits Alliance	(1,719)
Bill Pmt -Check	09/14/2021	16626	Cove Communities Senior Association - Grant Payment	(49,108)
Bill Pmt -Check	09/14/2021	16627	National Demographic Corporation	(8,500)
Bill Pmt -Check	09/14/2021	16628	Ronald McDonald House Charities - Grant Payment	(53,744)
Bill Pmt -Check	09/15/2021	16629	Chris Christensen - Expense Reimbursement	(53)
Liability Check	09/17/2021		QuickBooks Payroll Service	(47,003)
Bill Pmt -Check	09/17/2021	ACH 091721	Law Offices of Scott & Jackson	(2,340)
Bill Pmt -Check	09/22/2021	16630	California Chamber of Commerce	(649)
Bill Pmt -Check	09/22/2021	16631	Donna Den Bleyker - Expense Reimbursement	(362)
Bill Pmt -Check	09/22/2021	16632	Frazier Pest Control, Inc.	(30)
Bill Pmt -Check	09/22/2021	16633	Jewish Family Service of the Desert - Grant Payment	(36,000)
Bill Pmt -Check	09/22/2021	16634	Principal Life Insurance Co.	(1,811)
Bill Pmt -Check	09/22/2021	16635	Purchase Power	(302)

Desert Healthcare District
Check Register
As of September 30, 2021

Type	Date	Num	Name	Amount
Bill Pmt -Check	09/22/2021	16636	Regional Access Project Foundation	(2,432)
Bill Pmt -Check	09/22/2021	16637	The Desert Sun	(500)
Bill Pmt -Check	09/23/2021	16638	Meghan Kane - Expense Reimbursement	(307)
Bill Pmt -Check	09/23/2021	16639	Veralon	(6,363)
Check	09/27/2021		Bank Service Charge	(678)
TOTAL				(398,327)

Desert Healthcare District								
Details for Credit Card Expenditures								
Credit card purchases - August 2021 - Paid September 2021								
Number of credit cards held by District personnel -2								
Credit Card Limit - \$25,000 - Conrado, \$20,000 - Chris								
Credit Card Holders:								
Conrado Bárzaga - Chief Executive Officer								
Chris Christensen - Chief Administration Officer								
Routine types of charges:								
Office Supplies, Dues for membership, Computer Supplies, Meals, Travel including airlines and Hotels, Catering, Supplies for BOD meetings, CEO Discretionary for small grant & gift items								
Statement								
Year	Month	Total Charged	Expense Type	Amount	Purpose	Description	Participants	
		\$ 7,704.69						
Chris' Statement:								
2021	August	\$ 6,469.39	District					
			GL	Dollar	Descr			
			6351	\$ 338.40	Airfare for ACHD Conference in September - Director PerezGil			
			6351	\$ 338.40	Airfare for ACHD Conference in September - Director Zavala			
			5230	\$ 915.00	ACHD Conference in September - Vice-President Borja			
			6351	\$ 268.15	Deposit for Hotel Room for ACHD Conference in September			
			6351	\$ 268.15	Deposit for Hotel Room for ACHD Conference in September			
			6343	\$ 10.60	Postage expense			
			6355	\$ 1,260.00	Dropbox annual subscription			
			6360	\$ 146.26	Zoom Videoconference/Webinar Expense			
			6351	\$ 268.15	Deposit for Hotel Room for ACHD Conference in September			
			6355	\$ 35.66	Adobe			
			5160	\$ 561.00	APHA Conference in October			
			5160	\$ 561.00	APHA Conference in October			
			5160	\$ 561.00	APHA Conference in October			
			5160	\$ 561.00	APHA Conference in October			
			6351	\$ 350.00	Shuttle fee for ACHD Conference in September - Director Rogers			
			6355	\$ 26.62	Premiere Global Services			
				\$ 6,469.39				
Conrado's Statement:								
2021	August	\$ 1,235.30	District					
			GL	Dollar	Descr			
			5230	\$ (10.00)	Credit for group discount for ACHD Conference in September - Director Rogers			
			5230	\$ (10.00)	Credit for group discount for ACHD Conference in September - Director Zandle			
			5230	\$ (10.00)	Credit for group discount for ACHD Conference in September - Director PerezGil			
			5160	\$ (30.00)	Credit for group discount for ACHD Conference in September - Conrado, Chris, & Donna			
			5160	\$ (260.00)	Credit for group discount for ACHD Conference in September - Alejandro			
			5230	\$ (915.00)	Refund for ACHD Conference in September - Director Zandle			
			5240	\$ 25.00	Board of Directors' Meeting Food 7/27/21 (Grubhub)			
			5240	\$ 200.00	Board of Directors' Meeting Food 7/27/21 (Grubhub)			
			5160	\$ 1,175.00	ACHD Conference in September - Alejandro			
			6130	\$ 170.00	APHA Annual Membership - Conrado			
			6130	\$ 500.00	APHA Annual Membership - District			
			6352	\$ 230.24	Pacifica Seafood Meeting - Conrado, Alejandro, Steven Hernandez			
			6352	\$ 56.60	Thai Smile Meeting - Conrado, President De Lara			
			6352	\$ 85.01	Norma's Restaurant Meeting - Conrado, Kim Saruwatari			
			6351	\$ 24.00	Valet fee for Norma's Restaurant Meeting			
			6352	\$ 4.45	Bootlegger -errant charge not disputed due to de minimus value			
				\$ 1,235.30				

**Las Palmas Medical Plaza
Check Register - LPMP
As of September 30, 2021**

Type	Date	Num	Name	Amount
1000 - CHECKING CASH ACCOUNTS				
1046 - Las Palmas Medical Plaza				
Bill Pmt -Check	09/02/2021	10422	Desert Air Conditioning Inc.	(256)
Bill Pmt -Check	09/02/2021	10423	Desert Air Conditioning Inc.	(8,149)
Bill Pmt -Check	09/02/2021	10424	Stericycle, Inc.	(1,580)
Bill Pmt -Check	09/08/2021	10425	Imperial Security	(1,785)
Bill Pmt -Check	09/08/2021	10426	Palm Springs Disposal Services Inc	(2,283)
Bill Pmt -Check	09/14/2021	10427	Desert Air Conditioning Inc.	(2,516)
Bill Pmt -Check	09/14/2021	10428	Frontier Communications	(238)
Bill Pmt -Check	09/14/2021	10429	Imperial Security	(1,785)
Bill Pmt -Check	09/14/2021	10430	Locks Around The Clock	(287)
Bill Pmt -Check	09/14/2021	10431	Desert Air Conditioning Inc.	(417)
Bill Pmt -Check	09/22/2021	10432	Amtech Elevator Services	(1,410)
Bill Pmt -Check	09/22/2021	10433	Frazier Pest Control, Inc.	(175)
Bill Pmt -Check	09/22/2021	10434	INPRO-EMS Construction	(12,665)
Bill Pmt -Check	09/22/2021	10435	Southern California Edison	(2,022)
Bill Pmt -Check	09/23/2021	10436	INPRO-EMS Construction	(93,465)
Check	09/29/2021		Bank Service Charge	(429)
TOTAL				(129,462)



MEMORANDUM

DATE: October 14, 2021

TO: F&A Committee

RE: Retirement Protection Plan (RPP)

Current number of participants in Plan:

	<u>August</u>	<u>September</u>
Active – still employed by hospital	88	88
Vested – no longer employed by hospital	58	56
Former employees receiving annuity	<u>7</u>	<u>7</u>
Total	<u>153</u>	<u>151</u>

The outstanding liability for the RPP is approximately **\$3.5M** (Actives - \$2.2M and Vested - \$1.3M). US Bank investment account balance \$5.3M. Per the June 30, 2021, Actuarial Valuation, the RPP has an Overfunded Pension Asset of approximately **\$1.8M**.

The payouts, excluding monthly annuity payments, made from the Plan for the Three (3) months ended September 30, 2021, totaled **\$101K**. Monthly annuity payments (7 participants) total **\$1.0K** per month.

DESERT HEALTHCARE DISTRICT								
OUTSTANDING GRANTS AND GRANT PAYMENT SCHEDULE								
September 30, 2021								
TWELVE MONTHS ENDING JUNE 30, 2022								
Grant ID Nos.	Name	Approved Grants - Prior Yrs	6/30/2021 Bal Fwd	Current Yr 2021-2022	Total Paid Prior Yrs July-June	Total Paid Current Yr July-June	Open BALANCE	
2014-MOU-BOD-11/21/13	Memo of Understanding CVAG CV Link Support	\$ 10,000,000	\$ 6,660,000		\$ -		\$ 6,660,000	
2019-994-BOD-05-28-19	One Future Coachella Valley - Mental Health College & Career Pathway Development - 2 Yr	\$ 700,000	\$ 148,750		\$ 78,750		\$ 70,000	
2020-1085-BOD-05-26-20	Olive Crest Treatment Center - General Support for Mental Health Services - 1 Yr	\$ 50,000	\$ 5,000		\$ 5,000		\$ -	
2020-1057-BOD-05-26-20	Desert Cancer Foundation - Patient Assistance Program - 1 Yr	\$ 150,000	\$ 15,000		\$ 15,000		\$ -	
2020-1139-BOD-09-22-20	1 CSU San Bernardino Palm Desert Campus Street Medicine Program - 1 Yr	\$ 50,000	\$ 5,000		\$ -		\$ 5,000	
2020-1135-BOD-11-24-20	5 Hope Through Housing Foundation - Family Resilience - 1 Yr	\$ 20,000	\$ 2,000		\$ -		\$ 2,000	
2020-1149-BOD-12-15-20	1 Voices for Children - Court Appointed Special Advocate Program - 1 Yr	\$ 40,000	\$ 22,000		\$ -		\$ 22,000	
2021-1136-BOD-01-26-21	1 Ronald McDonald House Charities - Temporary Housing & Family Support Services - 1 Yr	\$ 119,432	\$ 65,688		\$ 53,744		\$ 11,944	
2021-1147-BOD-01-26-21	4 Alzheimer's Association - Critical Program Support - 1 Yr	\$ 33,264	\$ 18,295		\$ 14,969		\$ 3,326	
2021-1162-BOD-01-26-21	2 Joslyn Center - Wellness Center Program Support - 1 Yr	\$ 109,130	\$ 60,022		\$ 49,108		\$ 10,914	
2021-1170-BOD-02-23-21	2 Jewish Family Services - Mental Health Counseling for Underserved Residents - 1 yr	\$ 80,000	\$ 44,000		\$ 36,000		\$ 8,000	
2021-1141-BOD-03-23-21	3 Martha's Village & Kitchen - Homeless Housing With Wrap Around Services - 1 Yr	\$ 210,905	\$ 115,998		\$ -		\$ 115,998	
2021-1171-BOD-03-23-21	1 Blood Bank of San Bernardino/Riverside Counties - Bloodmobiles for Coachella Valley - 18 Months	\$ 150,000	\$ 82,500		\$ -		\$ 82,500	
2021-1174-BOD-03-23-21	4 Mizell Center - Geriatric Case Management Program	\$ 100,000	\$ 55,000		\$ -		\$ 55,000	
2021-1266-BOD-04-27-21	3 Galilee Center - Our Lady of Guadalupe Shelter - 1 yr	\$ 150,000	\$ 82,500		\$ -		\$ 82,500	
2021-1277-BOD-04-27-21	5 Lift To Rise - United Lift Rental Assistance 2021 - 8 Months	\$ 300,000	\$ 210,000		\$ 90,000		\$ 120,000	
2021-1280-BOD-05-25-21	1 Desert AIDS Project - DAP Health Expands Access to Healthcare - 1yr	\$ 100,000	\$ 55,000		\$ -		\$ 55,000	
2021-21-02-BOD-06-22-21	Carry over of remaining Fiscal Year 2020/2021 Funds	\$ 1,854,873	\$ 1,854,873		\$ -		\$ 1,854,873	
					\$ -		\$ -	
					\$ -		\$ -	
TOTAL GRANTS		\$ 14,217,604	\$ 9,501,626	\$ -	\$ 342,571	\$ -	\$ 9,159,055	
Amts available/remaining for Grant/Programs - FY 2021-22:								
Amount budgeted 2021-2022			\$ 4,000,000					
Amount granted through September 30, 2021:			\$ -					
Mini Grants:			\$ -					
Financial Audits of Non-Profits			\$ -					
Net adj - Grants not used:	FY20-21 Funds, 1124		\$ 1,867,619					
Matching external grant contributions			\$ -					
Balance available for Grants/Programs			\$ 5,867,619					
Strategic Focus Areas FY21-22:								
		Grant Budget	Granted YTD	Available				
1	Healthcare Infrastructure and Services	\$ 1,500,000	\$ -	\$ 1,500,000				
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	\$ -	\$ 500,000				
Balance available for Grants/Programs		\$ 4,000,000	\$ -	\$ 4,000,000				



DESERT HEALTHCARE
DISTRICT & FOUNDATION

Date: October 14, 2021
To: Finance & Administration Committee
Subject: Lund & Guttry LLP – FY2021 Audit Reports – District & RPP

Staff Recommendation: Consideration to approve the FY2021 Audit reports for the Desert Healthcare District and the Retirement Protection Plan (RPP).

