DESERT HEALTHCARE DISTRICT
Doing Healthy Deeds

DESERT HEALTHCARE DISTRICT
BOARD MEETING
Board of Directors
October 24, 2017
2:00 P.M.

Jerry Stergios Building, 2nd floor
Arthur H. "Red" Motley Boardroom
1140 N. Indian Canyon Drive, Palm Springs, California 92262
This meeting is handicapped-accessible

Page(s)	**AGENDA** *Any item on the agenda may result in Board Action*	*Item Type*

A. CALL TO ORDER – President Rogers

Roll Call

_____Director Zendle _____Director Wortham ____Director Matthews
_____Vice-President Hazen _____President Rogers

B. PLEDGE OF ALLEGIANCE

C. APPROVAL OF AGENDA — **Action**

D. PUBLIC COMMENT

At this time, comments from the audience may be made on items *not* listed on the agenda that are of public interest and within the subject-matter jurisdiction of the District. **The Board has a policy of limiting speakers to no more than three minutes.** The Board cannot take action on items not listed on the agenda. Public input may be offered on agenda items when they come up for discussion and/or action.

E. CONSENT AGENDA — **Action**

All Consent Agenda item(s) listed below are considered to be routine by the Board of Directors and will be enacted by one motion. There will be no separate discussion of items unless a Board member so requests, in which event the item(s) will be considered following approval of the Consent Agenda.

1. BOARD MINUTES
   5-12 a. Board Meeting of September 26, 2017

2. FINANCE and ADMINISTRATION
   a. Consideration for Approval of District September
   13-33 2017 Financial Statements
   F&A Committee approved October 10, 2017

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	F.	**DESERT HEALTHCARE DISTRICT CEO REPORT –** Herb K. Schultz, CEO	Information
	G.	**DESERT REGIONAL MEDICAL CENTER CEO REPORT –** Michele Finney, CEO	Information
	H.	**DESERT REGIONAL MEDICAL CENTER GOVERNING BOARD OF DIRECTORS' REPORT** – President Rogers, RN and Director Dr. Les Zendle	Information
	I.	**INFORMATIONAL ITEMS**	Information
	J.	**COMMITTEE REPORTS**	
		1. PROGRAM COMMITTEE - Chair/Vice-President Hazen and Director Wortham	
		a. No October Meeting	
		2. FINANCE, ADMINISTRATION, REAL ESTATE AND LEGAL COMMITTEE – Chair/Director Matthews and Director Dr. Les Zendle	
34-37		a. Draft Minutes of the October 10, 2017	Information
38-39		b. CFO Report & Las Palmas Leasing Update	Information
40-70		c. Retirement Protection Plan 06/30/2017 Report	Information
71-137		d. Consideration to Approve FYE 06/30/2017 Audit Reports: Management Report & Communication Letter, Internal Controls Report, and Audit Reports for the Desert Healthcare District & the Desert Hospital Retirement Protection Plan F&A Committee approved October 10, 2017	**Action**
		3. HOSPITAL GOVERANCE AND OVERSIGHT COMMITTEE - Chair/Director Dr. Les Zendle and President Carole Rogers, RN	Information
		a. Report of October 23, 2017 Meeting	
138-146		b. Consideration to Approve the proposed CBRE draft contract – Facility Condition Assessment	**Action**

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		4. AD HOC COMMITTEE – NEW PROVIDERS, FACILITIES, PROGRAMS & SERVICES - Chair/Vice-President Kay Hazen and Director Mark Matthews	Information
		a. Study Session on East Valley Expansion and Funding –10/31/17 at 10 a.m.	
		5. AD HOC COMMITTEE – CEO CONTRACT – Chair/President Rogers and Director Dr. Les Zendle	
		a. Consideration to Approve the CEO's new 3 year employment agreement.	**Action**
		b. Dissolution of the Ad Hoc CEO Contract Committee	**Action**
	K.	**OLD BUSINESS**	
147-148		1. West Valley Homelessness Initiative Update	Information
	L.	**NEW BUSINESS**	
		1. Transformation and Implementation	
149-150		a. Program Committee/Advisory Committees	**Action**
		b. Chief Operating Officer	
		c. Communications and Marketing Director	
	M.	**LEGAL COMMENTS & REPORT**	Information
	N.	**DIRECTORS' COMMENTS & REPORTS**	Information
	O.	**ADJOURNMENT TO DESERT HEALTHCARE FOUNDATION BOARD OF DIRECTORS MEETING**	
	P.	**RECONVENE TO DESERT HEALTHCARE DISTRICT BOARD OF DIRECTORS MEETING**	
	Q.	**ADJOURNMENT TO EXECUTIVE SESSION**	

