

DESERT HEALTHCARE DISTRICT
PALM SPRINGS, CALIFORNIA
INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
JUNE 30, 2024

DESERT HEALTHCARE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

Opinions

We have audited the financial statements of the business type activities and the fiduciary fund financial statements of the Desert Healthcare District (District) as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the business type activities and the fiduciary fund financial statements of the District as of June 30, 2024, and the respective changes in financial position and cash flows where applicable for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios and the Schedule of Changes in Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 September 17, 2024, on our consideration of the 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 solely 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 the effectiveness of the District's 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 and compliance.

Report on Comparative Information

We audited the District's financial statements as of and for the fiscal year ended June 30, 2023 and expressed an unmodified opinion on those audited financial statements in our report dated October 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Moss, Levy & Hartzheim, LLP
Culver City, California
September 17, 2024

DESERT HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 2024 AND 2023

The Desert Healthcare District ("District") has issued its financial statements for the fiscal years ended June 30, 2024, and June 30, 2023, 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 and expenses 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 Fiduciary 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) provides 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 2024 HIGHLIGHTS

Desert Healthcare 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 has provided 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 then increased from 5 to 7 members.

DESERT HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 2024 AND 2023

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 2024 and 2023.

	Table A		
	6/30/2024	6/30/2023	Change
ASSETS			
Cash and cash equivalents	\$ 4,811,481	\$ 4,351,293	\$ 460,188
Investments	66,435,095	63,214,530	3,220,565
Lease receivables	3,439,433	3,048,911	390,522
Capital assets, net	10,575,721	11,108,118	(532,397)
Net pension asset	1,728,337	1,457,140	271,197
All other assets	392,485	558,178	(165,693)
Total Assets	\$ 87,382,552	\$ 83,738,170	\$ 3,644,382
DEFERRED OUTFLOWS			
Pension plans	\$ 362,042	\$ 587,440	\$ (225,398)
Total Deferred Outflows of Resources	362,042	587,440	(225,398)
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 87,744,594	\$ 84,325,610	\$ 3,418,984
LIABILITIES			
Grants payable	\$ 6,198,520	\$ 8,944,394	\$ (2,745,874)
All other liabilities	559,056	813,430	(254,374)
Total Liabilities	\$ 6,757,576	\$ 9,757,824	\$ (3,000,248)
DEFERRED INFLOWS			
Pension plans	\$ 397,911	\$ 564,584	\$ (166,673)
Leases	3,268,842	2,982,703	286,139
Total Deferred Inflows of Resources	\$ 3,666,753	\$ 3,547,287	\$ 119,466
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 10,424,329	\$ 13,305,111	\$ (2,880,782)
NET POSITION			
Net investment in capital assets	\$ 10,571,988	\$ 11,105,377	\$ (533,389)
Restricted for pension	1,728,337	1,479,996	248,341
Unrestricted	65,019,940	58,435,126	6,584,814
Total Net Position	\$ 77,320,265	\$ 71,020,499	\$ 6,299,766

The \$6,299,766 increase in total net position is due to the net income of \$6,288,267 for the current fiscal year ended June 30, 2024, and a prior year adjustment of \$11,499*. This compares to net income of \$3,238,989 for the fiscal year ended June 30, 2023. The increase is primarily due to a net combination of a \$1,441,207 increase in property tax revenue and \$2,624,152 increase in investment revenue. The \$460,188 increase in cash and cash equivalents, and \$3,220,565 increase in investments are due primarily to an increase in property tax receipts, increase in investment income and gains, and increase in annual disbursements. The \$390,522 increase in lease receivables and \$286,139 increase in deferred inflows from leases are due to changes in how leases are recognized in compliance with GASB Stmt No.87. The \$271,197 increase in net pension assets, \$225,398 decrease in deferred outflows, and \$166,673 decrease in deferred inflows are due to the current GASB Stmt No.68 valuation report for the Retirement Protection Plan. The \$165,693 decrease in all other assets is due primarily to a decrease in prepaid items, decrease in net accounts receivable, and decrease in the right of use assets. The \$2,745,874 decrease in grants payable is due primarily to more grant disbursements than new accrued grants. The \$254,374 decrease in all other liabilities is due primarily to decreases in accrued accounts payable and the right of use assets.

* This prior year adjustment was applied to retained earnings to comply with how leases are accounted for under GASB Stmt No.87.

DESERT HEALTHCARE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 2024 AND 2023

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 grant and preventative health initiative 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 the 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 2024 results to Fiscal Year 2023.

	<u>Table B</u>		
	<u>6/30/24</u>	<u>6/30/23</u>	<u>Change</u>
Revenue:			
Property tax revenue	\$ 11,066,177	\$ 9,624,970	\$ 1,441,207
All other income	154,100	10,184	143,916
Total Revenue	\$ 11,220,277	\$ 9,635,154	\$ 1,585,123
Expenses:			
Grants program	\$ 5,000,000	\$ 4,000,000	\$ 1,000,000
Administrative expense	3,872,162	3,732,100	140,062
Total Expense	\$ 8,872,162	\$ 7,732,100	\$ 1,140,062
Nonoperating Income(Expenses):			
Rental income, net of expenses	\$ 827,535	\$ 870,051	\$ (42,516)
All other nonoperating income	3,112,617	465,884	2,646,733
Total Nonoperating	\$ 3,940,152	\$ 1,335,935	2,604,217
Net Income	\$ 6,288,267	\$ 3,238,989	\$ 3,049,278

REVENUE

Property taxes are the District’s primary source of operating revenues. The property tax revenue for the fiscal year ended June 30, 2024, was \$11,066,177, which was an increase of \$1,441,207 from the fiscal year ended June 30, 2023.