Background:

- For the second year, staff worked with Lund & Guttry LLP to complete the audits for all entities.
- Due to the COVID-19 pandemic, field work was completed remotely to maintain the safety of staff of the District and Lund & Guttry.
- In FY21, the Foundation received CARES and ELC federal funding via Riverside County.
- As a result of receipt of the federal funding, in addition to the normal financial audit of the Foundation, an A-133 (aka Single Audit) was required.
- All audit reports will be presented during the District committee meeting. However, the Foundation and Single Audit reports will be approved during the Foundation's committee meeting.
- Gary Dack, CPA, and Shannon Maidment, CPA, will present 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 & Single Audit Reports (Information only. To be approved during the Foundation's F&A Committee meeting)
- The District and Retirement Protection Plan audits received unmodified opinions with no findings.
- The Foundation and Single Audits also received unmodified opinions with no findings.
- However, as a result of the first year of the Single Audit, two recommendations were provided in a Management Letter included in the packet.
- Staff recommends approval of the FY2021 Audit Reports for the District and Retirement Protection Plan.

Fiscal Impact:

No

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 12, 2021

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, 2021, and have issued our report thereon dated October 12, 2021. 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 9, 2021. 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 2021. 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.

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- 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 12, 2021.

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.

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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,

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, 2021, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2021.

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.

October 12, 2021

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DESERT HEALTHCARE DISTRICT
PALM SPRINGS, CALIFORNIA
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 years ended June 30, 2021 and 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 audits. 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, 2021 and 2020, and the respective changes in financial position and cash flows for the years 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 - 8 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2021, 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 12, 2021

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DESERT HEALTHCARE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 2021 AND 2020

The Desert Healthcare District (the District) has issued its financial statements for the fiscal years ended June 30, 2021 and June 30, 2020 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 2021 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

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JUNE 2021 AND 2020

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 2021 and 2020.

	<u>Table A</u>		
Assets:	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>Change</u>
Cash and cash equivalents	\$ 10,193,578	\$ 7,613,546	\$ 2,580,032
Investments	53,642,124	54,366,920	(724,796)
Capital assets, net	11,454,569	11,464,523	(9,954)
Net Pension Asset	1,807,032	-	1,807,032
All Other Assets	424,500	457,128	(32,628)
Total Assets	<u>\$ 77,521,803</u>	<u>\$ 73,902,117</u>	<u>\$ 3,619,686</u>
Deferred Outflows:			
GASB 68 Reporting for Pension Plans	\$ 494,388	\$ 1,204,238	\$ (709,850)
GASB 75 Reporting for OPEB Plans	-	11,114	(11,114)
Total Deferred Outflows	<u>\$ 494,388</u>	<u>\$ 1,215,352</u>	<u>\$ (720,964)</u>
Liabilities:			
Grants payable	\$ 9,501,626	\$ 9,748,358	\$ (246,732)
Net Pension Liability	-	4,604,254	(4,604,254)
All Other Liabilities	429,905	480,999	(51,094)
Total Liabilities	<u>\$ 9,931,531</u>	<u>\$ 14,833,611</u>	<u>\$ (4,902,080)</u>
Deferred Inflows:			
GASB 68 Reporting for Pension Plans	\$ 675,732	\$ 370,700	\$ 305,032
Total Deferred Inflows	<u>\$ 675,732</u>	<u>\$ 370,700</u>	<u>\$ 305,032</u>
Net Assets:			
Net investment in capital assets	11,454,569	\$ 11,464,523	\$ (9,954)
Unrestricted	55,954,359	48,448,635	7,505,724
Restricted	-	-	-
Total Net Position	<u>\$ 67,408,928</u>	<u>\$ 59,913,158</u>	<u>\$ 7,495,770</u>

The \$7,495,770 increase in Total Net Position is due to the net income of \$7,495,770 for the current fiscal year ended June 30, 2021. This compares to a net income of \$4,705,802 for the fiscal year ended June 30, 2020. The increase is primarily due to a net combination of increased Property Tax Revenue of \$594,130, decreased Investment Revenue of \$2,186,172, increased Grant Expense of \$874,603, and decreased RPP Pension Expense of \$5,286,943 resulting from a change in assumptions. The \$2,580,032 increase in Cash and cash equivalents and \$724,796 decrease in Investments is due primarily to an increase in property tax receipts and a decrease in annual disbursements. The \$1,807,032 increase in Net Pension Assets, \$709,850 decrease in Deferred Outflows, \$4,604,254 decrease in Net Pension Liability, and \$305,032 increase in Deferred Inflows are due primarily to a change in assumptions and timing differences in the actuarial valuation for GASB 68 reporting for the RPP. The \$32,628 decrease in All Other Assets is due primarily to a net reduction in receivables. The \$246,732 decrease in Grants Payable is due primarily to larger grant disbursements than new accrued grants. The \$51,094 decrease in All Other Liabilities is due primarily to a net decrease in various liabilities.

DESERT HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 2021 AND 2020

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

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

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

- Grant Program – The District administers 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 2021 results to Fiscal Year 2020.

Table B

	6/30/21	6/30/20	Change
Revenue:			
Property Tax Revenue	\$ 7,760,713	\$ 7,166,583	\$ 594,130
Rental income	1,246,013	1,218,339	27,674
All other income	79,034	237,070	(158,036)
Total Revenue	\$ 9,085,760	\$ 8,621,992	\$ 463,768
Expenses:			
Grants program	\$ 4,048,655	\$ 3,174,052	\$ 874,603
Administrative Expense	2,993,310	2,989,359	3,951
Total Expense	\$ 7,041,965	\$ 6,163,411	\$ 878,554
Nonoperating Income(Expenses)	\$ 5,451,975	\$ 2,247,221	3,204,754
Net Income (Loss)	\$ 7,495,770	\$ 4,705,802	\$ 2,789,968

DESERT HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 2021 AND 2020

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Revenue

Property taxes are the District's primary source of operating revenues. The property tax revenue for the fiscal year ended June 30, 2021 was \$7,760,713, which was an increase of \$594,130 from the fiscal year ended June 30, 2020.

Rental income of \$1,246,013 for the fiscal year ended June 30, 2021 was \$27,674 higher than the fiscal year ended June 30, 2020.

All other income for the fiscal year ended June 30, 2021 decreased \$158,036 compared to the fiscal year ended June 30, 2020. The decrease was due primarily to less external contributions received.

Expenses

Grant Program expense for the fiscal year ended June 30, 2021 increased by \$874,603 compared to the fiscal year ended June 30, 2020. This is due primarily to increased 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, 2021 increased \$3,951 from the fiscal year ended June 30, 2020. The increase is due to various expenses including higher election fees expense of \$93,494. Nonoperating Income(Expenses) for the fiscal year ended June 30, 2021 increased \$3,204,754 from fiscal year ended June 30, 2020. The increase is due primarily to a \$2,186,172 decrease in investment income and a \$5,286,943 decrease in RPP pension expense.

CAPITAL ASSETS

At June 30, 2021, the District had \$22,949,667 in capital assets and \$11,495,098 accumulated depreciation, resulting in \$11,454,569 net 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.

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

Table C

	Balance 6/30/19	Net Additions	Net Retirements	Balance 6/30/20	Net Additions	Net Retirements	Balance 6/30/21
Cost	\$ 22,348,945	\$ 132,325	\$ (45,486)	\$ 22,435,784	\$ 644,197	\$ (130,314)	\$ 22,949,667
Acc. Depreciation	(10,376,387)	(640,360)	45,486	(10,971,261)	(632,127)	108,290	(11,495,098)
Capital Assets, Net	\$ 11,972,558	\$ (508,035)	\$ -	\$ 11,464,523	\$ 12,070	\$ (22,024)	\$ 11,454,569

DESERT HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 2021 AND 2020

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DEBT ADMINISTRATION

The District has no outstanding debt.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

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

The Fiscal Year 2022 budgets for the District and the Foundation reflect revenues of \$8,701,570 and \$2,042,000, respectively, and operating expenses of \$8,594,204 and \$2,131,085, respectively. Capital expenditures are budgeted at \$540,000. During the fiscal year ended June 30, 2021, the District and Foundation awarded \$2,162,231 and \$725,000, respectively, in new grants and distributed grants in the amount of \$4,216,731 and 636,428, respectively. Projected new grants to be awarded for the fiscal year 2021–2022 amount to \$5,854,873 and \$1,260,000, respectively, and distributions for grants could possibly total \$13,501,626 and 5,469,419, respectively, due to the existing grant liability as of June 30, 2021 and the projected grant awards.

As a result of the COVID-19 pandemic, the Foundation has received grant awards to aid in the education, testing and vaccination efforts related to the virus. Through the County of Riverside, federal funds from the CARES Act and Epidemiology and Laboratory Capacity (ELC) Enhancing Detection funding totals \$2,400,000. Additional funding from the Public Health Institute totaling \$725,000 has also been awarded. The Foundation is working with community-based organizations to accomplish this effort in both Fiscal Years 2021 and 2022.

The District has established a reserve fund of approximately \$61,000,000 to cover grant liabilities, hospital operating expenses for a short period should the lease with Tenet Health System Desert, Inc. terminate prior to May 30, 2027, and seismic or other related facilities costs.

The Hospital is required to meet SB 1953 and OSHPD regulations for seismic retrofit standards by 2030. The District conducted an assessment of the seismic retrofit needs and costs, which ranges between \$119,000,000 and \$180,000,000, and is reviewing options for completion of the seismic upgrades. Additionally, the California state legislature is presently considering legislation that may postpone the deadline.

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.