DESERT HEALTHCARE DISTRICT
BOARD MEETING
Board of Directors
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R. CONVENE TO CLOSED SESSION OF THE DESERT HEALTHCARE DISTRICT BOARD OF DIRECTORS

1. REPORT INVOLVING TRADE SECRETS pursuant to Health & Safety Code 32106 - concerning proposed new providers, facilities, programs and services. Estimated date of public disclosure: March 2018

S. RECONVENE TO OPEN SESSION OF THE DESERT HEALTHCARE DISTRICT BOARD OF DIRECTORS

T. REPORT AFTER CLOSED SESSION

U. ADJOURNMENT

DESERT HEALTHCARE DISTRICT
BOARD OF DIRECTORS
MEETING MINUTES
September 26, 2017

A Meeting of the Board of Directors of the Desert Healthcare District was held in the Jerry Stergios Building - 1st Floor, Palm Springs, CA.

Attendance

Members	Absent
Carole Rogers, RN – President	
Kay Hazen – Vice-President/Secretary - *Telephonic*	
Mark Matthews – Treasurer	
Jennifer Wortham, Dr.PH - Director	
Dr. Les Zendle – Director	

Staff	Legal Counsel
Herb K. Schultz, CEO	Jeffrey G. Scott
Chris Christensen, CFO	
Donna Craig, Senior Program Officer	
Alejandro Espinoza, Program Officer and Outreach Director	
Mary Pannoni, Accounting/Admin. Support	
Andrea S. Hayles, Clerk to the Board	

Guests
Kenneth Sutherland, Senior Vice President Construction and Design, Tenet Health - *Telephonic*

CALL TO ORDER
The meeting was called to order at 2:07 p.m. by President Rogers.

APPROVAL OF AGENDA
President Rogers asked for a motion to approve the agenda.

#17-87 MOTION WAS MADE by Director Matthews and seconded by Director Zendle to approve the agenda.
Motion passed unanimously.

Roll Call Vote:

AYES	**5**	**Director Zendle; Director Wortham; Director Matthews; Vice-President Hazen; President Rogers**
NOES:	**0**	
ABSTAIN:		

ABSENT:
Motion Passed 5-0

PUBLIC COMMENTS
Ezra Kaufman, District Resident provided an overview of his complaint concerning what he considers as the lessee noncompliance to capital Improvements that should have been made in the first three years of the lessor's agreement. Mr. Kaufman explained that when he requested Staff and Legal Counsel try to resolve the matter, he received the capital improvements list that do not specifically breakout the projects from 1997-2000. Mr. Kaufman requested the legal basis for the claim of noncompliance stating that the response has no legal basis for such a claim. Mr. Kaufman further requested that the Board refer the matter to outside counsel.

Herb K. Schultz, CEO explained a series of email communication between the CEO and Mr. Kaufman in coordination with Legal Counsel concerning District compliance. Additionally, Mr. Schultz acknowledged that the District conducted an exhaustive search of its records and did not locate a copy of the list of capital projects. Staff also inquired with Tenet and their legal advisors to search their records and Tenet was unable to provide any documentation. Mr. Kaufman was given copies of the detailed capital investment expenditures of over $70M during the last 20 years.

CONSENT AGENDA
Submitted for approval:
1. BOARD MINUTES
   a. Meeting of July 25, 2017
   b. Special Board Meeting of August 9, 2017
   c. Special Board Meeting of August 17, 2017

#17-88 MOTION WAS MADE by Director Zendle and seconded by Director Wortham to approve the Consent Agenda pulling the August 9, 2017 Minutes.
Motion passed unanimously.