Rental income is not listed for the year ended June 30, 2024, and is now listed under nonoperating expenses as rental income, net of expenses. This listing change was a result of applying GASB Stmt No.87 regarding the treatment of leases.

DESERT HEALTHCARE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 2024 AND 2023

All other income for the fiscal year ended June 30, 2024, increased \$143,916 compared to the fiscal year ended June 30, 2023. The increase was due primarily to a \$144,707 increase in miscellaneous income compared to the fiscal year ended June 30, 2023.

EXPENSES

Grant program expenses for the fiscal year ended June 30, 2024, increased by \$1,000,000 compared to the fiscal year ended June 30, 2023. This is due to a budget increase of \$1,000,000. 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, 2024, increased \$140,062 from the fiscal year ended June 30, 2023. This net increase is due to a \$96,193 decrease in general expenses, \$288,521 increase in salary and benefits, \$25,815 increase in legal expenses, \$9,459 decrease in depreciation, \$28,584 increase in other, and \$97,206 decrease in election fees.

Nonoperating Income (Expenses) for the fiscal year ended June 30, 2024, varies by \$2,604,217 from the fiscal year ended June 30, 2023. The variance is due to a \$2,624,152 increase in investment income, a \$42,516 decrease in net rental income, a \$25,619 increase in the Retirement plan, and a \$3,038 increase in investment expenses.

CAPITAL ASSETS

At June 30, 2024, the District had \$24,156,988 in capital assets and \$13,581,267 in accumulated depreciation, resulting in \$10,575,721 net capital assets. At June 30, 2023, the District had \$23,979,572 in capital assets and \$12,871,454 in accumulated depreciation, resulting in \$11,108,118 net capital assets.

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

Table C

	Balance	Net	Net	Balance	Net	Net	Balance
	6/30/22	Additions	Retirements	6/30/23	Additions	Retirements	6/30/24
Cost	\$ 23,673,762	\$ 309,196	\$ (3,387)	\$ 23,979,572	\$ 306,966	\$ (129,550)	\$ 24,156,988
Acc. Depreciation	(12,155,568)	(719,272)	3,387	(12,871,454)	(709,813)		(13,581,267)
Capital Assets, Net	\$ 11,518,194	\$ (410,076)	\$ -	\$ 11,108,118	\$ (402,847)	\$ (129,550)	\$ 10,575,721

DEBT ADMINISTRATION

The District has no outstanding debt.

DESERT HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 2024 AND 2023

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 2025 budgets for the District and the Foundation reflect revenues of \$12,791,673 and \$1,395,915, respectively, and operating expenses of \$11,769,679 and \$2,400,319, respectively. Capital expenditures are budgeted at \$420,000. During the fiscal year ended June 30, 2024, the District and Foundation awarded \$4,672,964, and \$238,572 respectively, in new grants and distributed grants in the amount of \$6,234,774 and \$2,132,773, respectively. Projected new grants to be awarded for the fiscal year 2024–2025 amount to \$5,000,000, and \$1,710,000, respectively, and distributions for grants could possibly total \$11,198,521 and \$2,228,077, respectively, due to the existing grant liability as of June 30, 2024, and the projected grant awards.

The District has established a reserve fund of approximately \$65,000,000 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, with an estimate of \$222,000,000.

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.

A recently negotiated 30-year lease-purchase agreement would extend the current Hospital lease from 2027 to 2057 and include a transfer of the Hospital to Desert Regional Medical Center, Inc., a wholly owned subsidiary of Tenet Health Systems. The lease-purchase agreement will be on the November 2024 ballot for a vote of District residents. If approved, the District will receive approximately \$650,000,000 over 30 years. The seismic retrofit needs of the hospital will be assumed by Desert Regional Medical Center, Inc. and the Termination Assets requirement will be eliminated. Additionally, the restrictions on the \$65,000,000 reserve fund will be eliminated.

CONTACTING THE DISTRICT'S MANAGEMENT

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DESERT HEALTHCARE DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2024

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2023

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,811,481	\$ 4,351,293
Investments	43,012,233	7,355,380
Accounts receivable - net	183,322	195,891
Prepaid items and deposits	37,284	168,230
Total current assets	<u>48,044,320</u>	<u>12,070,794</u>
NON-CURRENT ASSETS		
Investments	23,422,862	55,859,150
Lease receivables	3,439,433	3,048,911
Capital assets, net	10,575,721	11,108,118
Right of use assets, net	171,879	194,057
Net pension asset	1,728,337	1,457,140
Total non-current assets	<u>39,338,232</u>	<u>71,667,376</u>
DEFERRED OUTFLOWS		
Deferred Outflows of Resources:		
Pension plans	362,042	587,440
Total deferred outflows of resources	<u>362,042</u>	<u>587,440</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>87,744,594</u>	<u>84,325,610</u>
CURRENT LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	235,791	429,398
Grants payable	5,059,739	6,469,394
Compensated absences	90,160	97,596
Lease payable, current portion	21,504	21,186
Total current liabilities	<u>5,407,194</u>	<u>7,017,574</u>
NON-CURRENT LIABILITIES		
Grants payable	1,138,781	2,475,000
Lease payable	154,108	175,612
Deposits payable	57,493	89,638
Total non-current liabilities	<u>1,350,382</u>	<u>2,740,250</u>
DEFERRED INFLOWS		
Deferred Inflows of Resources:		
Pension plans	397,911	564,584
Leases	3,268,842	2,982,703
Total deferred inflows of resources	<u>3,666,753</u>	<u>3,547,287</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>10,424,329</u>	<u>13,305,111</u>
NET POSITION		
Net investment in capital assets	10,571,988	11,105,377
Restricted for pension	1,728,337	1,479,996
Unrestricted	65,019,940	58,435,126
TOTAL NET POSITION	<u>\$ 77,320,265</u>	<u>\$ 71,020,499</u>