DESERT HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 2021 AND 2020

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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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,193,578	\$ 7,613,546
Investments	22,020,034	15,681,020
Accounts receivable, net	343,748	386,593
Prepaid items and deposits	80,752	70,535
Total current assets	<u>32,638,112</u>	<u>23,751,694</u>
NON-CURRENT ASSETS		
Investments	31,622,090	38,685,900
Capital assets, net	11,454,569	11,464,523
Net pension asset	1,807,032	-
Total non-current assets	<u>44,883,691</u>	<u>50,150,423</u>
DEFERRED OUTFLOWS		
Deferred Outflows of Resources		
Pension plan	494,388	1,204,238
OPEB	-	11,114
Total deferred outflows of resources	<u>494,388</u>	<u>1,215,352</u>
TOTAL ASSETS	<u>78,016,191</u>	<u>75,117,469</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	263,325	259,877
Grants payable	4,511,626	3,088,358
Compensated absences	82,975	48,184
Disability claims, reserve, current portion	14,803	14,803
Total current liabilities	<u>4,872,729</u>	<u>3,411,222</u>
NON-CURRENT LIABILITIES		
Grants payable	4,990,000	6,660,000
Long-term disability claims reserve	16,282	28,809
Net pension liability	-	4,604,254
Net OPEB liability	-	67,364
Deposits payable	52,520	61,962
Total non-current liabilities	<u>5,058,802</u>	<u>11,422,389</u>
DEFERRED INFLOWS		
Deferred Inflows of Resources		
Pension plan	675,732	370,700
Total deferred inflows of resources	<u>675,732</u>	<u>370,700</u>
TOTAL LIABILITIES	<u>10,607,263</u>	<u>15,204,311</u>
<u>NET POSITION</u>		
Net investment in capital assets	11,454,569	11,464,523
Unrestricted	55,954,359	48,448,635
TOTAL NET POSITION	<u>\$ 67,408,928</u>	<u>\$ 59,913,158</u>

DRAFT

(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, 2021 AND 2020

DRAFT

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Property taxes	\$ 7,760,713	\$ 7,166,583
Rental income	1,246,013	1,218,339
Contributions	-	150,000
Other income	79,034	87,070
Total revenues	<u>9,085,760</u>	<u>8,621,992</u>
OPERATING EXPENSES		
Grant allocations	4,048,655	3,174,052
General expenses	274,345	518,876
Rental expenses	995,974	967,727
Salaries and benefits	1,040,389	898,326
Legal fees	147,981	176,873
Depreciation	194,160	188,833
Election fees	93,494	-
Other	246,967	238,724
Total operating expenses	<u>7,041,965</u>	<u>6,163,411</u>
Income from operations	<u>2,043,795</u>	<u>2,458,581</u>
NONOPERATING INCOME (EXPENSES)		
Investment income	87,343	2,273,515
Investment expenses	(66,623)	(122,683)
Retirement plan / benefits change	5,431,255	96,389
Total nonoperating income	<u>5,451,975</u>	<u>2,247,221</u>
Increase in net position	7,495,770	4,705,802
NET POSITION		
Beginning of year	<u>59,913,158</u>	<u>55,207,356</u>
End of year	<u>\$ 67,408,928</u>	<u>\$ 59,913,158</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, 2021 AND 2020

DRAFT

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from County	\$ 7,782,929	\$ 7,161,553
Cash received from grantor and donors	44,035	224,181
Cash received from rentals and other operating revenues	1,246,660	1,124,722
Cash payments to suppliers for goods and services	(1,322,268)	(1,563,898)
Cash payments to employees for services and benefits	(977,881)	(1,000,016)
Cash payments to grantee	(4,295,387)	(6,235,049)
Net cash provided (used) by operating activities	2,478,088	(288,507)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(644,197)	(132,325)
Net cash used by capital and related financing activities	(644,197)	(132,325)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment sales (purchases) - net	746,141	(4,018,416)
Net cash (used) provided by investing activities	746,141	(4,018,416)
Net increase (decrease) in cash	2,580,032	(4,439,248)
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	7,613,546	12,052,794
END OF YEAR	\$ 10,193,578	\$ 7,613,546

-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, 2021 AND 2020

DRAFT

-Continued-

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	\$ 2,043,795	\$ 2,458,581
Adjustments to reconciliation of income from operations to net cash provided (used) by operating activities:		
Depreciation	632,127	640,360
Changes in assets and liabilities:		
(Increase) decrease in assets		
Accounts receivables	42,845	(193,282)
Prepaid items and deposits	(10,217)	(14,652)
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	3,448	(127,219)
Grants payable	(246,732)	(3,060,997)
Deposits payable	(9,442)	3,445
Compensated absences	34,791	17,074
Long-term disability claims reserve	(12,527)	(11,817)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,478,088</u>	<u>\$ (288,507)</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, 2021 AND 2020

DRAFT

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,348,623	\$ 1,145,289
Grants receivable	1,122,500	-
Prepaid expenses	2,500	3,000
Accrued interest and dividends receivable	17,221	18,931
Total current assets	2,490,844	1,167,220
 OTHER ASSETS		
Contributions receivable - charitable remainder trusts	200,809	187,298
Investments	5,617,879	5,020,682
Total other assets	5,818,688	5,207,980
 TOTAL ASSETS	 8,309,532	 6,375,200
 <u>LIABILITIES</u>		
LIABILITIES		
Current liabilities		
Accounts payable	144,954	100,467
Grants payable - current	4,679,865	2,694,224
Deferred revenue	50,000	-
Total current liabilities	4,874,819	2,794,691
Long-term liabilities		
Grants payable - long-term	1,600,000	1,600,000
Total long-term liabilities	1,600,000	1,600,000
 TOTAL LIABILITIES	 6,474,819	 4,394,691
 NET POSITION	 \$ 1,834,713	 \$ 1,980,509

(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, 2021 AND 2020

DRAFT

	<u>2021</u>	<u>2020</u>
ADDITIONS		
Contributions	\$ 139,655	\$ 73,222
Grants and bequests	3,781,363	264,668
Interest and dividends	185,407	184,904
Investment gains	477,291	41,026
Change in value - charitable trusts	<u>13,511</u>	<u>(1,940)</u>
TOTAL SUPPORT AND REVENUE	<u>4,597,227</u>	<u>561,880</u>
DEDUCTIONS		
Grants and services	3,908,624	508,667
Management and general	<u>834,399</u>	<u>367,556</u>
TOTAL EXPENSES	<u>4,743,023</u>	<u>876,223</u>
DECREASE IN NET POSITION	(145,796)	(314,343)
NET POSITION, BEGINNING OF YEAR	<u>1,980,509</u>	<u>2,294,852</u>
NET POSITION, END OF YEAR	<u>\$ 1,834,713</u>	<u>\$ 1,980,509</u>

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

DRAFT

JUNE 30, 2021 AND 2020

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

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JUNE 30, 2021 AND 2020

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

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JUNE 30, 2021 AND 2020

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

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JUNE 30, 2021 AND 2020

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

DRAFT

JUNE 30, 2021 AND 2020

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 \$61,649,767 as of June 30, 2021, 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

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JUNE 30, 2021 AND 2020

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, 2020 and May 30, 2021, the District may be obligated to repay Tenet beginning June 1, 2020 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 was \$2,835,230. This amount decreased annually by \$3,066,667 per terms of the lease agreement and was zero at June 30, 2021.

3. CASH AND INVESTMENTS

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

	June 30, 2021	June 30, 2020
District’s Statement of Net Position:		
Cash and cash equivalents	\$ 10,193,578	\$ 7,613,546
Investments	53,642,124	54,366,920
Fiduciary Statement of Net Position:		
Cash and cash equivalents	1,348,623	1,145,289
Investments	5,617,879	5,020,682
Total Cash and Investments	\$ 70,802,204	\$ 68,146,437

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

DRAFT

JUNE 30, 2021 AND 2020

3. CASH AND INVESTMENTS - Continued

Cash and Investments consist of the following:

	June 30, 2021	June 30, 2020
Cash on Hand	\$ 700	\$ 700
Cash in Bank-District	2,185,435	3,091,999
Cash in Bank-Foundation	1,182,817	998,158
Money Market Funds	8,173,249	4,667,978
Investments	59,260,003	59,387,602
 Total Cash and Investments	 \$ 70,802,204	 \$ 68,146,437

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

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JUNE 30, 2021 AND 2020

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, 2021

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*	\$ 1,715,982	\$ 98,065	\$ 183,865	\$ 181,029	\$ 284,063	\$ 968,960
U.S. Government Agencies	9,201,090	7,093,980	2,107,110	-	-	-
U.S. Government Agencies*	500,904	-	-	-	-	500,904
U.S. Treasury Notes	44,441,034	14,926,054	11,311,030	5,058,170	13,145,780	-
U.S. Treasury Notes*	635,020	49,291	160,869	41,988	139,105	243,767
Mutual Funds-Open Ended*	269,243	269,243	-	-	-	-
Domestic Common Stock*	2,496,730	2,496,730	-	-	-	-
Total	<u>\$59,260,003</u>	<u>\$24,933,363</u>	<u>\$13,762,874</u>	<u>\$ 5,281,187</u>	<u>\$13,568,948</u>	<u>\$ 1,713,631</u>

*Held by Foundation

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2021 AND 2020

3. CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk (Continued)

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

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, 2021

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*	\$ 1,715,982	N/A	\$ -	\$ 189,027	\$ 599,214	\$ 927,741	\$ -
U.S. Government Agencies	9,201,090	N/A	-	9,201,090	-	-	-
U.S. Government Agencies*	500,904	N/A	-	500,904	-	-	-
U.S. Treasury Notes	44,441,034	N/A	44,441,034	-	-	-	-
U.S. Treasury Notes*	635,020	N/A	635,020	-	-	-	-
Mutual Funds-Open Ended*	269,243	N/A	-	-	-	-	269,243
Domestic Common Stock*	2,496,730	N/A	-	-	-	-	2,496,730
Total	<u>\$59,260,003</u>		<u>\$45,076,054</u>	<u>\$ 9,891,021</u>	<u>\$ 599,214</u>	<u>\$ 927,741</u>	<u>\$ 2,765,973</u>

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2021 AND 2020

3. CASH AND INVESTMENTS - Continued

Disclosure Relating to Credit Risk (Continued)

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	\$59,387,602		\$40,584,874	\$15,274,350	\$ 642,662	\$ 737,483	\$ 2,148,233

*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, 2021 that represent 5% or more of total District investments (other than U.S. Treasury Notes). These investments are:

- Federal Home Loan Banks: \$3,090,290 with various maturity dates through June 30, 2023, and interest rates of 1.875-3.25%.
- Federal Home Loan Mortgage Corporation: \$3,073,670 with various maturity dates through June 30, 2023, and interest rates of 2.375-2.750%.
- Federal National Mortgage Association: \$3,037,130 with various maturity dates through June 30, 2022, and interest rates of 1.875-2.000%.

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%.

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JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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

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JUNE 30, 2021 AND 2020

3. CASH AND INVESTMENTS - Continued

Custodial Credit Risk

The District has the following recurring fair value measurements;
 At June 30, 2021 and 2020, the District's cash, cash equivalents, and investments classified by risk category consisted of the following:

As of June 30, 2021

<u>Investments by fair value</u>	<u>Total</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt Securities				
Corporate Bonds	\$ 1,715,982	\$ 1,715,982	\$ -	\$ -
U.S. Government Agencies	9,701,994	9,701,994	-	-
U.S. Treasury Notes	45,076,054	45,076,054	-	-
Mutual Funds-Open Ended	269,243	269,243	-	-
Domestic Common Stock	2,490,730	2,490,730	-	-
	<u>\$ 59,260,003</u>	<u>\$ 59,260,003</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2020

<u>Investments by fair value</u>	<u>Total</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
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>

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2021 AND 2020

4. CAPITAL ASSETS

Business-Type Activities

At June 30, 2021 and 2020 the capital assets of the business-type activities consisted of the following:

<u>June 30, 2021</u>	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Non-depreciable assets:				
Land	\$ 3,859,100	\$ -	\$ -	\$ 3,859,100
Construction in progress	<u>188,254</u>	<u>563,583</u>	<u>(22,024)</u>	<u>729,813</u>
Total non-depreciable assets	<u>4,047,354</u>	<u>563,583</u>	<u>(22,024)</u>	<u>4,588,913</u>
Depreciable assets:				
Building and improvements	18,192,372	77,676	(23,036)	18,247,013
Furniture and equipment	<u>196,058</u>	<u>2,938</u>	<u>(85,254)</u>	<u>113,742</u>
Total depreciable assets	18,388,430	80,614	(108,290)	18,360,754
Less accumulated depreciation	<u>(10,971,261)</u>	<u>(632,127)</u>	<u>108,290</u>	<u>(11,495,098)</u>
Total depreciable assets, net	<u>7,417,169</u>	<u>(551,513)</u>	<u>-</u>	<u>6,865,656</u>
Total capital assets, net	<u>\$11,464,523</u>	<u>\$ 12,070</u>	<u>\$ (22,024)</u>	<u>\$ 11,454,569</u>

Depreciation expense consists of operating expense depreciation of \$194,160 and rental expense depreciation of \$437,967.

<u>June 30, 2020</u>	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
Non-depreciable assets:				
Land	\$ 3,859,100	\$ -	\$ -	\$ 3,859,100
Construction in progress	<u>129,550</u>	<u>58,704</u>	<u>-</u>	<u>188,254</u>
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.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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5. RESTRICTED NET POSITION

The District had \$0 of restricted net position at June 30, 2021 and 2020.

