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 14, 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.

Lund & Guttry

October 14, 2021

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

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.

Table A

Assets:	6/30/2021	6/30/2020	Change
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	$ 77,521,803	$ 73,902,117	$ 3,619,686
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	$ 494,388	$ 1,215,352	$ (720,964)
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	$ 9,931,531	$ 14,833,611	$ (4,902,080)
Deferred Inflows:			
GASB 68 Reporting for Pension Plans	$ 675,732	$ 370,700	$ 305,032
Total Deferred Inflows	$ 675,732	$ 370,700	$ 305,032
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	$ 67,408,928	$ 59,913,158	$ 7,495,770

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

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

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

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.

CONTACTING THE DISTRICT'S MANAGEMENT

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DESERT HEALTHCARE DISTRICT

STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
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	32,638,112	23,751,694
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	44,883,691	50,150,423
DEFERRED OUTFLOWS		
Deferred Outflows of Resources		
Pension plan	494,388	1,204,238
OPEB	-	11,114
Total deferred outflows of resources	494,388	1,215,352
TOTAL ASSETS	78,016,191	75,117,469
LIABILITIES		
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	4,872,729	3,411,222
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	5,058,802	11,422,389
DEFERRED INFLOWS		
Deferred Inflows of Resources		
Pension plan	675,732	370,700
Total deferred inflows of resources	675,732	370,700
TOTAL LIABILITIES	10,607,263	15,204,311
NET POSITION		
Net investment in capital assets	11,454,569	11,464,523
Unrestricted	55,954,359	48,448,635
TOTAL NET POSITION	$ 67,408,928	$ 59,913,158

(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

	2021	2020
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	9,085,760	8,621,992
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	7,041,965	6,163,411
Income from operations	2,043,795	2,458,581
NONOPERATING INCOME (EXPENSES)		
Investment income	87,343	2,273,515
Investment expenses	(66,623)	(122,683)
Retirement plan / benefits change (see Note 14 - changes in assumptions 2020/2021)	5,431,255	96,389
Total nonoperating income	5,451,975	2,247,221
Increase in net position	7,495,770	4,705,802
NET POSITION		
Beginning of year	59,913,158	55,207,356
End of year	$ 67,408,928	$ 59,913,158

(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

	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

-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	$ 2,478,088	$ (288,507)

(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

	2021	2020
ASSETS		
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
LIABILITIES		
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

	2021	2020
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	13,511	(1,940)
TOTAL SUPPORT AND REVENUE	4,597,227	561,880
DEDUCTIONS		
Grants and services	3,908,624	508,667
Management and general	834,399	367,556
TOTAL EXPENSES	4,743,023	876,223
DECREASE IN NET POSITION	(145,796)	(314,343)
NET POSITION, BEGINNING OF YEAR	1,980,509	2,294,852
NET POSITION, END OF YEAR	$ 1,834,713	$ 1,980,509

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

DESERT HEALTHCARE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

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.

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.

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.

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

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

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

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

		Remaining Maturity (in Months)				
Investment Type	Carrying Amount	12 Months Or Less	13 to 24 Months	25 – 36 Months	37 – 48 Months	More than 49 Months
Corporate Bonds*	$ 1,715,982	$ 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	$59,260,003	$24,933,363	$13,762,874	$ 5,281,187	$13,568,948	$ 1,713,631

*Held by Foundation

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	$59,387,602	$17,934,280	$22,770,629	$14,077,991	$ 2,812,909	$ 1,791,793

*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	$59,260,003		$45,076,054	$ 9,891,021	$ 599,214	$ 927,741	$ 2,765,973

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

3. CASH AND INVESTMENTS - Continued

Disclosure Relating to Credit Risk (Continued)

As of June 30, 2020

				Rating as of Fiscal Year End			
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	AAA/AA	A	BBB/BB	Not Rated
Corporate Bonds*	$ 1,581,765	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%.

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.

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

		Fair Value Measurement Using		
Investments by fair value	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
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	-	-
	$ 59,260,003	$ 59,260,003	$ -	$ -

As of June 30, 2020

		Fair Value Measurement Using		
Investments by fair value	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
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	-	-
	$ 59,387,602	$ 59,387,602	$ -	$ -

4. CAPITAL ASSETS

Business-Type Activities

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

June 30, 2021

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

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

June 30, 2020

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Non-depreciable assets:				
Land	$ 3,859,100	$ -	$ -	$ 3,859,100
Construction in progress	129,550	58,704	-	188,254
Total non-depreciable assets	3,988,650	58,704	-	4,047,354
Depreciable assets:				
Building and improvements	18,177,558	60,300	(45,486)	18,192,372
Furniture and equipment	182,737	13,321	-	196,058
Total depreciable assets	18,360,295	73,621	(45,486)	18,388,430
Less accumulated depreciation	(10,376,387)	(640,360)	45,486	(10,971,261)
Total depreciable assets, net	7,983,908	(508,035)	-	7,417,169
Total capital assets, net	$11,972,558	$ (508,035)	$ -	$ 11,464,523

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

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:

	2021	2020
Contribution receivable – charitable remainder trusts	$ 200,809	$ 187,298

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.

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:

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

	Balance at July 1, 2019	Claims Paid	Changes in Estimates	Balance at June 30, 2020	Due Within One Year
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:

	Board Members
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.

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 Inp*uts – 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:

Inflation	2.75 percent
Investment return/discount rate	3.50 percent net of expenses. Based on the Bond Buyer 20 Bond Index
Healthcare cost trend rates	4.00 percent
Payroll increase	2.75 percent
The mortality assumptions	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.
Cost for retiree coverage	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	$ 67,364
Changes for the fiscal year	
Benefit payments	(21,400)
Write off remaining liability	(45,964)
Net changes	(67,364)
Balance at June 30, 2021	$ -

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.

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.

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.

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:

	Miscellaneous 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	154	183

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.

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)

Changes in assumptions 2020/2021	Management and the actuarial firm analyzed the actuarial assumptions of the plan and determined a change in assumptions was warranted in calculating total pension liability. Previous actuarial valuations included the assumption that all plan participants would receive annuities with payments for life. In reality, plan participants traditionally elect a lump sum distribution at the time of termination of employment from the hospital. The valuation based on annuities generated an excessively large total pension liability that was not reflective of the actual distribution of plan assets. A change in assumption to reflect participants electing a lump sum in 95% of cases, resulted in reducing total pension liability from $9,388,217 (06/30/2020) to $3,507,940 (06/30/2021).
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.

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.

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)

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.

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)

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:

	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)

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

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.

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 14, 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 14, 2021 that require disclosure to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2021

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 liablity - 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

JUNE 30, 2021

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

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

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.