

**DESERT HOSPITAL**  
**RETIREMENT PROTECTION PLAN**

**PALM SPRINGS, CALIFORNIA**

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

**JUNE 30, 2016**



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# MOSS, LEVY & HARTZHEIM LLP

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CERTIFIED PUBLIC ACCOUNTANTS

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## **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 fiduciary net position as of June 30, 2016 and the related statement of changes in fiduciary net position for the fiscal year then ended, and the related notes to the financial statements.

### **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, the State of California Office of the Controller "*Minimum Audit Requirements and Reporting Guidelines for Public Retirement Systems*" and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Basis for Qualified Opinion**

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

## **Audited 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 fiduciary net position of the Plan as of June 30, 2016, and the changes in fiduciary net position for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America and "Minimum Audit Requirements and Reporting Guidelines for Public Retirement Systems" 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 5, 2016 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 2015 financial statements, and our report dated September 25, 2015 expressed an unmodified 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Emphasis of Matter*

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2015, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Applications.

*Moss, Levy & Hartzheim*  
Moss, Levy & Hartzheim, LLP  
Culver City, California  
October 5, 2016

**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2016**

**WITH COMPARATIVE TOTALS FOR JUNE 30, 2015**

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
Cash	\$ 58,837	\$ 30,179
Investments, at fair value		
U.S. Government securities	247,787	335,625
Corporate equity securities	219,244	285,605
Corporate debt securities	361,394	556,821
Mutual funds	1,033,368	1,182,552
Total investments	<u>1,861,793</u>	<u>2,360,603</u>
Interest and dividends receivable	<u>3,608</u>	<u>14,474</u>
<b><u>NET POSITION RESTRICTED FOR PENSION</u></b>		
Net position restricted for pension	<u>\$ 1,924,238</u>	<u>\$ 2,405,256</u>

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

**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>2016</u>	<u>2015</u>
<b><u>ADDITIONS:</u></b>		
Investment income:		
Net appreciation (loss) in fair value of Plan assets	\$ (56,095)	\$ 8,099
Interest, dividends, and other investment income	<u>49,457</u>	<u>63,002</u>
Net investment income (loss)	<u>(6,638)</u>	<u>71,101</u>
<b><u>DEDUCTIONS:</u></b>		
Distributions of benefits	459,397	304,566
Administrative expenses	<u>14,983</u>	<u>17,886</u>
Total deductions	<u>474,380</u>	<u>322,452</u>
NET DECREASE IN NET POSITION	(481,018)	(251,351)
NET POSITION RESTRICTED FOR PENSION:		
BEGINNING OF THE FISCAL YEAR	<u>2,405,256</u>	<u>2,656,607</u>
END OF THE FISCAL YEAR	<u>\$ 1,924,238</u>	<u>\$ 2,405,256</u>

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

# **DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

### **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, 2016**

**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, 2015 by the Plan's independent actuary determined that the actuarial value of the Plan's net pension liability was \$9,644,702 at June 30, 2016 and \$7,773,949 at June 30, 2015 and recommended to the District an actuarially determined contribution of \$928,460 as of June 30, 2016 and \$1,631,186 as of June 30, 2015.

The District's board of directors has elected not to fund any additional amounts to the Plan at this time as a result of having sufficient asset reserves available at the District if needed.

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.

New Accounting Pronouncements

*Governmental Accounting Standards Board Statement No. 72*

For the fiscal year ended June 30, 2016, the Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Applications*. This Statement is effective for periods beginning after June 15, 2015. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. Implementation of GASB Statement No. 72 did have an impact on the Desert Hospital Retirement Plan financial statements for the fiscal year ended June 30, 2016, see Note 4.



**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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.

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.