6. SPLIT INTEREST AGREEMENTS - FOUNDATION

At June 30, 2021 and 2020, the split interest agreements of the fiduciary fund consisted of the following:

	<u>2021</u>	<u>2020</u>
Contribution receivable – charitable remainder trusts	<u>\$ 200,809</u>	<u>\$ 187,298</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 for each year June 30, 2021 and 2020.

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, 2021 and 2020 was \$74,787 and \$61,276, 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, 2021 and 2020, the total grant awards payable were \$9,501,626 and \$9,748,358, respectively. Total grants expense for the years ended June 30, 2021 and 2020 amounted to \$4,048,655 and \$3,174,052, respectively.

The Foundation has granted awards to various healthcare providers that provide needed healthcare services. At June 30, 2021 and 2020, the total grant awards payable were \$6,279,865 and \$4,294,224, respectively. Total grants and services expense for the years ended June 30, 2021 and 2020 amounted to \$3,908,624 and \$508,667, respectively.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2021 AND 2020

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, 2021 and 2020, the long-term disability claims reserves were as follows:

	<u>Balance at</u> <u>July 1, 2020</u>	<u>Claims</u> <u>Paid</u>	<u>Changes in</u> <u>Estimates</u>	<u>Balance at</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
Claims payable	\$ 43,612	\$ (14,803)	\$ 2,276	\$ 31,085	\$ 14,803

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

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2021 AND 2020

9. POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

B. Total OPEB Liability

The District's total OPEB liability of \$0 and \$67,364 was measured as of June 30, 2021 and 2020 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 (used for the June 30, 2020 liability) 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, 2020	\$ <u>67,364</u>
<u>Changes for the fiscal year</u>	
Benefit payments	(21,400)
Write off remaining liability	<u>(45,964)</u>
Net changes	<u>(67,364)</u>
Balance at June 30, 2021	<u>\$ -</u>

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

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JUNE 30, 2021 AND 2020

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, 2021 and 2020:

	2021	2020
Base rent	\$ 898,879	\$ 879,153
Common area maintenance	347,134	339,186
	\$1,246,013	\$1,218,339

The five fiscal year minimum rental schedule follows:

	2022	2023	2024	2025	2026
Base rent	\$ 923,978	\$ 812,329	\$ 440,757	\$ 203,105	\$ 72,647
Common area maintenance	375,400	325,075	172,690	77,251	19,773
	\$ 1,299,378	\$ 1,137,404	\$ 613,447	\$ 280,356	\$ 92,420

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 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 years ended June 30, 2021 and 2020 were \$91,052 and \$64,172, respectively.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2021 AND 2020

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, 2021, the Plan’s independent actuary determined that the actuarial value of the Plan’s net pension (asset) liability was \$ (1,807,032) at June 30, 2021 and \$4,604,254 at June 30, 2020. In the report it was recommended to the District an actuarially determined contribution of \$366,275 for each year ended June 30, 2021 and 2020. The District’s board of directors elected not to fund the Plan during 2021 or 2020.

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
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JUNE 30, 2021 AND 2020

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
6/30/2021	5,314,972	3,507,940	(1,807,032)	152%	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, 2021 and 2020, the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	
	2021	2020
Inactive plan members if beneficiaries currently receiving benefits	7	8
Inactive plan members entitled to but not yet receiving benefits	59	61
Active plan members	88	114
Total Employees Covered	<u>154</u>	<u>183</u>

DESERT HEALTHCARE DISTRICT
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JUNE 30, 2021 AND 2020

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

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

Net Pension (Asset) Liability

The District’s net pension (asset) 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 (asset) liability is shown below.

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	6.71% net of pension plan investment expense, including inflation.
Measurement date	June 30, 2021, based on valuation date of June 30, 2021.
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-2020
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	Actives-100% retirement at age 65. Terminated vested – Lump sums are assumed to be taken immediately. Annuities are assumed to commence 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, 2021 funding valuation for other relevant assumptions.

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

DESERT HEALTHCARE DISTRICT
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14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

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

Net Pension (Asset) Liability (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.71 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the Plan stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.71 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.71 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 6.71 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 25.13 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 2020-21 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
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14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

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

Net Pension (Asset) 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	35.0%	1.08%
Domestic equities	44.0	4.19
International equities	11.0	4.43
International Fixed Income Securities	5.0	1.70
Cash	5.0	(0.34)

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2021 AND 2020

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Changes in the Net Pension (Asset) Liability

The changes in the Net Pension (Asset) 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, 2020	\$ 9,388,217	\$ 4,783,963	\$ 4,604,254
Changes in Recognized for the Measurement Period:			
Employer Contributions	-	-	-
Interest on the Total Pension Liability	342,696		342,696
Differences between Expected and Actual Experience	(1,123,559)	-	(1,123,559)
Changes in Assumptions	(4,503,151)	-	(4,503,151)
Net Investment Income **	-	1,160,972	(1,160,972)
Benefit Payments, including Refunds of Employee Contributions	(596,263)	(596,263)	-
Administrative Expenses	-	(33,700)	33,700
Net Changes during 2020-21	(5,880,277)	531,009	(6,411,286)
Balance, June 30, 2021 *	\$ 3,507,940	\$ 5,314,972	\$ (1,807,032)

* 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 Asset to Changes in the Discount Rate

The Following presents the net pension asset of the Plan as of the measurement date, calculated using the discount rate of 6.71 percent, as well as what the net pension asset would be if it were calculated using a discount rate that is 1 percentage-point lower (5.71 percent) or 1 percentage-point higher (7.71 percent) than the current rate:

	<u>1% Decrease (5.71%)</u>	<u>Current Discount Rate (6.71%)</u>	<u>1% Increase (7.71%)</u>
Net pension asset	\$ (1,725,825)	\$ (1,807,032)	\$ (1,879,878)

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

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JUNE 30, 2021 AND 2020

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, 2021, the District recognized pension expense of (\$5,396,404). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net differences between projected and actual		
Earnings on pension plan investments	190,187	(675,732)
Changes in assumptions	304,201	-
Total	\$ 494,388	\$ (675,732)

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
2022	\$ 191,376
2023	(94,163)
2024	(114,291)
2025	(164,266)
Total	\$ (181,344)

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 \$0 and \$200,000 to the Foundation, to help fulfill their purpose during June 30, 2021 and 2020, respectively. The District also provided the Foundation with office space and personnel of \$768,901 and \$305,676 during June 30, 2021 and 2020, respectively.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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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.

17. SUBSEQUENT EVENTS

The District and Foundation evaluated all potential subsequent events as of October 12, 2021 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2021 or as of October 12, 2021 that require disclosure to the financial statements.

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REQUIRED SUPPLEMENTAL INFORMATION

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2021

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Prepared for the Desert Healthcare District, a Single-Employer Defined Benefit Pension Plan
as of June 30, 2021

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

	2021	2020	2019	2018	2017	2016	2015
Measurement Period	2020-2021	2018-2019	2018-2019	2016-2017	2016-2017	2014-2015	2013-2014
Total Pension Liability							
Interest on total pension liability	\$ 342,696	\$ 374,170	\$ 385,951	\$ 399,298	\$ 321,990	\$ 397,980	\$ 418,035
Differences between expected and actual experience	(1,123,559)	-	(802,110)	-	(437,093)	(493,455)	(537,276)
Changes in assumptions	(4,503,151)	912,601	769,854	315,705	(2,852,163)	1,944,607	-
Benefit payments, including refunds of employee contributions	(596,263)	(208,084)	(511,792)	(466,670)	(382,380)	(459,397)	(304,566)
Net change in total pension liability	(5,880,277)	1,078,687	(158,097)	248,333	(3,349,646)	1,389,735	(423,807)
Total pension liability - beginning	9,388,217	8,309,530	8,467,627	8,219,294	11,568,940	10,179,205	10,603,012
Total pension liability - ending (a)	3,507,940	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	1,160,972	109,665	268,701	347,969	426,828	(6,638)	71,101
Benefit payments	(596,263)	(208,084)	(511,792)	(466,670)	(382,380)	(459,397)	(304,566)
Administrative expenses	(33,700)	(31,524)	(32,836)	(35,638)	(24,513)	(14,983)	(17,886)
Net change in plan fiduciary net position	531,009	(129,943)	(275,927)	(154,339)	3,419,935	(481,018)	(251,351)
Plan fiduciary net position - beginning	4,783,963	4,913,907	5,189,834	5,344,173	1,924,238	2,405,256	2,656,607
Plan fiduciary net position - ending (b)	5,314,972	4,783,963	4,913,907	5,189,834	5,344,173	1,924,238	2,405,256
Net pension (asset) liability - ending (a) - (b)	\$ (1,807,032)	\$ 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	151.51%	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	N/A
Net pension liability as a percentage of covered - employee payroll	N/A	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 seven years are shown.

DESERT HEALTHCARE DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION

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JUNE 30, 2021

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

Measured Period	<u>6/30/2021</u>	<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	(21,400)	(20,321)	(23,490)	(22,587)
Writeoff remaining liability	(45,964)	-	-	-
Net Change in total Pension Liability	<u>(67,364)</u>	<u>(20,609)</u>	<u>(20,714)</u>	<u>(18,530)</u>
Total OPEB Liability - Beginning	<u>67,364</u>	<u>87,973</u>	<u>108,687</u>	<u>127,217</u>
Total OPEB Liability - Ending (a)	<u>\$ -</u>	<u>\$ 67,364</u>	<u>\$ 87,973</u>	<u>\$ 108,687</u>
Plan Fiduciary Net Position				
Contribution from the Employer	\$ 21,400	\$ 20,321	\$ 23,490	\$ 22,587
Net investment income	-	-	-	-
Benefit Payments	(21,400)	(20,321)	(23,490)	(22,587)
Administrative Expenses	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Net OPEB Liability - Ending (a) - (b)	 <u>\$ -</u>	 <u>\$ 67,364</u>	 <u>87,973</u>	 <u>108,687</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>	 <u>0.00%</u>
 Covered - Employee Payroll	 <u>N/A</u>	 <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>	 <u>N/A</u>

Notes to Schedule:

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

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 four years are shown.

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DESERT HOSPITAL
RETIREMENT PROTECTION PLAN

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2021 AND 2020

DRAFT

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 statements of net assets available for benefits and of accumulated plan benefits as of June 30, 2021 and 2020 and the related statements of changes in net assets available for benefits and changes in accumulated plan benefits for the years 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 audits. We conducted our audits 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, 2021 and 2020, and the changes in financial status for the years 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 12, 2021 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.

October 12, 2021

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AND OF ACCUMULATED
PLAN BENEFITS
JUNE 30, 2021 AND 2020**

DRAFT

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash	\$ <u>148,112</u>	\$ <u>305,423</u>
Investments, at fair value		
U.S. Government securities	557,359	745,008
Corporate equity securities	637,246	494,184
Corporate debt securities	449,841	748,676
Mutual funds	<u>3,524,051</u>	<u>2,488,266</u>
Total investments	<u>5,168,497</u>	<u>4,476,134</u>
Interest and dividends receivable	<u>7,125</u>	<u>10,001</u>
Total assets	<u>5,323,734</u>	<u>4,791,558</u>
<u>LIABILITIES</u>		
Accrued trustee fees	<u>8,762</u>	<u>7,595</u>
<u>NET POSITION RESTRICTED FOR PENSION</u>	<u>\$ 5,314,972</u>	<u>\$ 4,783,963</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, 2021 AND 2020**

DRAFT

	<u>2021</u>	<u>2020</u>
ADDITIONS TO NET ASSETS		
Contributions	\$ -	\$ -
Investment income		
Net appreciation in fair value of investments	151,450	98,401
Dividend income	66,373	67,892
Interest income and other income	39,545	47,188
Net gain (loss) from sale of investments	<u>903,604</u>	<u>(104,280)</u>
 Total additions to assets	 <u>1,160,972</u>	 <u>109,201</u>
 <u>DEDUCTIONS FROM NET ASSETS</u>		
Distributions of benefits to participants	596,263	207,620
Administrative expenses	<u>33,700</u>	<u>31,524</u>
 Total deductions from assets	 <u>629,963</u>	 <u>239,144</u>
 NET INCREASE (DECREASE)	 531,009	 (129,943)
 NET POSITION AVAILABLE FOR BENEFITS:		
 BEGINNING OF YEAR	 <u>4,783,963</u>	 <u>4,913,906</u>
 END OF YEAR	 <u>\$ 5,314,972</u>	 <u>\$ 4,783,963</u>

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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1. PLAN STATUS

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

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

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

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

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

2. PLAN DESCRIPTION

General

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

Vesting

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

Account Balances

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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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, 2021 by the Plan's independent actuary determined that the actuarial value of the Plan's net pension (asset) liability was (\$1,807,032) and \$4,604,254 at June 30, 2021 and 2020, respectively. The actuary recommended to the District an actuarially determined contribution of \$366,275 for each year ended June 30, 2021 and 2020.