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Property taxes	\$ 11,066,177	\$ 9,624,970
Other income	154,100	10,184
Total revenues	<u>11,220,277</u>	<u>9,635,154</u>
OPERATING EXPENSES		
Grant allocations	5,000,000	4,000,000
General expenses	933,890	1,030,083
Salaries and benefits	1,658,217	1,369,696
Legal fees	146,613	120,798
Depreciation and amortization	731,991	741,450
Other	401,451	372,867
Election fees	97,206	97,206
Total expenditures	<u>8,872,162</u>	<u>7,732,100</u>
Income from operations	<u>2,348,115</u>	<u>1,903,054</u>
NONOPERATING INCOME (EXPENSES)		
Investment income	2,971,742	347,590
Rental income, net of expenses	827,535	870,051
Retirement plan/benefits change	212,472	186,853
Investment expenses	<u>(71,597)</u>	<u>(68,559)</u>
Total nonoperating income	<u>3,940,152</u>	<u>1,335,935</u>
Change in net position	<u>6,288,267</u>	<u>3,238,989</u>
NET POSITION		
Beginning of fiscal year	71,020,499	67,758,460
Prior period adjustments	<u>11,499</u>	<u>23,050</u>
Net position at beginning of fiscal year, restated	<u>71,031,998</u>	<u>67,781,510</u>
End of fiscal year	<u>\$ 77,320,265</u>	<u>\$ 71,020,499</u>

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from County	\$ 11,066,177	\$ 9,624,970
Cash payments to suppliers for goods and services	(1,447,210)	(1,662,630)
Cash payments to employees for services and benefits	(1,665,653)	(1,367,071)
Cash payments to grantees	(7,745,874)	(5,607,673)
Other operating revenues	166,669	67,643
Net cash provided by operating activities	374,109	1,055,239
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(306,966)	(309,196)
Lease related expenses	(24,000)	(24,000)
Net cash provided (used) by capital and related financing activities	(330,966)	(333,196)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	2,851,276	248,235
Rental income, net	786,334	862,252
Net investment sales (purchases)	(3,220,565)	(6,598,121)
Net cash provided (used) by investing activities	417,045	(5,487,634)
Net increase (decrease) in cash	460,188	(4,765,591)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	4,351,293	9,116,884
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 4,811,481	\$ 4,351,293
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 4,811,481	\$ 4,351,293

(Continued)

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

RECONCILIATION OF OPERATING INCOME TO

NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>2024</u>	<u>2023</u>
Income from operations	\$ 2,348,115	\$ 1,903,054
Adjustments to reconciliation of income from operations to net cash provided by operating activities:		
Depreciation and amortization	731,991	741,450
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	12,569	57,459
Prepaid items and deposits	130,946	(55,296)
Accounts payable and accrued liabilities	(64,057)	(13,813)
Grants payable	(2,745,874)	(1,607,673)
Deposits payable	(32,145)	27,433
Compensated absences	(7,436)	17,428
Long-term disability claims reserve		(14,803)
Net cash provided by operating activities	<u>\$ 374,109</u>	<u>\$ 1,055,239</u>

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
JUNE 30, 2024
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2023

	Private- Purpose Trust Fund	
	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,533,326	\$ 479,488
Grants receivable	22,587	183,530
Prepaid items	7,253	6,747
Accrued interest and dividend receivable	7,849	14,345
Total current assets	1,571,015	684,110
OTHER ASSETS		
Contributions receivable - charitable remainder trusts	195,054	196,140
Investments	3,868,092	4,429,454
Total other assets	4,063,146	4,625,594
TOTAL ASSETS	5,634,161	5,309,704
LIABILITIES		
Current liabilities:		
Accounts payable	8,777	21,965
Grants payable - current portion	484,957	1,741,281
Total current liabilities	493,734	1,763,246
Long-term liabilities:		
Grants payable - long-term	33,120	
Total long-term liabilities	33,120	
Total liabilities	526,854	1,763,246
NET POSITION	\$ 5,107,307	\$ 3,546,458

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 FISCAL YEAR ENDED JUNE 30, 2024

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Private-Purpose Trust Fund</u>	
	<u>2024</u>	<u>2023</u>
ADDITIONS		
Contributions	\$ 76,635	\$ 219,714
Grants	2,616,525	935,828
Bequests	57,510	57,520
Interest and dividends	119,917	114,841
Investment gains and losses	306,468	190,543
Change in value - charitable trusts	(1,085)	7,751
	<u>3,175,970</u>	<u>1,526,197</u>
DEDUCTIONS		
Grants and services	1,429,170	3,379,746
Management and general	185,951	698,382
	<u>1,615,121</u>	<u>4,078,128</u>
INCREASE (DECREASE) IN NET POSITION	1,560,849	(2,551,931)
NET POSITION, BEGINNING OF FISCAL YEAR	<u>3,546,458</u>	<u>6,098,389</u>
NET POSITION, END OF FISCAL YEAR	<u>\$ 5,107,307</u>	<u>\$ 3,546,458</u>

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

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 District's 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.

As required by U.S. 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:

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial Reporting Entity — Continued

- 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 the District.

