

DESERT HOSPITAL
RETIREMENT PROTECTION PLAN

PALM SPRINGS, CALIFORNIA

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

JUNE 30, 2019



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
433 N. CAMDEN DRIVE, SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVE., SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Desert Healthcare District
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, 2019 and the related statements of changes in accumulated plan benefits the fiscal year then ended and the related notes to the financial statements, which collectively comprise the Plan's financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 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 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 qualified 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, 2019, and the changes in financial status for the fiscal year then ended, in conformity with accounting principles generally accepted 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 1, 2019 on our consideration of the Plan's internal control over financial reporting and on our tests of compliance with laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting.

Required Supplementary Information

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

Report on Comparative Summarized Information

We have previously audited the Plan's 2018 financial statements, and our report dated October 1, 2018 expressed a qualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Moss, Levy & Hartzheim, LLP
Culver City, California
October 1, 2019

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND OF ACCUMULATED
PLAN BENEFITS**

JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$ 63,564	\$ 47,112
Investments, at fair value		
U.S. Government securities	852,161	947,425
Corporate equity securities	405,507	377,175
Corporate debt securities	716,638	899,038
Mutual funds	<u>2,872,938</u>	<u>2,911,510</u>
Total investments	<u>4,847,244</u>	<u>5,135,148</u>
Interest and dividends receivable	<u>11,287</u>	<u>16,220</u>
<u>LIABILITIES</u>		
Accrued trustee fees	<u>8,189</u>	<u>8,645</u>
<u>NET POSITION RESTRICTED FOR PENSION</u>		
Net position restricted for pension	<u>\$ 4,913,906</u>	<u>\$ 5,189,835</u>

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS AND CHANGES
IN ACCUMULATED PLAN BENEFITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2019	2018
<u>ADDITIONS:</u>		
Contributions	\$ -	\$ -
Investment income:		
Net appreciation in fair value of Plan assets	125,149	226,431
Interest, dividends, and other investment income	143,550	130,184
Net income	268,699	356,615
 <u>DEDUCTIONS:</u>		
Distributions of benefits	511,792	466,670
Administrative expenses	32,836	35,409
Total deductions	544,628	502,079
NET INCREASE (DECREASE) IN NET POSITION	(275,929)	(145,464)
 NET POSITION RESTRICTED FOR PENSION:		
BEGINNING OF THE FISCAL YEAR	5,189,835	5,335,299
END OF THE FISCAL YEAR	\$ 4,913,906	\$ 5,189,835

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. PLAN STATUS

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

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

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

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

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

2. PLAN DESCRIPTION

General

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

Vesting

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

Account Balances

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2. PLAN DESCRIPTION (Continued)

Contributions

There have been no contribution requirements by the District since May 31, 1997. Participant contributions to the Plan are not permitted. The most recent actuarial valuation as of June 30, 2019 by the Plan's independent actuary determined that the actuarial value of the Plan's net pension liability was \$3,395,624 at June 30, 2019 and \$3,277,792 at June 30, 2018 and recommended to the District an actuarially determined contribution of \$366,275 as of June 30, 2019 and \$288,378 as of June 30, 2018.

Administration and Trustee

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Use of Estimates

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

Federal Income Taxes

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting

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

4. CASH AND INVESTMENTS

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

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

The Plan's investments are categorized below:

<u>Investment Type</u>	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	<u>\$ 63,564</u>	<u>\$ 63,564</u>	<u>\$ 47,112</u>	<u>\$ 47,112</u>
Investments				
U.S. Government securities	848,667	852,161	973,848	947,425
Corporate equity securities	307,796	405,507	307,499	377,175
Corporate debt securities	722,751	716,638	929,318	899,038
Mutual funds	<u>2,412,793</u>	<u>2,872,938</u>	<u>2,494,392</u>	<u>2,911,510</u>
Investments total	<u>4,292,007</u>	<u>4,847,244</u>	<u>4,705,057</u>	<u>5,135,148</u>
Total cash and investments	<u>\$4,355,571</u>	<u>\$4,910,808</u>	<u>\$4,752,169</u>	<u>\$5,182,260</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways that the Plan manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming closer to maturity evenly over time as necessary to provide the cash flow and liquidity needed for distributions.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

4. CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

As of June 30, 2019

Investment Type	Carrying Amount	Remaining Maturity (in Months)				
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More than 49 Months
Equity Based Mutual Funds	\$ 2,673,134	\$ 2,673,134	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds	199,804	199,804				
Corporate Bonds	716,638	100,257	202,170	154,292	50,682	209,237
U.S. Government Agencies	597,094			50,739		546,355
U.S. Treasury Note	255,067	49,948	50,420	50,496		104,203
Foreign Stock	30,812	30,812				
Domestic Common Stock	374,695	374,695				
Total	<u>\$ 4,847,244</u>	<u>\$ 3,428,650</u>	<u>\$ 252,590</u>	<u>\$255,527</u>	<u>\$ 50,682</u>	<u>\$ 859,795</u>

As of June 30, 2018

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	\$ 2,722,118	\$ 2,722,118	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds	189,392	189,392				
Corporate Bonds	899,038	99,863	99,376	300,808	149,646	249,345
U.S. Government Agencies	648,935	1,170			49,344	598,421
U.S. Treasury Note	298,490	50,017	49,578	49,500	49,434	99,961
Foreign Stock	18,185	18,185				
Domestic Common Stock	358,990	358,990				
Total	<u>\$ 5,135,148</u>	<u>\$ 3,439,735</u>	<u>\$ 148,954</u>	<u>\$350,308</u>	<u>\$ 248,424</u>	<u>\$ 947,727</u>

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

4. CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the Plan's investment policy, and the actual rating as of fiscal year end for each investment type.

As of June 30, 2019:

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

As of June 30, 2018:

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Equity Based Mutual Funds	\$ 2,722,118	N/A	\$ -	\$ -	\$ -	\$ -	\$ 2,722,118
Fixed Income Mutual Funds	189,392	N/A					189,392
Corporate Bonds	899,038	A			350,225	548,813	
U.S. Government Agencies	648,935	A				648,935	
U.S. Treasury Note	298,490	N/A	298,490				
Foreign Stock	18,185	N/A					18,185
Domestic Common Stock	358,990	N/A					358,990
Total	\$ 5,135,148		\$ 298,490	\$ -	\$ 350,225	\$ 1,197,748	\$ 3,288,685

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

4. CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer. There are three investments at June 30, 2019 that represent 5% or more of total Plan investments. These investments are:

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

There are three investments at June 30, 2018 that represent 5% or more of total Plan investments. These investments are:

1,695 Shares of IShares S&P 500 Growth Etf valued at \$275,624
3,245 Shares of IShares S&P 500 Value Etf valued at \$357,372
4,615 Shares of IShares Msci Eafe Etf valued at \$309,067

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 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, 2019, there were no District deposits with financial institutions in excess of federal depository insurance limits.

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

4. CASH AND INVESTMENTS (Continued)

Fair Value Measurements

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

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

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

<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	\$ 852,161	\$ 255,067	\$ 597,094	\$ -
Corporate Issues	716,638		716,638	
Mutual Funds- Equity	2,673,134	2,673,134		
Mutual Funds- Fixed Income	199,804		199,804	
Domestic Common Stock	374,695	374,695		
Foreign Stock	30,812	30,812		
Total	\$ 4,847,244	\$ 3,333,708	\$ 1,513,536	\$ -

The Plan has the following recurring fair value measurements as of June 30, 2018:

<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	\$ 947,425	\$ 298,490	\$ 648,935	\$ -
Corporate Issues	899,038		899,038	
Mutual Funds- Equity	2,722,118	2,722,118		
Mutual Funds- Fixed Income	189,392		189,392	
Domestic Common Stock	358,990	358,990		
Foreign Stock	18,185	18,185		
Total	\$ 5,135,148	\$ 3,397,783	\$ 1,737,365	\$ -