Roll Call Vote:
AYES 5 Director Zendle; Director Wortham; Director Matthews; Vice-President Hazen; President Rogers

NOES: 0
ABSTAIN:
ABSENT:
Motion Passed 5-0

#17-89 MOTION WAS MADE by Director Zendle and seconded by Director Matthews to approve the August 9, 2017 Minutes with a request by Director Zendle to correct – pages 18-20 removing a typo for 5 as an absent vote. All votes were unanimous.
Motion passed unanimously

Roll Call Vote:
AYES 5 Director Zendle; Director Wortham; Director Matthews;

Vice-President Hazen; President Rogers

NOES: 0
ABSTAIN:
ABSENT:
Motion Passed 5-0

#17-90 MOTION WAS MADE by Director Zendle and seconded by President Rogers to approve the July - August 2017 Financial Statements and Cure Cardiovascular Consultants Sublease Agreement with Dr. Bernstein.
Motion passed unanimously.

Roll Call Vote:
AYES 5 Director Zendle; Director Wortham; Director Matthews;
Vice-President Hazen; President Rogers

NOES: 0
ABSTAIN:
ABSENT:
Motion Passed 5-0

DESERT HEALTHCARE DISTRICT CEO REPORT

1. Little Hoover Commission Report on Healthcare and Special Districts.
2. Association of Healthcare Districts, California Special Districts Association, and District Hospital Leadership Forum Efforts to Update Governing Statues.
3. Repeal/Replace Affordable Care Act (ACA).

Herb K. Schultz, CEO explained that the Chief Operating Officer and Communications & Marketing Director interviews are underway consistent with the Three-Year Strategic Plan. An RFP will be created and the rollover amount from last year's budget will be applied to the marketing of cvHIP and redesign of the website. Mr. Schultz outlined the Little Hoover Commission Report which concentrates on transparency and accountability of overall Districts and specifically Healthcare Districts as a representative on the Association of Healthcare District Healthcare Districts Law Subcommittee. Mr. Schultz provided an overview of the Graham-Cassidy American Healthcare Act (AHA) in opposition to the current Affordable Care Act (ACA). Other highlights included Ready Set Swim's new program for persons living with disabilities, and co-branding with Desert Regional Medical Center the Covered California Bus Tour stop on November 2 - weeks in advance of enrollment.

DESERT REGIONAL MEDICAL CENTER CEO REPORT

- Kenneth Sutherland, Senior Vice President Construction and Design, Tenet Health outlined his presentation on Desert Regional Medical Center's Seismic Status.
- Vice-President Hazen inquired if the Non-Structural Performance Category - NPC-5 and the 72-hour emergency water and sewer storage capacity by the 2030 requirement applies to

all existing or new buildings. Mr. Sutherland explained that the provision applies to any buildings operating beyond 2030.

- Vice-President Hazen inquired on the current status of all of the buildings and if Tenet is working on a plan of corrective action. Mr. Sutherland explained that there are 22 buildings with separate ratings illustrated on the presentation with the regulatory area seismic OSHPD noncompliant requirements. NPC-3, NPC-4 and NPC-5 categories must be compliant by 2030, and no plan is currently in place to make the corrections.
- Michele Finney detailed the services and allowable usages located in the East Tower – a 4-story building that will be difficult to keep operational and perform the seismic upgrades further explaining that the seismic upgrading is driven by outpatient services and patients are not allowed to reside in a noncompliant seismic area.
- President Rogers inquired on anticipated increase or decrease in utilization and whether there is a timeline for a plan of development. Ms. Finney explained that with the current onboarding and the new strategic plan a new set of analytics is in-progress.
- Director Wortham inquired on the length of time for displacement. Mr. Sutherland stated with the full seismic upgrades the Tower would be out of service for 12 to 18 months.
- Director Zendle expressed optimism that Desert Regional Medical Center will exam the needs for psychiatric beds throughout the Valley.
- Director Matthews inquired if the NPC-5 - 72-hour emergency water and sewer storage capabilities are planned in the 12-18 months seismic upgrades plan. Mr. Sutherland explained that the NPC-5 water and sewage would be included in the plan.
- Director Wortham questioned whether upgrades would require a stoppage of services. Mr. Sutherland explained that there would be a limited shutdown and a buildout at an adjacent building – all preplanned work.
- Director Hazen requested the Board provide Staff direction to work on the cost estimates and distinct options that are incorporated into the work of consultants Kaufman Hall for a sizeable facility plan.
- Michele Finney, CEO, Desert Regional Medical Center (DRMC) reported that on September 7, notification was provided indicating that during the time the permanent transformer was rebuilt by Southern California Edison (SCE), the temporary transformer supplied by SCE failed. As a result of the outage, DRMC's three separate emergency generators were activated. Ms. Finney further explained a switch tripped when the transformer failed, resulting in temporary loss of power to the East Tower for approximately 10 minutes with no patient outcome concerns. The air handlers also went offline that provides cooling throughout the building. The appropriate notifications were provided to OSHPD, CDPH, and Riverside Emergency Services Command Center with DRMC placed on internal triage. DRMC was previously in the planning phase with SCE to install the new transformer that was locally delivered. SCE began installing the new transformer at approximately 3 a.m. the same day of the outage with completion on Saturday for full power restoration. While the power was restored, inclement weather resulted in water damage to the basement – a nonpatient area with Business Office personnel. The Business Office was temporarily relocated under the direction of Ashley Vertuno, HICS Trained On-Call Administrator, and the Business Office will eventually permanently relocate to the El Mirador building. A restoration company was immediately contacted for remediation of the basement. Due to the inclement weather, the sump pumps were not strong enough to withhold severe