Basis of Accounting and Measurement Focus

Business-Type Activities

The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenditures, and Changes in Net Position, and a Statement of Cash Flows. These statements present summaries of business-type activities for the District.

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

The District reports the following fiduciary fund:

Desert Healthcare Foundation (Foundation)

The Foundation is a nonprofit 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 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.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position 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.

Leases Receivable/Payable

GASB issued Statement No. 87 "Leases" to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease asset and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement a lessee is required to recognize a lease liability and an intangible right-f-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. See Notes 5, 10, and 11 for additional information on right of use assets, lease receivables, and lease payable, respectively.

Prepaid Items and Deposits

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

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 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

Right of Use Assets

The District has recorded right of use lease assets as a result of implementing GASB Stmt No.87. The right of use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease. See Note 5 for additional information.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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.

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 (U.S. 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.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 Note 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 Notes 10 and 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 \$66,435,095 as of June 30, 2024, identified as the Facility Replacement Fund.

3. CASH AND INVESTMENTS

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

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
District's Statement of Net Position:		
Cash and cash equivalents	\$ 4,811,481	\$ 4,351,293
Investments	66,435,095	63,214,530
Fiduciary Statement of Net Position:		
Cash and cash equivalents	1,533,326	479,488
Investments	<u>3,868,092</u>	<u>4,429,454</u>
Total Cash and Investments	<u>\$ 76,647,994</u>	<u>\$ 72,474,765</u>

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

3. CASH AND INVESTMENTS (CONTINUED)

Cash and Investments consist of the following:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Cash on Hand	\$ 737	\$ 707
Cash in Bank-District	4,810,981	2,733,799
Cash in Bank-Foundation	1,467,189	360,890
Money Market Funds	520,518	1,735,385
Investments	<u>69,848,569</u>	<u>67,643,984</u>
Total Cash and Investments	<u>\$ 76,647,994</u>	<u>\$ 72,474,765</u>

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

The table below identifies the investment types that are authorized for the Desert Healthcare District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
Local Agency Investment Fund (State Pool)	N/A	None	\$75 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	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
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment 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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

3. CASH, AND INVESTMENTS - Continued

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.

As of June 30, 2024

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*	\$ 484,807	\$ 98,743	\$ 44,244	\$ 106,336	\$ 41,334	\$ 194,150
U.S. Treasury Notes	65,980,477	42,557,615	8,205,790	4,299,450	8,523,418	2,394,204
U.S. Treasury Notes*	365,791		13,346	18,411	32,751	301,283
Domestic Common Stock*	3,017,494	3,017,494				
Total	<u>\$ 69,848,569</u>	<u>\$ 45,673,852</u>	<u>\$ 8,263,380</u>	<u>\$ 4,424,197</u>	<u>\$ 8,597,503</u>	<u>\$ 2,889,637</u>

* Held by Foundation

As of June 30, 2023

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*	\$ 1,152,794	\$ 114,560	\$ 203,289	\$ 91,389	\$ 213,038	\$ 530,518
U.S. Treasury Notes	63,214,530	7,355,380	41,061,390	8,090,990	3,760,980	2,945,790
U.S. Treasury Notes*	654,290		100,461			553,829
Domestic Common Stock*	2,622,370	2,622,370				
Total	<u>\$ 67,643,984</u>	<u>\$ 10,092,310</u>	<u>\$ 41,365,140</u>	<u>\$ 8,182,379</u>	<u>\$ 3,974,018</u>	<u>\$ 4,030,137</u>

* Held by Foundation

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

3. 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 District's investment policy, and the actual rating as of fiscal year end for each investment type.

As of June 30, 2024:

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*	\$ 484,807	N/A	\$ -	\$ 64,994	\$ 172,430	\$ 247,383	\$ -
U.S. Treasury Notes	65,980,477	N/A	65,980,477				
U.S. Treasury Notes*	365,791	N/A	365,791				
Domestic Common Stock*	3,017,494	N/A					3,017,494
Total	\$ 69,848,569		\$ 66,346,268	\$ 64,994	\$ 172,430	\$ 247,383	\$ 3,017,494

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

As of June 30, 2023:

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*	\$ 1,152,794	N/A	\$ -	\$ 137,653	\$ 408,007	\$ 607,134	\$ -
U.S. Treasury Notes	63,214,530	N/A	63,214,530				
U.S. Treasury Notes*	654,290	N/A	654,290				
Domestic Common Stock*	2,622,370	N/A					2,622,370
Total	\$ 67,643,984		\$ 63,868,820	\$ 137,653	\$ 408,007	\$ 607,134	\$ 2,622,370

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

3. CASH AND INVESTMENTS - Continued

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 no investments at June 30, 2024 and 2023 that represent 5% or more of total District investments (other than U.S. Treasury Notes).