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, 2021 AND 2020

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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	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 148,112	\$ 148,112	\$ 305,423	\$ 305,423
Investments				
U. S. Government securities	539,155	557,359	713,103	745,008
Corporate equity securities	336,165	637,246	346,110	494,184
Corporate debt securities	440,457	449,841	733,689	748,676
Mutual funds	<u>2,343,952</u>	<u>3,524,051</u>	<u>2,133,627</u>	<u>2,488,266</u>
Investments total	<u>3,659,729</u>	<u>5,168,497</u>	<u>3,926,529</u>	<u>4,476,134</u>
Total cash and investments	<u>\$ 3,807,841</u>	<u>\$ 5,316,609</u>	<u>\$ 4,231,952</u>	<u>\$ 4,781,557</u>

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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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, 2021

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	\$ 3,016,955	\$ 3,016,955	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds	507,096	507,096	-	-	-	-
Corporate Bonds	449,841	68,562	51,639	213,690	-	115,950
U.S. Government Bonds	401,529	50,612	-	-	-	350,917
U.S. Treasury Note	155,830	50,092	-	105,738	-	-
Foreign Stock	41,174	41,174	-	-	-	-
Domestic Common Stock	596,072	596,072	-	-	-	-
Total	<u>\$ 5,168,497</u>	<u>\$ 4,330,563</u>	<u>\$ 51,639</u>	<u>\$ 319,428</u>	<u>\$ -</u>	<u>\$ 466,867</u>

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 Bonds	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>

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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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, 2021

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	\$ 3,016,955	N/A	\$ -	\$ -	\$ -	\$ -	\$ 3,016,955
Fixed Income Mutual Funds	507,096	N/A	-	-	-	-	507,096
Corporate Bonds	449,841	A	-	158,686	157,827	133,328	-
U.S. Government Bonds	401,529	A	-	50,612	350,917	-	-
U.S. Treasury Note	155,830	N/A	155,830	-	-	-	-
Foreign Stock	41,174	N/A	-	-	-	-	41,174
Domestic Common Stock	596,072	N/A	-	-	-	-	596,072
Total	<u>\$ 5,168,497</u>		<u>\$ 155,830</u>	<u>\$ 209,298</u>	<u>\$ 508,744</u>	<u>\$ 133,328</u>	<u>\$ 4,161,297</u>

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 Bonds	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>

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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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, 2021 that represent 5% or more of total Plan investments. These investments are:

5982 shares of IShares S&P 500 Growth Etf valued at \$435,071
2706 shares of IShares S&P 500 Value Etf valued at \$399,514
6537 shares of Vanguard Ftsc Developed Etf valued at \$366,786
765 shares of Vanguard S&P:500 Eft valued at \$301,043
2561 shares of Schwab US Large Cap Eft valued at \$266,267

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

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, 2021, 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, 2021 AND 2020

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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 principals 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, 2021:

Investment 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				
US Government Issues	\$ 557,359	\$ 155,829	\$ 401,530	\$ -
Corporate Issues	449,841	-	449,841	-
Mutual Funds – Equity	3,016,955	3,016,955	-	-
Mutual Funds – Fixed Income	507,096	-	507,096	-
Domestic Common Stock	596,072	596,072	-	-
Foreign Stock	41,174	41,174	-	-
Total	<u>\$ 5,168,497</u>	<u>\$ 3,810,030</u>	<u>\$ 1,358,467</u>	<u>\$ -</u>

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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4. CASH AND INVESTMENTS – (Continued)

Fair Value Measurements – (Continued)

The Plan has the following recurring fair value measurements as of June 30, 2020:

<u>Investment by fair value</u>	<u>Total</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted prices in Active Markets for Identical Assets (Level 1)</u>	<u>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>

5. ACTUARIAL ASSUMPTIONS

The total pension liability as of June 30, 2021 was determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	6.71%, net pension plan investment expense, including inflation.
Measurement date	June 30, 2021, based on a valuation date of June 30, 2021.
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-2020
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.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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5. ACTUARIAL ASSUMPTIONS – (Continued)

Retirement	Actives- 100% retirement at age 65. Terminated Vested- Lump sums are assumed to be taken immediately. Annuities are assumed to commence 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, 2021 funding valuation for other relevant assumptions.

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

6. NET PENSION (ASSET) LIABILITY OF THE PLAN

Schedule of Changes in Net Pension (Asset) Liability and Related Ratios

	<u>2021</u>	<u>2020</u>
Total pension liability:		
Service Cost	\$ -	\$ -
Interest	342,696	374,170
Changes of benefit terms	-	-
Differences between expected and actual experience	(1,123,559)	-
Changes of assumptions	(4,503,151)	912,601
Benefit payments, including refunds of member contributions	(596,263)	(208,084)
Net change in total pension liability	(5,880,277)	1,078,687
Total pension liability – beginning	9,388,217	8,309,530
Total pension liability – ending (a)	<u>\$ 3,507,940</u>	<u>\$ 9,388,217</u>
Plan fiduciary net position		
Contributions – employer	\$ -	\$ -
Net investment income	1,160,972	109,665
Benefit payments, including refunds of member contributions	(596,263)	(208,084)
Administrative expenses	(33,700)	(31,524)
Net change in plan fiduciary net position	<u>531,009</u>	<u>(129,943)</u>
Plan fiduciary net position – beginning	4,783,963	4,913,906
Plan fiduciary net position – ending (b)	<u>5,314,972</u>	<u>4,783,963</u>
Net pension (asset) liability – ending (a) – (b)	<u>\$ (1,807,032)</u>	<u>\$ 4,604,254</u>
Plan fiduciary net position as a percentage of the total pension (asset) liability	151.51%	50.96%
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, 2021 AND 2020

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

Discount Rate and Net Pension Asset Sensitivity

1. Discount Rate

The discount rate used to measure the total pension liability was 6.71%. 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 available to make projected future benefit payments to current plan members. Therefore, the long-term expected rate of return 6.71% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension asset, calculated using the discount rate of 6.71%, as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.71%) or 1-percentage-point higher (7.71%) than the current rate:

	1% Decrease (5.71%)	Current Discount Rate (6.71%)	1% Increase (7.71%)
Net pension (asset)	\$ (1,725,825)	\$ (1,807,032)	\$ (1,879,878)

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

	2021	2020
Inactive plan members if beneficiaries currently receiving benefits	7	8
Inactive plan members entitled to but not yet receiving benefits	59	61
Active plan members	88	114
	154	183

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

Summary – (Continued)

Net Pension (Asset) Liability

The components of the net pension (asset) liability at June 30,

	2021	2020
Total pension liability	\$ 3,507,940	\$ 9,388,217
Plan fiduciary	<u>(5,314,972)</u>	<u>(4,783,963)</u>
Net pension (asset) liability	<u>\$ (1,807,032)</u>	<u>\$ 4,604,254</u>
Plan fiduciary net position as a % of the total pension liability	151.51%	50.96%

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions

	2021	2020
Inflation	2.75%	2.75%
Salary Increases	N/A	N/A
Investment rate of return	6.71%	6.82%
Discount rate	6.71%	3.77%

7. SUBSEQUENT EVENTS

The Plan evaluated all potential subsequent events as October 12, 2021 when the financial statements were authorized and available to be issued. No subsequent events or transaction were identified after June 30, 2021 or as of October 12, 2021 that require disclosure to the financial statements.

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SUPPLEMENTARY INFORMATION

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2021 AND 2020

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>(Funded) Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
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
6/30/2021	5,314,972	3,507,940	(1,807,032)	152%	N/A	N/A

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

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MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of Desert Healthcare Foundation (the "Foundation") for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

However, as discussed below we noted a few matters that we wanted to bring to your attention that give you an opportunity to strengthen existing internal controls and operating efficiency and are mentioned for management purposes only.

COMPLIANCE WITH AGREEMENTS

During the audit, we noted that the subrecipient agreement with the County of Riverside (County) required that the provided funds be held in a separate bank account that is non-interest bearing. The Foundation held the funds in an account with other funds unrelated to the County's subrecipient agreement, however, the account was non-interest bearing. Additionally, management maintained an organized accounting of the subrecipient funds despite not being held in a separate bank account. Due to this provision in the agreement, we requested that management inform the County of this compliance oversight. Management has since opened a separate bank account and transferred undistributed funds received from the County in the account to maintain compliance. We do not believe this was significant enough to warrant a finding. We recommend that management continue to review any agreements in detail to ensure compliance is met with provisions of the agreement.

DOCUMENTATION SUPPORTING CONTRACTOR REIMBURSED EXPENSES

During the compliance audit, it was noted that there were instances where management needed to follow up with the contactors (CBOs and FBOs) to obtain support for certain expenses incurred by the contractors and reimbursed for by County funding provided as part of the subrecipient agreement. For audit purposes we were able to obtain the needed support for the selected contractors and transactions, however, we would recommend that management consider performing an internal audit of the other time periods and/or contractors not covered by the compliance audit procedures, to ensure that funds were expended for allowable costs under the provision of the funding.

DOCUMENTATION SUPPORTING CONTRACTOR REIMBURSED EXPENSES -
(Continued)

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In our opinion, a finding is not necessary since we were able to obtain sufficient support for the transactions selected during our audit resulting in no questioned costs.

Management Response:

It is important to note the CARES and ELC funding received by the Foundation were provided on an emergency basis related to the COVID-19 pandemic and the first instance of federal funding received requiring a Single Audit. Due to the urgent nature of the CARES funding and the expedited pass-through to the designated CBOs, Foundation staff diligently secured documentation to support the CBO's expenditures and budgets.

As defined in the recommendation, Foundation staff provided the requested additional documentation supplied from the CBOs during the single audit to support the sample testing. Understanding the additional level of documentation required for the single audit of federal funds per the recommendation, Foundation staff will obtain all required CBO documentation to ensure that funds are expended for allowable costs under the provision of the funding.

This letter is intended solely for the information and use of the Board of Directors and management.

October 12, 2021

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DESERT HEALTHCARE FOUNDATION

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR JUNE 30, 2020

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, 2021, 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, 2021, 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 12, 2021, 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

We have previously audited the Organization's June 30, 2020 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated October 13, 2020. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it was derived.