weather, but are now functional. Additional updates from Ms. Finney included the laboratory full day 3-year inspection for laboratory standards with a recommendation to the facility for continued accreditation and other accolades of obstetrics and the residency program. 31 additional critical care beds were purchased and are currently in service; on 09/28, the facility started the replacement of an Interventional radiology room; on 10/08, the Sinatra 1 elevator replacement will commence requiring 12-18 weeks of completion with the Sinatra 5 elevator beginning thereafter. Lastly, in early November the duct cleaning project will be completed.

PUBLIC COMMENTS

Ezra Kauffman, District Resident, inquired on the most recent testing of the emergency power due to partial failure. Michele Finney, CEO, Desert Regional Medical Center explained that the hospital is under regulations to test the generators at regular intervals – once per week; however, Ms. Finney will verify. The ranges for full load tests are designed to ensure that the generators are functioning properly. Both generators operated appropriately during the power failure. Transformers feed electricity to the building, and emergency generators pick up the load in the result of a transformer failure. Mr. Kauffman questioned where the failure was in the system with Ms. Finney once more explaining the failure of the system was due to the SCE transformer.

DESERT REGIONAL MEDICAL CENTER GOVERNING BOARD OF DIRECTORS REPORT

- President Rogers explained that Director Zendle was unable to attend the last meeting and Michele Finney, CEO, Desert Regional Medical Center covered most of the activity. Ms. Rogers explained that other capital projects are in-progress with the fire sprinkler project completed in Dec. 2018. Due to criminal activity, the hospital received a bid and submitted a letter requesting the city council approve on-site law enforcement.

INFORMATIONAL ITEMS

None

COMMITTEE REPORTS

1. PROGRAM COMMITTEE – No September Meeting

2. FINANCE, ADMINISTRATION, REAL ESTATE, AND LEGAL COMMITTEE - Director Matthews
   a. Draft Minutes of September 12, 2017
   b. CFO Report & Las Palmas Leasing Update
   c. Investment Report – Highmark Capital Management

   Director Matthews explained the details of the September 12 Meeting, Minutes, CFO Report, LPMP lease update, and the Highmark Capital Management Investment Report.

3. HOSPITAL GOVERNANCE AND OVERSIGHT COMMITTEE
   Director Zendle explained that the last meeting was held on July 24. The Committee is working with the impending hospital inspection and Herb K. Schultz, CEO is in search of a consultant to

assist with the inspection. Two organizations have been identified for recommendations to the Committee.

4. AD HOC COMMITTEE - NEW PROVIDERS, FACILITIES, PROGRAMS & SERVICES
Director Matthews provided an overview of the last Ad Hoc Committee and Herb K. Schultz, CEO stated that the Committee is continuing to work with Kaufman Hall consultants and Tenet on fact-finding for more information on the LAFCO process and progress.