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, 2024 and 2023, the District's deposits with financial institutions in excess of federal depository insurance limits are legally required by the California Government Code to be collateralized 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 a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active;
- Level 3: Investments reflect prices based upon unobservable sources.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

3. CASH AND INVESTMENTS – Continued

The District has the following recurring fair value measurements;

As of June 30, 2024	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)
Investments by fair value				
Debt Securities				
Corporate Bonds	\$ 484,807	\$ 484,807	\$ -	\$ -
U.S. Treasury Notes	66,346,268	66,346,268		
Domestic Common Stock	3,017,494	3,017,494		
	<u>\$ 69,848,569</u>	<u>\$ 69,848,569</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2023	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)
Investments by fair value				
Debt Securities				
Corporate Bonds	\$ 1,152,794	\$ 1,152,794	\$ -	\$ -
U.S. Treasury Notes	63,868,820	63,868,820		
Domestic Common Stock	2,622,370	2,622,370		
	<u>\$ 67,643,984</u>	<u>\$ 67,643,984</u>	<u>\$ -</u>	<u>\$ -</u>

4. CAPITAL ASSETS

Business-Type Activities

At June 30, 2024 and 2023, the capital assets of the business-type activities consisted of the following:

<u>June 30, 2024</u>	Balance				Balance June 30, 2024
	July 1, 2023	Additions	Deletions	Transfers	
Non-depreciable assets					
Land	\$ 3,859,100	\$ -	\$ -		\$ 3,859,100
Construction in progress	860,082	52,426	(129,550)	(730,532)	52,426
Total non-depreciable assets	<u>4,719,182</u>	<u>52,426</u>	<u>(129,550)</u>	<u>(730,532)</u>	<u>3,911,526</u>
Depreciable assets:					
Buildings and improvements	19,108,373	45,395		730,532	19,884,300
Furniture and equipment	152,017	209,145			361,162
Total	<u>19,260,390</u>	<u>254,540</u>		<u>730,532</u>	<u>20,245,462</u>
Less accumulated depreciation	<u>(12,871,454)</u>	<u>(709,813)</u>			<u>(13,581,267)</u>
Total depreciable assets, net	<u>6,388,936</u>	<u>(455,273)</u>		<u>730,532</u>	<u>6,664,195</u>
Total Capital Assets, Net	<u>\$ 11,108,118</u>	<u>\$ (402,847)</u>	<u>\$ (129,550)</u>	<u>\$ -</u>	<u>\$ 10,575,721</u>

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

4. CAPITAL ASSETS (CONTINUED)

Business-Type Activities (Continued)

Depreciation expense consists of operating expense depreciation of \$266,570 and rental expense depreciation of \$443,243.

<u>June 30, 2023</u>	Balance <u>July 1, 2022</u>	Additions	Deletions	Balance <u>June 30, 2023</u>
Non-depreciable assets				
Land	\$ 3,859,100	\$ -	\$ -	\$ 3,859,100
Construction in progress	722,368	137,714		860,082
Total non-depreciable assets	<u>4,581,468</u>	<u>137,714</u>		<u>4,719,182</u>
Depreciable assets:				
Buildings and improvements	18,968,473	139,900		19,108,373
Furniture and equipment	123,822	31,582	(3,387)	152,017
Total	<u>19,092,295</u>	<u>171,482</u>	<u>(3,387)</u>	<u>19,260,390</u>
Less accumulated depreciation	<u>(12,155,569)</u>	<u>(719,272)</u>	<u>3,387</u>	<u>(12,871,454)</u>
Total depreciable assets, net	<u>6,936,726</u>	<u>(547,790)</u>		<u>6,388,936</u>
Total Capital Assets, Net	<u>\$ 11,518,194</u>	<u>\$ (410,076)</u>	<u>\$ -</u>	<u>\$ 11,108,118</u>

Depreciation expense consists of operating expense depreciation of \$221,966 and rental expense depreciation of \$497,306.

5. RIGHT OF USE ASSET

The District has recorded one right of use leased asset. The asset is a right of use asset for office space. The related lease payable is discussed in Note 11. The right of use lease asset is amortized on a straight-line basis over the terms of the related leases.

Right of use asset activity for the District for the fiscal year ended June 30, 2024, was as follows:

<u>June 30, 2024</u>	Balance <u>July 1, 2023</u>	Additions	Deletions	Balance <u>June 30, 2024</u>
Right of use asset				
Building	\$ 216,235	\$ -	\$ -	\$ 216,235
Total right of use asset	<u>216,235</u>			<u>216,235</u>
Less accumulated amortization	<u>(22,178)</u>	<u>(22,178)</u>		<u>(44,356)</u>
Total right of use asset, net	<u>\$ 194,057</u>	<u>\$ (22,178)</u>	<u>\$ -</u>	<u>\$ 171,879</u>

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

6. RESTRICTED NET POSITION

The District had \$1,728,337 and \$1,479,996 of restricted net position at June 30, 2024 and 2023, respectively, related to the District's net pension asset.

7. SPLIT INTEREST AGREEMENTS – FOUNDATION

At June 30, 2024 and 2023, the split interest agreements of the fiduciary fund consisted of the following:

	2024	2023
Contributions receivable - charitable remainder trusts	\$ 195,054	\$ 196,140
Total	\$ 195,054	\$ 196,140

Charitable Remainder 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 two 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, 2023, which is the most current information available, the estimated present value of future cash flows at June 30, 2024 and 2023 was \$114,737 and \$126,022, respectively.

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, 2024 and 2023 was \$80,317 and \$70,118, respectively.

8. 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, 2024 and 2023, the total grant awards payable were \$6,198,520 and \$8,944,394, respectively. Total grant expense for the fiscal years ended June 30, 2024 and 2023 amounted to \$5,000,000 and \$4,000,000, respectively.