October 12, 2021

DESERT HEALTHCARE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR JUNE 30, 2020

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	Totals	
	2021	2020 (Memorandum Only)
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 1,348,623	\$ 1,145,289
Grants receivable	1,122,500	-
Prepaid expenses	2,500	3,000
Accrued interest and dividend receivable	17,221	18,931
Total current assets	<u>2,490,844</u>	<u>1,167,220</u>
OTHER ASSETS		
Contributions receivable - charitable remainder trusts	200,809	187,298
Investments	<u>5,617,879</u>	<u>5,020,682</u>
Total other assets	<u>5,818,688</u>	<u>5,207,980</u>
TOTAL ASSETS	<u>\$ 8,309,532</u>	<u>\$ 6,375,200</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Current liabilities		
Accounts payable and accrued payroll	\$ 144,954	\$ 100,467
Grants payable - current	4,679,865	2,694,224
Deferred revenue	50,000	-
Total current liabilities	<u>4,874,819</u>	<u>2,794,691</u>
Long-term liabilities		
Grants payable - long-term	<u>1,600,000</u>	<u>1,600,000</u>
Total long-term liabilities	<u>1,600,000</u>	<u>1,600,000</u>
TOTAL LIABILITIES	<u>6,474,819</u>	<u>4,394,691</u>
NET ASSETS		
Without donor restrictions	1,633,904	1,776,489
With donor restrictions	<u>200,809</u>	<u>204,020</u>
Total net assets	<u>1,834,713</u>	<u>1,980,509</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,309,532</u>	<u>\$ 6,375,200</u>

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

DESERT HEALTHCARE FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020 (Memorandum Only)
REVENUES AND GAINS				
Contributions	\$ 139,655	\$ -	\$ 139,655	\$ 73,222
Grants and bequests	3,781,363	-	3,781,363	264,668
Interest and dividends	185,407	-	185,407	184,904
Investment gains	477,291	-	477,291	41,026
Change in value - charitable trust	-	13,511	13,511	(1,940)
Net assets released from restrictions	16,722	(16,722)	-	-
Total revenues and gains	<u>4,600,438</u>	<u>(3,211)</u>	<u>4,597,227</u>	<u>561,880</u>
EXPENSES				
Grants and social services	3,908,624	-	3,908,624	508,667
Management and general	834,399	-	834,399	367,556
Total expenses	<u>4,743,023</u>	<u>-</u>	<u>4,743,023</u>	<u>876,223</u>
DECREASE IN NET ASSETS	<u>(142,585)</u>	<u>(3,211)</u>	<u>(145,796)</u>	<u>(314,343)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,776,489</u>	<u>204,020</u>	<u>1,980,509</u>	<u>2,294,852</u>
NET ASSETS, END OF YEAR	<u>\$ 1,633,904</u>	<u>\$ 200,809</u>	<u>\$ 1,834,713</u>	<u>\$ 1,980,509</u>

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

DESERT HEALTHCARE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

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WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

			Totals	
	Grants and Services	Management and General	2021	2020 (Memorandum Only)
Grants and social services	\$ 3,908,624	\$ -	\$ 3,908,624	\$ 508,667
Management and general expenses	<u>-</u>	<u>834,399</u>	<u>834,399</u>	<u>367,556</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,908,624</u>	<u>\$ 834,399</u>	<u>\$ 4,743,023</u>	<u>\$ 876,223</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, 2021

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WITH COMPARATIVE TOTALS AT JUNE 30, 2020

	<u>2021</u>	<u>2020</u> (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (145,796)	\$ (314,343)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Unrealized gains on investments	(477,291)	(41,026)
(Increase) decrease in operating assets:		
Grants receivable	(1,122,500)	1,000,000
Prepaid expenses	500	500
Contributions receivable	(13,511)	1,941
Accrued interest and dividends receivable	1,710	(1,199)
Increase (decrease) in operating liabilities		
Accounts payable and accrued payroll	44,487	29,512
Grants payable	1,985,641	(1,350,226)
Deferred revenue	50,000	-
Net cash provided (used) by operating activities	<u>323,240</u>	<u>(674,841)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment activity	<u>(119,906)</u>	<u>874,135</u>
Net cash provided (used) by investing activities	<u>(119,906)</u>	<u>874,135</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	203,334	199,294
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,145,289</u>	<u>945,995</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,348,623</u>	<u>\$ 1,145,289</u>

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

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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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 assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net Assets without Donor Restrictions: Net assets 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 assets with Donor Restrictions: Net assets 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 assets with donor restrictions of \$200,809 at June 30, 2021. (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, 2021 the District allocated to the Foundation \$768,901 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, 2021 AND 2020

DRAFT

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, 2021 AND 2020

DRAFT

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, 2021, 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, 2021 was \$5,617,879. (See Note 3)

3. CASH AND INVESTMENTS

Demand Deposits

The carrying amounts at June 30, 2021, of the Foundation's cash deposits were \$1,183,017, and money market funds were \$165,606 totaling \$1,348,623. Bank balances were \$1,405,663 at June 30, 2021. 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.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

DRAFT

3. CASH AND INVESTMENTS – (Continued)

Investments

At June 30, 2021 and 2020, investments consisted of the following:

	2021			2020		
	Cost	Fair Value	Unrealized Gain	Cost	Fair Value	Unrealized Gain
Corporate bonds	\$1,643,690	\$1,715,982	\$ 72,292	\$1,481,003	\$1,581,765	\$ 100,762
US Government agencies	1,104,883	1,135,924	31,041	1,174,835	1,290,684	115,849
Mutual funds	266,476	269,243	2,767	261,168	269,060	7,892
Marketable securities	1,694,882	2,496,730	801,848	1,657,861	1,879,173	221,312
Total investments	<u>\$4,709,931</u>	<u>\$5,617,879</u>	<u>\$ 907,948</u>	<u>\$4,574,867</u>	<u>\$5,020,682</u>	<u>\$ 445,815</u>

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, 2021 amounted to \$200,809 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, 2021 was \$74,787.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

DRAFT

5. GRANTS PAYABLE

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

<u>Grants</u>	<u>2021</u>	<u>2020</u>
Behavioral Health Initiative Collective Fund	\$ 1,752,356	\$ 1,952,000
Avery Trust – Pulmonary	795,017	919,801
West Valley Homelessness Initiative	595,714	711,383
East Valley Grant Funding	-	419,156
Grant for Swim Lessons	-	174,279
Grant for Health Portal	72,176	110,105
Galilee Center – Emergency	-	7,500
Improving Healthcare Access in Black Communities	525,000	-
One Futures – Black and African American Scholarship	155,000	-
Grants approved 2021/2022 year	1,044,156	-
	<u>4,939,413</u>	<u>4,294,224</u>
 <u>COVID-19 Related Grants</u>		
Lideres Campesinas	200,000	-
El Sol Neighborhood Education Center	170,000	-
Todec Legal Center	170,000	-
Alianza Coachella Valley	131,250	-
Vision Y Compromiso	130,000	-
Pueblo Unido CDC	125,000	-
Youth Leadership Institute	91,250	-
Galilee Center	85,000	-
Desert Healthcare Foundation Administrative Costs	237,946	-
	<u>1,340,446</u>	<u>-</u>
 Total grants payable	 <u>\$ 6,279,865</u>	 <u>\$ 4,294,224</u>
 Grants payable - current	 <u>\$ 4,679,865</u>	 <u>\$ 2,694,224</u>
Grants payable – longterm	<u>1,600,000</u>	<u>1,600,000</u>
	<u>\$ 6,279,865</u>	<u>\$ 4,294,224</u>

During the year ended June 30, 2021, the Foundation entered into subrecipient agreement with the County of Riverside for a total of \$2,400,000 for the time period of July 1, 2020 through March 31, 2022. The Foundation will operate as a Fiscal Intermediary for the County of Riverside to distribute funds to Community Based Organization (CBOs) and Faith-Based Organization (FBOs) in the Coachella Valley. The funding intends to support the work of CBOs and FBOs in the prevention, identification, and mitigation of COVID-19, and to assist with coordinating collaborative efforts to address COVID-19 related needs in communities that have been disproportionately impacted by disease.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

DRAFT

5. GRANTS PAYABLE – (Continued)

The funding being passed through the County of Riverside is federally funded by two sources “Coronavirus Aid, Relief, and Economic Security (CARES) Act and Center for Disease Control and Prevention Epidemiology and Laboratory Capacity (ELC) Enhancing Detection”. The Foundation has provided \$1,050,000 in funding to CBOs in the Coachella Valley and \$910,000 remains to be provided to the CBOs. As part of the subrecipient agreement, the Foundation will receive a total of \$440,000 to cover administrative costs which represents 18% of the funds provided to the CBOs.

6. NET ASSETS – WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
<u>Subject to expenditure for specified purpose:</u>		
Summer Homeless Survival Fund	\$ -	\$ 16,722
Charitable Remainder Trust	<u>126,022</u>	<u>126,022</u>
	<u>126,022</u>	<u>142,744</u>
<u>Subject to the passage of time:</u>		
Charitable Remainder Trust	<u>74,787</u>	<u>61,276</u>
 Net Assets – with donor restrictions	 <u>\$ 200,809</u>	 <u>\$ 204,020</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 \$0 and \$200,000 to the Foundation during the years ended June 30, 2021 and 2020, respectively, to help fulfill their purpose. The District also provided the Foundation with office space and personnel of \$768,901 and \$305,676 for years ended June 30, 2021 and 2020, respectively.

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>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 1,348,623	\$ 1,145,289
Investments	5,617,879	5,020,682
Grants receivable	1,122,500	-
Accrued interest and dividend receivable	17,221	18,931
Contributions receivable – CRT	<u>200,809</u>	<u>187,298</u>
Total financial assets	8,307,032	6,372,200
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 5)	(6,279,865)	(4,294,224)
Interest in charitable remainder trust (Note 4)	(200,809)	(187,298)
Donor-restricted funds (Note 6)	-	(16,722)
Amount available for general expenditures within one year	<u>\$ 1,826,358</u>	<u>\$ 1,873,956</u>

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

DRAFT

8. LIQUIDITY AND AVAILABILITY – (Continued)

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).

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 12, 2021 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2021 or as of October 12, 2021 that require disclosure to the financial statements.

DRAFT

DESERT HEALTHCARE FOUNDATION

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND
REPORTS ON INTERNAL CONTROL,
COMPLIANCE AND OTHER MATTERS

JUNE 30, 2021

DRAFT

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying schedule of expenditures of federal awards of Desert Healthcare Foundation (Foundation), for the year ended June 30, 2021, and the related notes (the financial statement).

Management's Responsibility

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).g Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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 statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the Foundation for the year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

October 12, 2021

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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

Board of Directors
Desert Healthcare Foundation
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 Desert Healthcare Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Desert Healthcare Foundation's internal control over financial reporting (internal control) as a basis for designing 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 Desert Healthcare Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Desert Healthcare Foundation's 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 Desert Healthcare Foundation's 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 financial statements. 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 12, 2021

DRAFT

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Desert Healthcare Foundation
Palm Springs, California

Report on Compliance for Each Major Federal Program

We have audited Desert Healthcare Foundation’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Desert Healthcare Foundation’s major federal programs for the year ended June 30, 2021. Desert Healthcare Foundation’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Desert Healthcare Foundation’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Desert Healthcare Foundation’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Desert Healthcare Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Desert Healthcare Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Desert Healthcare Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Desert Healthcare Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Desert Healthcare Foundation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose

October 12, 2021

DESERT HEALTHCARE FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT

Federal Grantor/Pass-Through Agency/Program	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Treasury			
Passed-through from Riverside County			
Coronavirus Relief Fund - COVID-19	21.019		\$ 600,000
Total U.S. Department of Treasury			
U.S. Department of Health and Human Services			
Passed-through from Riverside County			
Epidemiology and Laboratory Capacity for Infectious Diseases - COVID-19	93.323		690,000
Total U.S. Department of Health and Human Services			
Total Expenditures of Federal Awards			\$ 1,290,000

(See accompanying notes to Schedule of Expenditures of Federal Awards)

DESERT HEALTHCARE FOUNDATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Desert Healthcare Foundation under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Desert Healthcare Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Desert Healthcare Foundation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

Desert Healthcare Foundation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

DESERT HEALTHCARE FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of Desert Healthcare Foundation were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of Desert Healthcare Foundation, were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor’s Report on Compliance for Each Major Program and Internal Control Over Compliance Required By The Uniform Guidance. No material weaknesses are reported.
5. The auditor’s report on compliance for Desert Healthcare Foundation expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that should be disclosed in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were:

<u>Program Name</u>	<u>CFDA#</u>
Coronavirus Relief Fund – COVID - 19	21.019
Epidemiology and Laboratory Capacity for Infectious Diseases – COVID- 19	93.323

8. The dollar threshold used for distinguishing between Type A and B programs was \$750,000.
9. Desert Healthcare Foundation was determined not to be low-risk auditee. *(Since the Foundation has not had a single audit in the past two years they are required to be considered “not low-risk”)*

B. Findings – Financial Statements Audit

None

DESERT HEALTHCARE FOUNDATION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT

C. Findings And Questioned Costs – Major Federal Award Programs Audit

There were no findings and questioned costs for the year ended June 30, 2020.*

FEDERAL COMPLIANCE

There were no prior year findings and questioned costs for the year ended June 30, 2020.*

**It is being noted that the Foundation did not have a single audit for the year ended June 30, 2020.*



DESERT HEALTHCARE
DISTRICT & FOUNDATION

Date: October 14, 2021
To: Finance & Administration Committee
Subject: Retirement Protection Plan – Actuarial Valuation Report (GASB Nos. 67 & 68) – June 30, 2021

Staff Recommendation: Information only

Background:

- In 1997, the District’s contribution retirement plan for the employees of Desert Hospital (Desert Regional Medical Center) who transitioned to Tenet employees was frozen at the time of the lease with Tenet.
- Terms of the plan requires the District to maintain the participant’s funds during employment at Desert Regional (DRMC).
- Upon termination of employment, participants are eligible to withdraw their funds.
- Historically, participants request lump sum distributions.
- Each year, an actuarial valuation is performed by an actuarial firm, Nyhart, to establish the Net Pension Liability to be recorded in the accounting records of the District.
- Prior year valuations per GASB 67 & 68, the Pension Liability assumed the present value of annuity payments to participants for life. This resulted in a large net pension liability.
- For the current year, Staff consulted with Nyhart and the District’s auditor to consider revising the assumptions to complete the valuation based on a majority of lump sum distributions versus annuities.
- The revised assumptions resulted in a Net Pension Asset of \$1,807,032.
- The June 30, 2021 Actuarial Valuation Report is included for your review.