OLD BUSINESS

West Valley Homelessness Initiative Update

- Donna Craig, Senior Program Officer, provided an overview of the West Valley Homelessness Initiative collective fund matches to the Navigation Plan to date and the two collaborative MOU's with Coachella Valley Association of Governments (CVAG) and the City of Palm Springs. The cities of Rancho Mirage and Indian Wells elected not to fund CVAG directly with Indian Wells voting to support Coachella Valley Rescue Mission. Rancho Mirage redirected their funds to Path of Life Ministries, the operators of the Navigation Program.
- Director Zendle inquired on the pending $206,000 set aside to match the cities of Rancho Mirage and Indian Wells. Mr. Schultz explained that Staff is brainstorming ideas for short and long-term matches from other cities.

Director Hazen exited the call at 3:20 p.m.

NEW BUSINESS

1. Grant #887 One Future Coachella Valley (formerly Coachella Valley Economic Development) – *Mental Health Career Pathways* – Consideration to approve a 12-month no cost grant extension through September 30, 2018.

   Donna Craig, Senior Program Officer explained the Coachella Valley Economic Development 12 month no cost grant extension through September 30, 2018.

   Kim McNulty, Vice President explained the program, the positive aspects of the program, and the group leader's mental health nurse practitioner program.

   #17-91 MOTION WAS MADE by Director Zendle and seconded by Director Matthews to approve Grant #887 One Future Coachella Valley (formerly Coachella Valley Economic Development) – *Mental Health Career Pathways* 12-month no cost grant extension through September 30, 2018.
   Motion passed unanimously.

   Roll Call Vote:
   AYES 4 Director Zendle; Director Wortham; Director Matthews; President Rogers

   NOES: 0

ABSTAIN:
ABSENT: 1 Vice-President Hazen
Motion Passed 4-0

2. Grant #947 Coachella Valley Volunteers in Medicine – *Primary Healthcare & Support Services to District Residents* – Consideration to approve the amount of $121,500.

   Donna Craig, Senior Program Officer provided an explanation and overview of Volunteers in Medicine Primary Healthcare & Support Services to District Resident grant.

   #17-92 MOTION WAS MADE by Director Matthews and seconded by Director Wortham to approve Grant #947 Coachella Valley Volunteers in Medicine – ***Primary Healthcare & Support Services to District Residents*** **in the amount of $121,500**
   Motion passed unanimously.

   Roll Call Vote:
   AYES 4 Director Zendle; Director Wortham; Director Matthews; President Rogers

   NOES: 0
   ABSTAIN:
   ABSENT: 1 Vice-President Hazen
   Motion Passed 4-0

3. Grant #948 Pegasus Hippo Therapy – *Equine Therapy for District Residents – All Ages, All Disabilities:* $93,829.

   Donna Craig, Senior Program Officer, provided an overview of Pegasus Hippo Therapy and introduced Robin Montgomery, Executive Director, and Chase Berke, COO, Operations presented a short presentation with a summary of the program.

   #17-93 MOTION WAS MADE by Director Zendle and seconded by President Rogers to approve Grant #948 Pegasus Hippo Therapy – ***Equine Therapy for District Residents – All Ages, All Disabilities*** **in the amount of $93,829.**
   Motion passed unanimously.

   Roll Call Vote:
   AYES 4 Director Zendle; Director Wortham; Director Matthews; President Rogers

   NOES: 0
   ABSTAIN:
   ABSENT: 1 Vice-President Hazen
   Motion Passed 4-0

LEGAL COUNSEL COMMENTS & REPORTS
Jeff Scott, Legal Counsel, reported on two bills of interest for the 2017 session. Attorney Scott noted that last week SB 522 (Glazer) was gutted and amended to dissolve the Board of Directors of the Contra Costa Healthcare District and have the Contra Costa Board of Supervisors assign a new Board. The bill includes some finings and declarations which explain the need for the bill, and it illustrates the swift and dramatic power of the legislature. The other bill SB 496 (Cannella) was passed and signed earlier this year by the Governor. The bill provides that design professionals (architects and engineers) in public construction contracts have no duty to defend claims against public agencies, even in cases where the design professionals are at fault. The author of the bill was the only Republican to vote for the gas tax bill. The Governor and the majority party needed his vote to pass the bill.