The Foundation has granted awards to various healthcare providers that provide needed healthcare services. At June 30, 2024 and 2023, the total grant awards payable were \$518,077 and \$1,741,281, respectively. Total grants and services expense for the fiscal years ended June 30, 2024 and 2023 amounted to \$1,429,170 and \$3,379,746, respectively.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

9. LONG-TERM DISABILITY CLAIMS RESERVE

Long-term disability claims were self-insured by the District. Claimants' payments are administered internally and made pursuant to the plan. Claimants are paid either to age 65 or until they return to work. At June 30, 2024 and 2023, the long-term disability claims reserves were as follows:

	Balance at July 1, 2023	Claims Paid	Changes in Estimates	Balance at June 30, 2024	Due Within One Year
Claims payable	\$ -	\$ -	\$ -	\$ -	\$ -
	Balance at July 1, 2022	Claims Paid	Changes in Estimates	Balance at June 30, 2023	Due Within One Year
Claims payable	\$ 17,785	\$ (17,785)	\$ -	\$ -	\$ -

10. LEASE RECEIVABLE

Las Palmas Medical Plaza

The District currently has 20 office building lease agreements that are subject to GASB Stmt No.87 in place as of June 30, 2024 at the Las Palmas Medical Plaza. Revenue recognition is in accordance with GASB Statement No. 87. The leases were entered into at various dates but under reporting requirements of GASB Statement No.87, they all commence on July 1, 2021, without the need to restate balances that existed prior to that date. Summarized information for each lease is as follows:

Lessee	Location	Monthly rent for fiscal year ended June 30, 2024	Expiration	Lease receivable as of June 30, 2024
Eyecare Services Partner	1E 101-102	\$ 4,986	3/31/2033	\$ 526,354
Palm Tree Clinical	1E 201-203	5,163	1/31/2028	227,017
Pathway Pharmaceuticals	1W 101	1,864	12/31/2027	80,216
Quest Diagnostics	1W 102-103	3,250	5/31/2035	455,806
Cohen, Musch, Thomas Med Group	1W 105-106	3,410	11/30/2024	16,988
Cure Cardiovascular Consultants	1W 202-203	2,316	8/31/2027	90,869
Coachella Valley Volunteers in Medicine	1W 204	2,350	11/30/2028	128,796
Wolfson, MD	2W 101	2,795	7/31/2025	37,018
Global Premier Fertility	3W 101	3,264	12/31/2026	99,544
Gundry and Ehrman, MD	3W 103-104	4,346	7/31/2027	166,361
DPMG	1E 204	1,540	10/31/2025	24,382
Howard Aronow	2W 102	1,152	8/31/2027	45,196
Hashmi	2W 105-106	2,296	5/31/2028	109,626
Desert Family Medical	2W 203-204	2,260	12/31/2030	233,956
Labcorp	3E 104-105	3,872	10/31/2026	109,922
Ramy Awad	3W 105-106	2,642	9/30/2028	139,883
Jamieson	1W 201	2,543	9/30/2024	7,610
Desert Oasis	2W 107	1,962	12/31/2027	83,731

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

10. LEASE RECEIVABLE (CONTINUED)

Imperial Park Land Lease

In July 1994, the District was distributed certain parcels of land that underlies the Park Imperial North Condominium Project on Vista Chino in Palm Springs, California. The term of the lease is for 98 years beginning in October 1959, prior to distribution to the District. Rent payments from the condominium project are \$750 per month. Payments received during the fiscal year were \$750 monthly from July 2023 through June 2024. The lease will expire in June 2057.

T-Mobile Cell Tower

In August 2021, the District entered into a lease with T-Mobile West LLC for use of land for the operation of cellular towers at 1150 No. Indian Canyon Dr. in Palm Springs, California. The term was for 5 years and includes four additional optional 5-year terms. If all extensions are exercised the lease would end in August of 2046. The options to extend are exercised unless written notification of cancellation occurs within 60 days prior to the expiration of the existing term. Initial rent payments were \$2,000 a month increasing by 15% every exercise of extension following the first extension under the terms of the lease. Payments received during the fiscal year were \$2,000 monthly from July 2023 through June 2024. The current 5-year term would end in June of 2026.

11. LEASE PAYABLE

The District has entered into agreements to lease office space. The lease agreements qualify as other than short-term leases under GASB Statement No.87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on July 1, 2021, to lease office space at 41550 Eclectic St. in Palm Springs, California. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1.49%, which is Federal funds rate at the time of inception. As a result of the lease, the District has recorded a right of use asset with a net book value of \$171,879 at June 30, 2024. The right of use asset is discussed in more detail in Note 5.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30,	Lease Payable		
	Principal	Interest	Total
2025	\$ 21,504	\$ 2,496	\$ 24,000
2026	21,827	2,173	24,000
2027	22,154	1,846	24,000
2028	22,487	1,513	24,000
2029	22,824	1,176	24,000
2030-2032	66,544	1,456	68,000
	<u>\$ 177,340</u>	<u>\$ 10,660</u>	<u>\$ 188,000</u>

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

12. 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.

13. 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 457(B) and 401(A) retirement plans. 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 fiscal years ended June 30, 2024 and 2023 were \$115,348 and \$120,339, 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 financial statements for more detailed 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.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

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 (dated as of June 30, 2024), the Plan's independent actuary determined that the actuarial value of the Plan's net pension asset was \$1,728,337 at June 30, 2024 and \$1,457,140 at June 30, 2023. In the report it was recommended that an actuarially determined contribution of \$0 as of June 30, 2024 and \$0 as of June 30, 2023, should be made due to the Plan's funded status.

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.

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	44%	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
6/30/2022	4,597,838	3,588,592	(1,009,246)	128%	N/A	N/A
6/30/2023	4,493,259	3,036,119	(1,457,140)	148%	N/A	N/A
6/30/2024	4,444,098	2,715,761	(1,728,337)	164%	N/A	N/A

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

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

Plan Description

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

Employees Covered

At June 30, 2024 and 2023, the following employees were covered by the benefit terms:

	2024	2023
Inactive plan members if beneficiaries currently receiving benefits	7	7
Inactive plan members entitled to but not yet receiving benefits	58	58
Active plan members	68	68
Total Employees Covered	133	133

Contributions

There have been no contribution requirements by the District since May 31, 1997. Participant contributions to the Plan are not permitted.