**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**4. CASH AND INVESTMENTS (Continued)**

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>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	<u>\$ 58,837</u>	<u>\$ 58,837</u>	<u>\$ 30,179</u>	<u>\$ 30,179</u>
Investments				
U.S. Government securities	241,976	247,787	333,566	335,625
Corporate equity securities	199,067	219,244	247,183	285,605
Corporate debt securities	360,793	361,394	556,597	556,821
Mutual funds	<u>973,031</u>	<u>1,033,368</u>	<u>1,031,203</u>	<u>1,182,552</u>
Investments total	<u>1,774,867</u>	<u>1,861,793</u>	<u>2,168,549</u>	<u>2,360,603</u>
Total cash and investments	<u>\$ 1,833,704</u>	<u>\$ 1,920,630</u>	<u>\$ 2,198,728</u>	<u>\$ 2,390,782</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, 2016**

**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, 2016**

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	\$ 934,741	\$ 934,741	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds	98,627	98,627	-	-	-	-
Corporate Bonds	361,394	50,050	49,003	103,167	-	159,174
U.S. Government Agencies	194,806	55,014	4,463	8,984	-	126,345
U.S. Treasury Note	52,981	-	-	-	-	52,981
Foreign Stock	13,188	13,188	-	-	-	-
Domestic Common Stock	206,056	206,056	-	-	-	-
Total	<u>\$ 1,861,793</u>	<u>\$ 1,357,676</u>	<u>\$ 53,466</u>	<u>\$ 112,151</u>	<u>\$ -</u>	<u>\$ 338,500</u>

**As of June 30, 2015**

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	\$ 1,103,623	\$ 1,103,623	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds	78,929	78,929	-	-	-	-
Corporate Bonds	556,821	101,007	101,344	50,097	152,407	151,966
U.S. Government Agencies	234,082	-	64,738	9,469	15,499	144,376
U.S. Treasury Note	101,543	-	-	-	50,598	50,945
Foreign Stock	8,587	8,587	-	-	-	-
Domestic Common Stock	277,018	277,018	-	-	-	-
Total	<u>\$ 2,360,603</u>	<u>\$ 1,569,164</u>	<u>\$ 166,082</u>	<u>\$ 59,566</u>	<u>\$ 218,504</u>	<u>\$ 347,287</u>

**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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, 2016:**

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Equity Based Mutual Funds	\$ 934,741	N/A	\$ -	\$ -	\$ -	\$ -	\$ 934,741
Fixed Income Mutual Funds	98,627	N/A	-	-	-	-	98,627
Corporate Bonds	361,394	A	-	-	99,053	262,341	-
U.S. Government Agencies	194,806	A	-	194,806	-	-	-
U.S. Treasury Note	52,981	N/A	52,981	-	-	-	-
Foreign Stock	13,188	N/A	-	-	-	-	13,188
Domestic Common Stock	206,056	N/A	-	-	-	-	206,056
<b>Total</b>	<b>\$ 1,861,793</b>		<b>\$ 52,981</b>	<b>\$ 194,806</b>	<b>\$ 99,053</b>	<b>\$ 262,341</b>	<b>\$ 1,252,612</b>

**As of June 30, 2015:**

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Equity Based Mutual Funds	\$ 1,103,623	N/A	\$ -	\$ -	\$ -	\$ -	\$ 1,103,623
Fixed Income Mutual Funds	78,929	N/A	-	-	-	-	78,929
Corporate Bonds	556,821	A	-	-	202,224	354,597	-
U.S. Government Agencies	234,082	A	-	234,082	-	-	-
U.S. Treasury Note	101,543	N/A	101,543	-	-	-	-
Foreign Stock	8,587	N/A	-	-	-	-	8,587
Domestic Common Stock	277,018	N/A	-	-	-	-	277,018
<b>Total</b>	<b>\$ 2,360,603</b>		<b>\$ 101,543</b>	<b>\$ 234,082</b>	<b>\$ 202,224</b>	<b>\$ 354,597</b>	<b>\$ 1,468,157</b>

**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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, 2016 that represent 5% or more of total Plan investments. These investments are:

Federal Agency – FHLMC of \$146,085 with various maturity dates through November 1, 2042 and interest rates of 1.25-6.00%.  
1700 Units of IShares S&P 500 Value Index Fund valued at \$157,930.  
2400 Units of IShares MSCI EAFE Fund valued at \$133,968.

There are four investments at June 30, 2015 that represent 5% or more of total Plan investments. These investments are:

Federal Agency – FHLMC of \$168,890 with various maturity dates through November 1, 2042 and interest rates of 1.25-6.00%.  
1448 Units of IShares S&P 500 Growth Index Fund valued at \$164,869.  
1800 Units of IShares S&P 500 Value Index Fund valued at \$165,978.  
2670 Units of IShares MSCI EAFE Fund valued at \$169,518.