DIRECTORS' COMMENTS & REPORTS
President Rogers provided a report on the Association of California Healthcare District Annual Conference that included lessons learned, Little Hoover Commission recommendations, recent legislation, and a website link for the California Hospital Association Behavioral Health Care Symposium, and an overview of acute care inpatient psychiatric bed distribution.

ADJOURNMENT TO DESERT HEALTHCARE FOUNDATION BOARD OF DIRECTORS MEETING – 3:46 P.M.

ADJOURNMENT TO EXECUTIVE SESSION – 4:19 P.M.

RECESSED TO EXECUTIVE SESSION

CONVENE TO CLOSED SESSION OF THE DESERT HEALTHCARE DISTRICT BOARD OF DIRECTORS

REPORT AFTER CLOSED SESSION
The Board in closed session took unanimous action to direct Counsel to work with the Ad Hoc CEO Contract Committee to prepare a new Employment Contract to be brought to the full Board for consideration at the next regular meeting.

ADJOURNMENT
The meeting adjourned at 5:17 p.m.

ATTEST: ____

Carole Rogers, President
Desert Healthcare District Board of Directors

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

DESERT HEALTHCARE DISTRICT
SEPTEMBER 2017 FINANCIAL STATEMENTS
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DESERT HEALTHCARE DISTRICT
YEAR TO DATE VARIANCE ANALYSIS
ACTUAL VS BUDGET
THREE MONTHS ENDED SEPTEMBER 30, 2017

Scope: $25,000 Variance per Statement of Operations Summary

	YTD		Over(Under)	
Account	Actual	Budget	Budget	Explanation
4000 - Income	$ 1,987,154	$ 1,944,924	$ **42,230**	Higher interest income from FRF investments $47K, lower NEOPB Grant Income $5k.
6500 - Professional Fees Expense	$ 195,177	$ 119,118	$ **76,059**	Consultant for New Providers, Facilities, Programs and Services $154,000 to date.
7000 - Grants Expense	$ 1,031,209	$ 1,205,001	$ **(173,792)**	Budget of $4.5MM for fiscal year is amortized straight-line over the fiscal year. $1MM is for Pulmonary.
9999-1 Unrealized loss on invest	$ 213,023	$ 375,000	$ **(161,977)**	Continuing market price fluctuations for fixed income investments - Treasury's and Agency Bonds.

Desert Healthcare District

Cumulative Profit & Loss Budget vs. Actual

July through September 2017

	MONTH			TOTAL		
	Sep 17	Budget	$ Over Budget	Jul - Sep 17	Budget	$ Over Budget
Income						
4000 · Income	602,428	648,308	(45,880)	1,987,154	1,944,924	42,230
4500 · LPMP Income	90,967	97,931	(6,964)	273,361	293,791	(20,430)
4501 · Miscellaneous Income	750	6,250	(5,500)	24,440	18,750	5,690
Total Income	694,145	752,489	(58,344)	2,284,955	2,257,465	27,490
Expense						
5000 · Direct Expenses	27,477	42,285	(14,808)	102,050	126,855	(24,805)
6000 · General & Administrative Exp	35,389	37,411	(2,022)	109,300	112,233	(2,933)
6325 · CEO Discretionary Fund	2,499	417	2,082	2,499	1,251	1,248
6445 · LPMP Expenses	70,702	79,514	(8,812)	219,814	238,542	(18,728)
6500 · Professional Fees Expense	92,190	39,706	52,484	195,177	119,118	76,059
6700 · Trust Expenses	20,406	21,154	(748)	61,721	63,462	(1,741)
Total Expense Before Grants and Unrealized Loss	248,663	220,487	28,176	690,561	661,461	29,100
7000 · Grants Expense	244,292	401,667	(157,375)	1,031,209	1,205,001	(173,792)
9999-1 · Unrealized (gain)loss on invest	239,421	125,000	114,421	213,023	375,000	(161,977)
Net Income	**(38,231)**	**5,335**	**(43,566)**	**350,162**	**16,003**	**334,159**