Net Pension Liability (Asset)

The District’s net pension liability (asset) for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.50%
Discount rate	6.25%, net of pension plan investment expense, including inflation.
Measurement date	June 30, 2024, based on a valuation date of June 30, 2023.
Ad hoc cost-of-living increases	Not applicable
Mortality	Pre-Retirement: None Post-Retirement: PubG-2010 Sex distinct mortality tables projected generationally with Scale MP-2021
Experience study	Given the size of the plan, there is not enough data available to conduct a credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions. The plan is frozen to new participants and benefit accruals.
Retirement	100% retirement at age 65.
Termination	Participants* are assumed to work for the Desert Regional Medical Center operated by Tenet Health System Desert, Inc. until Normal Retirement Age.
Other assumptions	See actuarial assumptions provided in the June 30, 2023 funding valuation for other relevant assumptions.

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Net Pension Liability (Asset) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.25 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 6.25 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.25 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 6.71 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 Stmt No.67 and 68 calculations through the 2024-2025 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.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. 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.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Net Pension Liability (Asset) (Continued)

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%	2.20%
Domestic equities	48.0%	5.05%
International equities	12.0%	4.56%
Cash	5.0%	0.22%

Changes in the Net Pension Liability (Asset)

The changes in the Net Pension Liability (Asset) for the Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability/(Asset) (c) = (a) - (b)
Balance, June 30, 2023	\$ 3,036,119	\$ 4,493,259	\$ (1,457,140)
Changes in Recognized for the Measurement Period:			
Employer Contributions			
Interest on the Total Pension Liability	182,433		182,433
Differences between Expected and Actual Experience			-
Changes in Assumptions	7,466		7,466
Net Investment Income *		461,096	(461,096)
Benefit Payments, including Refunds of Employee Contributions	(510,257)	(510,257)	
Administrative Expenses			
Net Changes during 2023-2024	(320,358)	(49,161)	(271,197)
Balance, June 30, 2024	\$ 2,715,761	\$ 4,444,098	\$ (1,728,337)

* Net of administrative expenses.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Changes in the Net Pension Liability (Asset) (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.25 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25 percent) or 1 percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net pension liability	\$ (1,700,730)	\$ (1,728,337)	\$ (1,750,771)

Plan Fiduciary Net Position

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

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

For the fiscal year ended June 30, 2024, the District recognized pension expense of \$(212,472). At June 30, 2024, 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	358,309	(397,911)
Changes in assumptions	3,733	
Total	\$ 362,042	\$ (397,911)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2025	\$ (47,055)
2026	113,479
2027	(65,678)
2028	(36,615)
Total	\$ (35,869)

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

WITH COMPARATIVE TOTALS AT JUNE 30, 2023

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 \$750,000 and \$750,000 to the Foundation, to help fulfill their purpose during June 30, 2024 and 2023, respectively. The District also provided the Foundation with office space and personnel of \$449,805 and \$650,785 during June 30, 2024 and 2023, respectively.

Grants payable to the Foundation as of June 30, 2024 amounted to \$0. As of June 30, 2024 accounts receivable from the Foundation were \$0.

The Desert Healthcare District awarded and disbursed grant funds to a grantee, Vision y Compromiso, whose associate director is the District's CEO's wife. At June 30, 2024 and 2023, total grants awarded to Vision y Compromiso were \$199,914 and \$0, respectively. Total grant funds expended to Vision y Compromiso for the fiscal year ended June 30, 2024 and 2023 amounted to \$112,480 and \$67,500, respectively. During the 2023-2024 fiscal year, the prior CEO's contract was terminated.

16. PRIOR PERIOD ADJUSTMENTS

There was a prior period adjustment of \$11,499 on the statement of activities related to the understatement of lease receivables and the understatement of deferred inflows of resources.

17. SUBSEQUENT EVENT

The District Board of Directors on August 6, 2024 approved a resolution to direct the Riverside County Registrar of Voters to place Measure AA on the November 5 election ballot regarding the approval of a Lease/Purchase Agreement with Desert Regional Medical Center Inc., a wholly-owned subsidiary of Tenet HealthSystems Inc. Should the measure pass, the Lease/Purchase Agreement will be executed extending the lease period from 2027 to 2057 with the transfer of ownership of the hospital to Tenet HealthSystems, Inc. in 2057. The District will receive approximately \$650 million in installments, including \$100M in 2057 as the final installment to transfer ownership. Additionally, seismic retrofit responsibility will transfer to Tenet HealthSystems Inc.

18. UPCOMING ACCOUNTING AND REPORTING CHANGES

GASB Statements listed below will be implemented in future financial statements.

The provisions of Statement Number 100 "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62" are effective for fiscal years beginning after June 15, 2023.

The provisions of Statement Number 101 "Compensated Absences" are effective for fiscal years beginning after December 15, 2023.

The provisions of Statement Number 102 "Certain Risk Disclosures" are effective for fiscal years beginning after June 15, 2024.