Fiscal Impact:

None – information only

Net Pension Asset

Plan Fiduciary Net Position	\$5,314,972
Total Pension Liability	<u>(3,507,940)</u>
Net Pension Asset	1,807,032



nyhart
part of FuturePlan by Ascensus®

Desert Hospital Retirement Protection Plan

June 30, 2021
GASB Nos. 67 & 68 Report

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This report is prepared in accordance with our understanding of GASB Nos. 67 & 68 for the purpose of disclosing pension plans in financial statements. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report.

The information presented in this report is based on:

- the actuarial assumptions included in this report;
- the plan provisions;
- participant information furnished to us by the Plan Administrator;
- asset information furnished to us by the Plan Trustee.

We have reviewed the provided data for reasonableness when compared to prior information provided, but have not audited the data. Where relevant data may be missing, we may have made assumptions we believe are reasonable for the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided. Any errors in the data provided may result in a different result than those provided in this report.

The interest rate, other economic assumptions, and demographic assumptions have been selected by the plan sponsor with our recommendations. The assumptions used, in our opinion, are reasonable and represent a reasonable expectation of future experience under the plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

A summary of any assumptions not included in this report, the plan provisions and the participant information is included in the Actuarial Valuation Report for funding purposes.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

In preparing these results, Nyhart used ProVal valuation software developed by Winklevoss Technologies, LLC. This software is widely used for the purpose of performing pension valuations. We coded the plan provisions, assumptions, methods, and participant data summarized in this report, and reviewed the liability and cost outputs for reasonableness. We are not aware of any material weaknesses or limitations in the software, and have determined it is appropriate for performing this valuation.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

To our knowledge there have been no significant events prior to the current year's measurement date or as of the date of this report which could materially affect the results contained herein.

Neither Nyhart nor any of its employees have any relationships with the plan or plan sponsor which could impair or appear to impair the objectivity of this report.

Nyhart



Genevieve Clarke, FSA, EA, MAAA



Malcolm Merrill, FSA, EA

09/16/2021

Net Pension Liability

The components of the net pension liability at June 30

	06/30/2021	06/30/2020
Total pension liability	\$ 3,507,940	\$ 9,388,217
Plan fiduciary net position	(5,314,972)	(4,783,963)
Net pension liability	\$ (1,807,032)	\$ 4,604,254
Plan fiduciary net position as a percent of the total pension liability	151.51%	50.96%
Pension Expense for the Fiscal Year Ended June 30	\$ (5,396,404)	\$ (109,461)

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions

Inflation	2.75%	2.75%
Salary increases, including inflation	N/A	N/A
Investment rate of return, including inflation, and net of investment expense	6.71%	3.77%

Plan Membership

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

	2021	2019
Inactive plan members and beneficiaries currently receiving benefits	7	8
Inactive plan members entitled to but not yet receiving benefits	59	61
Active plan members	88	114
Total members	154	183

Desert Hospital Retirement Protection Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2021
Statement of Fiduciary Net Position

Assets	06/30/2021	06/30/2020
Cash and deposits	\$ 148,112	\$ 305,434
Securities lending cash collateral	0	0
Total cash	\$ 148,112	\$ 305,434
Receivables:		
Contributions	\$ 0	\$ 0
Due from broker for investments sold	0	0
Investment income	0	0
Other	0	0
Total receivables	\$ 0	\$ 0
Investments:		
Domestic fixed income securities	\$ 1,520,127	\$ 1,622,025
Domestic equities	2,750,471	2,050,476
International equities	905,024	712,188
International fixed income securities	0	101,435
Total investments	\$ 5,175,622	\$ 4,486,124
Total assets	\$ 5,323,734	\$ 4,791,558
 Liabilities		
Payables:		
Investment management fees	\$ 8,762	\$ 7,595
Due to broker for investments purchased	0	0
Collateral payable for securities lending	0	0
Other	0	0
Total liabilities	\$ 8,762	\$ 7,595
 Net position restricted for pensions	\$ 5,314,972	\$ 4,783,963

Desert Hospital Retirement Protection Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2021
Statement of Changes in Fiduciary Net Position

	06/30/2021	06/30/2020
Additions		
Contributions:		
Employer	\$ 0	\$ 0
Member	0	0
Nonemployer contributing entity	0	0
Total contributions	\$ 0	\$ 0
Investment income:		
Net increase in fair value of investments	\$ 1,056,581	\$ (4,863)
Interest and dividends	104,391	114,527
Less investment expense, other than from securities lending	(33,700)	(31,524)
Net income other than from securities lending	\$ 1,127,272	\$ 78,140
Securities lending income	0	0
Less securities lending expense	0	0
Net income from securities lending	\$ 0	\$ 0
Net investment income	\$ 1,127,272	\$ 78,140
Other	0	0
Total additions	\$ 1,127,272	\$ 78,140
Deductions		
Benefit payments, including refunds of member contributions	\$ 596,263	\$ 208,084
Administrative expense	0	0
Other	0	0
Total deductions	\$ 596,263	\$ 208,084
Net increase in net position	\$ 531,009	\$ (129,944)
Net position restricted for pensions		
Beginning of year	4,783,963	4,913,907
End of year	\$ 5,314,972	\$ 4,783,963

Desert Hospital Retirement Protection Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2021
Schedule of Changes in Net Pension Liability and Related Ratios

	<u>06/30/2021</u>	<u>06/30/2020</u>	<u>06/30/2019</u>	<u>06/30/2018</u>	<u>06/30/2017</u>
Total pension liability					
Service cost	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	342,696	374,170	385,951	399,298	321,990
Changes of benefit terms	0	0	0	0	0
Differences between expected and actual experience	(1,123,559)	0	(802,110)	0	(437,093)
Changes of assumptions	(4,503,151)*	912,601	769,854	315,705	(2,852,163)
Benefit payments, including refunds of member contributions	(596,263)	(208,084)	(511,792)	(466,670)	(382,380)
Net change in total pension liability	<u>(5,880,277)</u>	<u>1,078,687</u>	<u>(158,097)</u>	<u>248,333</u>	<u>(3,349,646)</u>
Total pension liability - beginning	9,388,217	8,309,530	8,467,627	8,219,294	11,568,940
Total pension liability - ending (a)	\$ 3,507,940	\$ 9,388,217	\$ 8,309,530	\$ 8,467,627	\$ 8,219,294
Plan fiduciary net position					
Contributions - employer	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,400,000
Contributions - member	0	0	0	0	0
Contributions - nonemployer contributing member	0	0	0	0	0
Net investment income	1,127,272	78,140	235,865	347,969	426,828
Benefit payments, including refunds of member contributions	(596,263)	(208,084)	(511,792)	(466,670)	(382,380)
Administrative expenses	0	0	0	(35,638)	(24,513)
Other	0	0	0	0	0
Net change in plan fiduciary net position	<u>\$ 531,009</u>	<u>\$ (129,944)</u>	<u>\$ (275,927)</u>	<u>\$ (154,339)</u>	<u>\$ 3,419,935</u>
Plan fiduciary net position - beginning	4,783,963	4,913,907	5,189,834	5,344,173	1,924,238
Plan fiduciary net position - ending (b)	\$ 5,314,972	\$ 4,783,963	\$ 4,913,907	\$ 5,189,834	\$ 5,344,173
Net pension liability - ending (a) - (b)	\$ (1,807,032)	\$ 4,604,254	\$ 3,395,623	\$ 3,277,793	\$ 2,875,121
Plan fiduciary net position as a percentage of the total pension liability	151.51%	50.96%	59.14%	61.29%	65.02%
Covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net pension liability as percentage of covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

*In consultation with Desert Hospital, and based on observed experience over recent years, it was determined that nearly all plan participants have been electing the less valuable cash balance lump sum in lieu of the traditional annuity. As such, we have changed our assumption to reflect participants electing a lump sum in 95% of cases, as opposed to the prior assumption that a participant will elect the more valuable option between the lump sum and an annuity.

Further, the interest crediting rate and lump sum to annuity conversion interest rates are tied to market indices. Given recent lower interest rates, it was decided these assumptions should be lowered to more closely align with current rates.

The mortality improvement scale was updated from MP-2018 to MP-2020.

With the above adjustments, the plan is no longer expected to deplete their assets prior to paying all benefits. As such, the discount rate used in determining plan liabilities is now equal to the expected return on plan assets, as opposed to the crossover analysis. Year over year, this increased the discount rate from 3.77% to 6.71%.

In combination, the above changes resulted in a \$4.5M reduction in plan liabilities.

Desert Hospital Retirement Protection Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2021
Schedule of Changes in Net Pension Liability and Related Ratios

	<u>06/30/2016</u>	<u>06/30/2015</u>
Total pension liability		
Service cost	\$ 0	\$ 0
Interest	397,980	418,035
Changes of benefit terms	0	0
Differences between expected and actual experience	(493,455)	(537,578)
Changes of assumptions	1,944,607	0
Benefit payments, including refunds of member contributions	<u>(459,397)</u>	<u>(304,264)</u>
Net change in total pension liability	1,389,735	(423,807)
Total pension liability - beginning	<u>10,179,205</u>	<u>10,603,012</u>
Total pension liability - ending (a)	\$ 11,568,940	\$ 10,179,205
Plan fiduciary net position		
Contributions - employer	\$ 0	\$ 0
Contributions - member	0	0
Contributions - nonemployer contributing member	0	0
Net investment income	(6,638)	70,805
Benefit payments, including refunds of member contributions	(459,397)	(304,264)
Administrative expenses	(14,983)	(17,892)
Other	<u>0</u>	<u>0</u>
Net change in plan fiduciary net position	\$ (481,018)	\$ (251,351)
Plan fiduciary net position - beginning	<u>2,405,256</u>	<u>2,656,607</u>
Plan fiduciary net position - ending (b)	\$ 1,924,238	\$ 2,405,256
Net pension liability - ending (a) - (b)	\$ \$9,644,702	\$ \$7,773,949
Plan fiduciary net position as a percentage of the total pension liability	16.63%	23.63%
Covered-employee payroll	Not Applicable	Not Applicable
Net pension liability as percentage of covered-employee payroll	Not Applicable	Not Applicable

Fiscal year ending	<u>06/30/2021</u>	<u>06/30/2020</u>
Service cost	\$ 0	\$ 0
Interest on total pension liability	342,696	374,170
Projected earnings on pension plan investments	(305,934)	(328,033)
Changes of benefit terms	0	0
Employee contributions	0	0
Pension plan administrative expense	0	0
Other changes	0	0
Current period recognition of deferred outflows/(inflows) of resources		
Differences between Expected & Actual Experience in measurement of the Total Pension Liability	\$ (1,390,929)	\$ (475,335)
Changes of assumptions	(3,863,406)	315,627
Differences between Projected & Actual Earnings on Pension Plan Investments	(178,831)	4,110
Total	<u>\$ (5,396,404)</u>	<u>\$ (109,461)</u>