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

5. ACTUARIAL ASSUMPTIONS

The total pension liability as of June 30, 2019 was determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	4.56%, net of pension plan investment expense, including inflation.
Measurement date	June 30, 2019, based on a valuation date of June 30, 2019.
Ad hoc cost-of-living increases	Not applicable
Mortality	Pre-Retirement: None Post-Retirement: Pub G - 2010 Sex distinct mortality tables projected generationally with Scale MP-2018
Experience study	Given the size of the plan, there is not enough data available to conduct a credible study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions. The plan is frozen to new participants and benefit accruals.
Retirement	100% retirement at age 65.
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, 2019 funding valuation for other relevant assumptions.

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

6. NET PENSION LIABILITY OF THE PLAN

Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2019</u>	<u>2018</u>
Total pension liability:		
Service cost	\$ -	\$ -
Interest	385,951	399,298
Changes of benefit terms		
Differences between expected and actual experience	(802,110)	
Changes of assumptions	769,854	315,705
Benefit payments, including refunds of member contributions	(511,792)	(466,670)
Net change in total pension liability	<u>(158,097)</u>	<u>248,333</u>
Total pension liability - beginning	<u>8,467,627</u>	<u>8,219,294</u>
Total pension liability - ending (a)	<u>\$ 8,309,530</u>	<u>\$ 8,467,627</u>
Plan fiduciary net position		
Contributions - employer	\$ -	\$ -
Net investment income	268,699	356,615
Benefit payments, including refunds of member contributions	(511,792)	(466,670)
Administrative expenses	(32,836)	(35,409)
Net change in plan fiduciary net position	<u>(275,929)</u>	<u>(145,464)</u>
Plan fiduciary net position - beginning	<u>5,189,835</u>	<u>5,335,299</u>
Plan fiduciary net position - ending (b)	<u>4,913,906</u>	<u>5,189,835</u>
Net pension liability - ending (a) - (b)	<u>\$ 3,395,624</u>	<u>\$ 3,277,792</u>
Plan fiduciary net position as a percentage of the total pension liability	59.14%	61.29%
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, 2019

6. NET PENSION LIABILITY OF THE PLAN (Continued)

Discount Rate and Net Pension Liability Sensitivity

1. Discount Rate

The discount rate used to measure the total pension liability was 4.56%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Professional judgement on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted for current members during the 2037 fiscal year. Therefore, the long-term expected rate of return 6.82% was used to discount funded projected benefit payments and the municipal bond rate 3.15% was used to discount unfunded projected benefit payments to determine the total pension liability. The single effective discount rate was 4.56%.

2. 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 4.56%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.56%) or 1-percentage-point higher (5.56%) than the current rate:

	<u>1% Decrease (3.56%)</u>	<u>Current Discount Rate (4.56%)</u>	<u>1% Increase (5.56%)</u>
Net pension liability	\$ 4,614,511	\$ 3,395,624	\$ 2,396,408

Summary

Plan membership

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

	<u>2019</u>	<u>2018</u>
Inactive plan members if beneficiaries currently receiving benefits	8	16
Inactive plan members entitled to but not yet receiving benefits	61	60
Active plan members*	114	141
	<u>183</u>	<u>217</u>

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

6. NET PENSION LIABILITY OF THE PLAN (Continued)

Summary (Continued)

Net Pension Liability

The components of the net pension liability at June 30,

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 8,309,530	\$ 8,467,627
Plan fiduciary net position	<u>(4,913,906)</u>	<u>(5,189,835)</u>
Net pension liability	<u>\$ 3,395,624</u>	<u>\$ 3,277,792</u>
Plan fiduciary net position as a % of the total pension liability	59.14%	61.29%

Actuarial Assumptions

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

	<u>2019</u>	<u>2018</u>
Inflation	2.75%	2.75%
Salary increases	NA	NA
Investment rate of return	6.82%	6.82%
Discount rate	4.56%	4.70%

SUPPLEMENTARY INFORMATION

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2019

<u>Actuarial Valuation Date (1)</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>as a % of Covered Payroll ((b-a)/c)</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

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