The provisions of Statement Number 103 "Financial Reporting Model Improvements" are effective for fiscal years beginning after June 15, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

Prepared for the Desert Healthcare District, a Single-Employer Defined Benefit Pension Plan as of June 30, 2024

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

	06/30/2024	06/30/2023	06/30/2022	06/30/2021	06/30/2020
Total pension liability					
Service cost	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	182,433	207,687	229,605	342,696	374,170
Changes of benefit terms	0	0	0	0	0
Differences between expected and actual experience	0	(224,667)	0	(1,123,559)	0
Changes of assumptions	7,466	(14,943)	23,267	(4,503,151)	912,601
Benefit payments, including refunds of member contributions	(510,257)	(520,550)	(172,220)	(596,263)	(208,084)
Net change in total pension liability	(320,358)	(552,473)	80,652	(5,880,277)	1,078,687
Total pension liability - beginning	3,036,119	3,588,592	3,507,940	9,388,217	8,309,530
Total pension liability - ending (a)	\$ 2,715,761	\$ 3,036,119	\$ 3,588,592	\$ 3,507,940	\$ 9,388,217
Plan fiduciary net position					
Contributions - employer	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions - member	0	0	0	0	0
Contributions - nonemployer contributing member	0	0	0	0	0
Net investment income	461,096	415,971	(544,914)	1,127,272	78,140
Benefit payments, including refunds of member contributions	(510,257)	(520,550)	(172,220)	(596,263)	(208,084)
Administrative expenses	0	0	0	0	0
Other	0	0	0	0	0
Net change in plan fiduciary net position	\$(49,161)	\$(104,579)	\$(717,134)	\$531,009	\$(129,944)
Plan fiduciary net position - beginning	4,493,259	4,597,838	5,314,972	4,783,963	4,913,907
Plan fiduciary net position - ending (b)	\$ 4,444,098	\$ 4,493,259	\$ 4,597,838	\$ 5,314,972	\$ 4,783,963
Net pension liability - ending (a) - (b)	\$ (1,728,337)	\$ (1,457,140)	\$ (1,009,246)	\$ (1,807,032)	\$ 4,604,254
Plan fiduciary net position as a percentage of the total pension liability	163.64%	147.99%	128.12%	151.51%	50.96%
Covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net pension liability as percentage of covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

	06/30/2019	06/30/2018	06/30/2017	06/30/2016	12/31/2014
Total pension liability					
Service cost	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	385,951	399,298	321,990	397,980	418,035
Changes of benefit terms	0	0	0	0	0
Differences between expected and actual experience	(802,110)	0	(437,093)	(493,455)	(537,578)
Changes of assumptions	769,854	315,705	(2,852,163)	1,944,607	0
Benefit payments, including refunds of member contributions	(511,792)	(466,670)	(382,380)	(459,397)	(304,264)
Net change in total pension liability	(158,097)	248,333	(3,349,646)	1,389,735	(423,807)
Total pension liability - beginning	8,467,627	8,219,294	11,568,940	10,179,205	10,603,012
Total pension liability - ending (a)	\$ 8,309,530	\$ 8,467,627	\$ 8,219,294	\$ 11,568,940	\$ 10,179,205
Plan fiduciary net position					
Contributions - employer	\$ 0	\$ 0	\$ 3,400,000	\$ 0	\$ 0
Contributions - member	0	0	0	0	0
Contributions - nonemployer contributing member	0	0	0	0	0
Net investment income	235,865	347,969	426,828	(6,638)	70,805
Benefit payments, including refunds of member contributions	(511,792)	(466,670)	(382,380)	(459,397)	(304,264)
Administrative expenses	0	(35,638)	(24,513)	(14,983)	(17,892)
Other	0	0	0	0	0
Net change in plan fiduciary net position	\$(275,927)	\$(154,339)	\$3,419,935	\$(481,018)	\$(251,351)
Plan fiduciary net position - beginning	5,189,834	5,344,173	1,924,238	2,405,256	2,656,607
Plan fiduciary net position - ending (b)	\$ 4,913,907	\$ 5,189,834	\$ 5,344,173	\$ 1,924,238	\$ 2,405,256
Net pension liability - ending (a) - (b)	\$ 3,395,623	\$ 3,277,793	\$ 2,875,121	\$ 9,644,702	\$ 7,773,949
Plan fiduciary net position as a percentage of the total pension liability	59.14%	61.29%	65.02%	16.63%	23.63%
Covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net pension liability as percentage of covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

(Continued)

DESERT HEALTHCARE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2024

Prepared for the Desert Healthcare District, a Single-Employer Defined Benefit Pension Plan as of June 30, 2024

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

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%
- 2020 to 2021 Discount rate changed from 3.77% to 6.71%
- 2021 to 2022 Discount rate changed from 6.71% to 6.24%
- 2022 to 2023 Discount rate changed from 6.24% to 6.56%
- 2023 to 2024 Discount rate changed from 6.56% to 6.25%

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

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

Measurement period	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB Liability							
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-	-	(3,245)	(908)	-
Interest on the Total OPEB Liability	-	-	-	-	2,957	3,684	4,057
Benefit Payments and write offs	-	-	-	(67,364)	(20,321)	(23,490)	(22,587)
Net Change in Total OPEB 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)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,364</u>	<u>\$ 87,973</u>	<u>\$ 108,687</u>
Plan Fiduciary Net Position							
Contribution from the Employer	\$ -	\$ -	\$ -	\$ 21,400	\$ 20,321	\$ 23,490	\$ 22,587
Net investment income	-	-	-	-	-	-	-
Benefit Payments	-	-	-	(21,400)	(20,321)	(23,490)	(22,587)
Administrative Expenses	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position				-	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-	-	-	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,364</u>	<u>\$ 87,973</u>	<u>\$ 108,687</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered - Employee Payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net OPEB Liability as Percentage of Covered-Employee Payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes to Schedule:

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

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

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