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, 2016, 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, 2016**

**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 generally accepted in the United States of America. 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, 2016:

Investments by fair value	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
US Government Issues	\$ 247,787	\$ 52,981	\$ 194,806	\$ -
Corporate Issues	361,394	-	361,394	-
Mutual Funds- Equity	934,741	934,741	-	-
Mutual Funds- Fixed Income	98,627	-	98,627	-
Domestic Common Stock	206,056	206,056	-	-
Foreign Stocks	13,188	13,188	-	-
	<u>\$ 1,861,793</u>	<u>\$ 1,206,966</u>	<u>\$ 654,827</u>	<u>\$ -</u>

**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**5. ACTUARIAL ASSUMPTIONS**

The total pension liability as of June 30, 2016 was determined and provided in the June 30, 2016 funding valuation.

The total pension liability as of June 30, 2016 was determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	2.83%, net of pension plan investment expense, including inflation.
Measurement date	June 30, 2016, based on a valuation date of June 30, 2015 on a roll-forward basis
Ad hoc cost-of-living increases	Not applicable
Mortality	Pre-Retirement: None    Post-Retirement: 2015 Annuitant Mortality Table
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, 2015 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, 2016**

**6. NET PENSION LIABILITY OF THE PLAN**

Schedule of Changes in Net Pension Liability and Related Ratios

	<b>2016</b>
<b>Total pension liability:</b>	
Service cost	\$ -
Interest	397,980
Changes of benefit terms	-
Differences between expected and actual experience	(493,455)
Changes of assumptions	1,944,607
Benefit payments, including refunds of member contributions	(459,397)
<b>Net change in total pension liability</b>	<u>1,389,735</u>
<b>Total pension liability - beginning</b>	<u>10,179,205</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 11,568,940</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ -
Contributions - member	-
Net investment income	(6,638)
Benefit payments, including refunds of member contributions	(459,397)
Administrative expenses	(14,983)
Other	-
<b>Net change in plan fiduciary net position</b>	<u>(481,018)</u>
<b>Plan fiduciary net position - beginning</b>	<u>2,405,256</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>1,924,238</u></u>
<b>Net pension liability - ending (a) - (b)</b>	<u><u>\$ 9,644,702</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	16.63%
<b>Covered - employee payroll</b>	N/A
<b>Net pension liability as percentage of covered - employee payroll</b>	N/A



**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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 2.83%. The projection of cash flows used to determine the discount rate was based on the District continuing the past policy to not make contributions to the plan trust. Based on this funding policy, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied only to periods where the net position was sufficient to cover projected future benefits. For those periods the net position was not sufficient to cover future benefit payments, a rate of 3.75% was used to reflect AA/Aa Municipal Bond.

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 2.83%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.83%) or 1-percentage-point higher (3.83%) than the current rate:

	<b><u>1% Decrease (1.83%)</u></b>	<b><u>Current Discount Rate (2.83%)</u></b>	<b><u>1% Increase (3.83%)</u></b>
Net pension liability	\$ 12,005,407	\$ 9,644,702	\$ 8,340,705

Summary

**Plan membership**

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

	<b><u>2016</u></b>	<b><u>2015</u></b>
Inactive plan members if beneficiaries currently receiving benefits	23	23
Inactive plan members entitled to but not yet receiving benefits	64	64
Active plan members*	167	167
	<b><u>254</u></b>	<b><u>254</u></b>

**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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

Summary (Continued)

**Net Pension Liability**

The components of the net pension liability at June 30,	<b><u>2016</u></b>	<b><u>2015</u></b>
Total pension liability	\$ 11,568,940	\$ 10,179,205
Plan fiduciary net position	<u>(1,924,238)</u>	<u>(2,405,256)</u>
Net pension liability	<b><u>\$ 9,644,702</u></b>	<b><u>\$ 7,773,949</u></b>
Plan fiduciary net position as a % of the total pension liability	16.63%	23.63%

**Actuarial Assumptions**

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

	<b><u>2016</u></b>	<b><u>2015</u></b>
Inflation	2.75%	2.75%
Salary increases	NA	NA
Investment rate of return	4.00%	6.92%
Discount rate	2.83%	4.00%

**REQUIRED SUPPLEMENTARY INFORMATION**

**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

**SCHEDULE OF FUNDING PROGRESS**

**JUNE 30, 2016**

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

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