Desert Hospital Retirement Protection Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2021
Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Differences between expected and actual experience in measurement of the total pension liability for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2021 Balance
June 30, 2021	\$ (1,123,559)	1.0	\$ (1,123,559)	\$ 0
June 30, 2019	\$ (802,110)	3.0	\$ (267,370)	\$ 0
			\$ (1,390,929)	\$ 0

Changes in assumptions for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2021 Balance
June 30, 2021	\$ (4,503,151)	1.0	\$ (4,503,151)	\$ 0
June 30, 2020	\$ 912,601	3.0	\$ 304,200	\$ 304,201
June 30, 2019	\$ 769,854	3.0	\$ 256,618	\$ 0
June 30, 2018	\$ 315,705	4.0	\$ 78,927	\$ 0
			\$ (3,863,406)	\$ 304,201

Differences between projected and actual earnings on pension plan investments for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2021 Balance
June 30, 2021	\$ (821,338)	5.0	\$ (164,268)	\$ (657,070)
June 30, 2020	\$ 249,893	5.0	\$ 49,979	\$ 149,935
June 30, 2019	\$ 100,630	5.0	\$ 20,126	\$ 40,252
June 30, 2018	\$ (93,318)	5.0	\$ (18,664)	\$ (18,662)
June 30, 2017	\$ (330,020)	5.0	\$ (66,004)	\$ 0
			\$ (178,831)	\$ (485,545)

Desert Hospital Retirement Protection Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2021
Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes of Assumptions	\$ 304,201	\$ 0
Net difference between projected and actual earnings on pension plan investments	\$ 190,187	\$ (675,732)
	\$ 494,388	\$ (675,732)

The balances as of June 30, 2021 of the deferred outflows/(inflows) of resources will be recognized in pension expense for the fiscal year ending June 30

6/30/2022	\$ 191,376
6/30/2023	\$(94,163)
6/30/2024	\$(114,291)
6/30/2025	\$(164,266)
6/30/2026	\$ 0
Thereafter	\$ 0

The long-term expected rate of return on pension plan investments was determined using a building -block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Domestic fixed income securities	35.0%	1.08%
Domestic equities	44.0%	4.19%
International equities	11.0%	4.43%
Alternatives	5.0%	1.70%
Cash	5.0%	-0.34%
Total	100.0%	

Long-term expected rate of return is 6.71%.

Money-weighted rate of return for the fiscal year was 25.13%.

Discount rate

The discount rate used to measure the total pension liability was 6.71%. 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 actuarially determined contribution rates and the member rate. Professional judgment 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 available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 6.71%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.71%) or 1-percentage-point higher (7.71%) than the current rate:

	<u>1% Decrease (5.71%)</u>	<u>Current Discount Rate (6.71%)</u>	<u>1% Increase (7.71%)</u>
Net pension liability	\$ (1,725,825)	\$ (1,807,032)	\$ (1,879,878)

Desert Hospital Retirement Protection Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2021
Schedule of Contributions

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 366,275	\$ 366,275	\$ 288,378	\$ 288,378	\$ 928,460
Contributions in relation to the actuarially determined contribution	0	0	0	0	3,400,000
Contribution deficiency (excess)	\$ 366,275	\$ 366,275	\$ 288,378	\$ 288,378	\$ (2,471,540)
Covered-employee payroll	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions as a percentage of covered-employee payroll					
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 928,460	\$ 1,631,186	\$ 1,631,186	\$ 0	\$ 0
Contributions in relation to the actuarially determined contribution	0	0	0	0	0
Contribution deficiency (excess)	\$ 928,460	\$ 1,631,186	\$ 1,631,186	\$ 0	\$ 0
Covered-employee payroll	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions as a percentage of covered-employee payroll					

The total pension liability as of June 30, 2021 was determined using the following actuarial assumptions:

Inflation	N/A
Discount rate	6.71%, net of pension plan investment expense.
Measurement date	June 30, 2021, based on a valuation date of June 30, 2021.
Ad-hoc cost-of-living increases	Not applicable.
Mortality	Pre-Retirement: None. Post-Retirement: PubG-2010 sex distinct mortality tables projected generationally with Scale MP-2020. As the plan is not large enough to have credible experience, mortality assumptions are set to reflect general population trends.
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	Actives - 100% retirement at age 65. Terminated Vested - Lump sums are assumed to be taken immediately. Annuities are assumed to commence at age 65.
Termination	Participants* are assumed to work until Normal Retirement Age.
Other assumptions	See actuarial assumptions provided in the June 30, 2021 funding valuation for other relevant assumptions.

* Former Desert Hospital employees employed with Tenet Healthsystem Desert, Inc.

The actuarially determined contributions as of June 30, 2021 was determined using the following actuarial assumptions:

Inflation	N/A
Discount rate	6.71%, net of pension plan investment expense.
Measurement date	June 30, 2021, based on a valuation date of June 30, 2021.
Ad-hoc cost-of-living increases	Not applicable.
Mortality	Pre-Retirement: None. Post-Retirement: PubG-2010 sex distinct mortality tables projected generationally with Scale MP-2020. As the plan is not large enough to have credible experience, mortality assumptions are set to reflect general population trends.
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	Actives - 100% retirement at age 65. Terminated Vested - Lump sums are assumed to be taken immediately. Annuities are assumed to commence at age 65.
Termination	Participants* are assumed to work until Normal Retirement Age.
Other assumptions	See actuarial assumptions provided in the June 30, 2021 funding valuation for other relevant assumptions.

* Former Desert Hospital employees employed with Tenet Healthsystem Desert, Inc.

The Plan provisions used for measuring liabilities in this report match those shown in the June 30, 2021 funding valuation.



DESERT HEALTHCARE
DISTRICT & FOUNDATION

Date: October 14, 2021
To: Finance & Administration Committee
Subject: Policy #FIN-06 Financial Reserve

Staff Recommendation: Consideration to approve Policy #FIN-06 Financial Reserve

Background:

- At the September 14, 2021 Policies Committee meeting, the Committee reviewed Policy #FIN-06 Financial Reserve.
- The Committee recommended the policy be reviewed and approved by the F&A Committee due to the financial nature of the policy.
- The policy includes minor revisions, which are highlighted in the draft policy included in the packet.
- Staff recommends approval of Policy #FIN-06.

Fiscal Impact:

None



POLICY TITLE: FINANCIAL RESERVE

POLICY NUMBER: FIN-06

COMMITTEE APPROVAL DRAFT DATE: 10-14-2021~~07-17-2019~~

BOARD APPROVAL: 10-26-2021~~07-23-2019~~

POLICY #FIN-06:

1.1 Purpose: The Desert Healthcare District (“District”) shall maintain reserve funds in accordance with the District’s Reserve Policy. This policy establishes the procedure and level of reserve funding to achieve the following specific goals:

- a) Fund the operating capital of Desert Regional Medical Center (“DRMC”) for two (2) months in the event of early termination of the lease of DRMC by Tenet or the District; or
- b) Fund major repairs of DRMC, including partial seismic retrofit costs; or
- c) Fund grants and overhead costs of operation of the District.

1.2 Policy: Use of District Reserves is limited to the reserve fund established with MUFG Union Bank. Special use of the funds will be designated by formal action of the Board of Directors. The purposes of the reserve fund are listed below.

- a) DRMC Operating Capital:

The District is in a 30-year lease to operate DRMC with Tenet Health Systems which expires on May 29, 2027. In the event of termination of the lease agreement, the District would be responsible for operating the hospital during the transition without interruption and would require upfront operating capital for two (2) months of approximately ~~\$72M~~125M.

- b) Major repairs of DRMC, including seismic retrofit costs:

DRMC falls under the seismic retrofit guidelines of SB 1953, which requires the hospital to be seismically compliant by the year 2030. Should the District be required to complete the seismic retrofit, it is estimated \$120M - \$180M will be required to bring DRMC into compliance. It is presently unknown if the Lessee (Tenet) or the District will pay for the seismic retrofit.

- c) Grant funding and District operating expenses:

The District receives an estimated \$6M annually from county property tax allocation. The operations of the District, including grant funding, are mostly funded by the annual tax allocation. The Reserve Fund is increased as tax payments are received or decreased as



grant and operational costs are expended.

1.3 Using Reserve Funds:

a) DRMC Operating Capital:

Reserve funds will be used exclusively for operating DRMC during a transition period should the hospital lease be terminated.

b) Major repairs of DRMC, including seismic retrofit costs:

Reserve funds will be used exclusively for major repairs, including seismic retrofit costs, of DRMC should the District be responsible for these costs.

c) Grant funding and District operating expenses:

Reserve funds will be used as necessary for grant funding and District operating expenses.

1.4 Monitoring Reserve Levels & Records: The Chief Executive Officer, in collaboration with the Chief [Administration/Financial](#) Officer, shall maintain accurate accounting records of the reserve fund and provide transparency to the Board of Directors.

a) The District's Reserve Fund shall be maintained at approximately ~~\$58M~~\$60M.

AUTHORITIES

Desert Healthcare District Bylaws Article V, section 5.6

DOCUMENT HISTORY

Revised	10-26-2021
Approved	07-23-2019



POLICY TITLE: FINANCIAL RESERVE

POLICY NUMBER: FIN-06

COMMITTEE APPROVAL: 10-14-2021

BOARD APPROVAL: 10-26-2021

POLICY #FIN-06:

1.1 Purpose: The Desert Healthcare District (“District”) shall maintain reserve funds in accordance with the District’s Reserve Policy. This policy establishes the procedure and level of reserve funding to achieve the following specific goals:

- a) Fund the operating capital of Desert Regional Medical Center (“DRMC”) for two (2) months in the event of early termination of the lease of DRMC by Tenet or the District; or
- b) Fund major repairs of DRMC, including partial seismic retrofit costs; or
- c) Fund grants and overhead costs of operation of the District.

1.2 Policy: Use of District Reserves is limited to the reserve fund established with MUFG Union Bank. Special use of the funds will be designated by formal action of the Board of Directors. The purposes of the reserve fund are listed below.

a) DRMC Operating Capital:

The District is in a 30-year lease to operate DRMC with Tenet Health Systems which expires on May 29, 2027. In the event of termination of the lease agreement, the District would be responsible for operating the hospital during the transition without interruption and would require upfront operating capital for two (2) months of approximately \$125M.

b) Major repairs of DRMC, including seismic retrofit costs:

DRMC falls under the seismic retrofit guidelines of SB 1953, which requires the hospital to be seismically compliant by the year 2030. Should the District be required to complete the seismic retrofit, it is estimated \$120M - \$180M will be required to bring DRMC into compliance. It is presently unknown if the Lessee (Tenet) or the District will pay for the seismic retrofit.

c) Grant funding and District operating expenses:

The District receives an estimated \$6M annually from county property tax allocation. The operations of the District, including grant funding, are mostly funded by the annual tax allocation. The Reserve Fund is increased as tax payments are received or decreased as grant and operational costs are expended.



1.3 Using Reserve Funds:

a) DRMC Operating Capital:

Reserve funds will be used exclusively for operating DRMC during a transition period should the hospital lease be terminated.

b) Major repairs of DRMC, including seismic retrofit costs:

Reserve funds will be used exclusively for major repairs, including seismic retrofit costs, of DRMC should the District be responsible for these costs.

c) Grant funding and District operating expenses:

Reserve funds will be used as necessary for grant funding and District operating expenses.

1.4 Monitoring Reserve Levels & Records: The Chief Executive Officer, in collaboration with the Chief Administration Officer, shall maintain accurate accounting records of the reserve fund and provide transparency to the Board of Directors.

a) The District's Reserve Fund shall be maintained at approximately \$60M.

AUTHORITIES

Desert Healthcare District Bylaws Article V, section 5.6

DOCUMENT HISTORY

Revised 10-26-2021

Approved 07-23-2019