Desert Healthcare District

Cumulative Profit & Loss Budget vs. Actual

July through September 2017

	MONTH			TOTAL		
	Sep 17	Budget	$ Over Budget	Jul - Sep 17	Budget	$ Over Budget
Income						
4000 · Income						
4010 · Property Tax Revenues	524,141	524,141	0	1,572,423	1,572,423	0
4200 · Interest Income	62,575	112,500	(49,925)	384,717	337,500	47,217
4300 · DHC Recoveries	1,749	1,666	83	5,247	4,998	249
4400 · Grant Income	13,963	10,000	3,963	24,766	30,000	(5,234)
Total 4000 · Income	602,428	648,307	(45,879)	1,987,153	1,944,921	42,232
4500 · LPMP Income	90,967	97,931	(6,964)	273,362	293,793	(20,431)
4501 · Miscellaneous Income	750	6,250	(5,500)	24,440	18,750	5,690
Total Income	694,145	752,488	(58,343)	2,284,955	2,257,464	27,491
Expense						
5000 · Direct Expenses						
5100 · Administration Expense						
5110 · Wages Expense	44,235	70,981	(26,746)	140,806	212,943	(72,137)
5111 · Allocation to LPMP - Payroll	(3,658)	(3,658)		(10,974)	(10,974)	
5112 · Vacation/Sick/Holiday Expense	7,717	6,923	794	21,747	20,769	978
5114 · Allocation to Foundation	(26,563)	(51,096)	24,533	(79,689)	(153,288)	73,599
5115 · Allocation to NEOPB	(10,078)	(10,424)	346	(17,911)	(31,272)	13,361
5119 · Allocation to RSS/CVHIP-DHCF	(5,111)	(2,718)	(2,393)	(15,102)	(8,154)	(6,948)
5120 · Payroll Tax Expense	3,015	5,430	(2,415)	10,519	16,290	(5,771)
5130 · Health Insurance Expense						
5131 · Premiums Expense	7,242	10,886	(3,644)	21,744	32,658	(10,914)
5135 · Reimb./Co-Payments Expense	155	2,839	(2,684)	453	8,517	(8,064)
Total 5130 · Health Insurance Expense	7,397	13,725	(6,328)	22,197	41,175	(18,978)
5140 · Workers Comp. Expense	2,235	745	1,490	2,235	2,235	0
5145 · Retirement Plan Expense	3,582	5,749	(2,167)	10,453	17,247	(6,794)
5160 · Education Expense		292	(292)	194	876	(682)
Total 5100 · Administration Expense	22,771	35,949	(13,178)	84,475	107,847	(23,372)
5200 · Board Expenses						
5210 · Healthcare Benefits Expense						
5211 · Health Insurance Expense	3,330	4,055	(725)	9,990	12,165	(2,175)
5219 · Reimbursements/Co-Payments Exp			0	1,771		1,771
5224 · Retired Board - Medical Expense	1,237	1,237	0	3,711	3,711	0
Total 5210 · Healthcare Benefits Expense	4,567	5,292	(725)	15,472	15,876	(404)
5230 · Meeting Expense	136	667	(531)	1,914	2,001	(87)
5240 · Catering Expense		333	(333)	185	999	(814)
5250 · Mileage Reimbursment Expense		42	(42)		126	(126)

Desert Healthcare District

Cumulative Profit & Loss Budget vs. Actual

July through September 2017

	MONTH			TOTAL		
	Sep 17	Budget	$ Over Budget	Jul - Sep 17	Budget	$ Over Budget
Total 5200 · Board Expenses	4,703	6,334	(1,631)	17,571	19,002	(1,431)
Total 5000 · Direct Expenses	27,474	42,283	(14,809)	102,046	126,849	(24,803)
6000 · General & Administrative Exp						
6110 · Payroll fees Expense	145	229	(84)	435	687	(252)
6120 · Bank and Investment Fees Exp	9,914	9,333	581	29,848	27,999	1,849
6125 · Depreciation Expense	1,153	1,181	(28)	3,459	3,543	(84)
6126 · Depreciation-Solar Parking lot	15,072	15,072	0	45,216	45,216	0
6130 · Dues and Membership Expense	1,138	2,275	(1,137)	3,264	6,825	(3,561)
6200 · Insurance Expense	945	700	245	2,835	2,100	735
6300 · Minor Equipment Expense		42	(42)		126	(126)
6305 · Auto Allowance & Mileage Exp	462	500	(38)	1,386	1,500	(114)
6306 · Staff- Auto Mileage reimb	12	104	(92)	539	312	227
6309 · Personnel Expense		104	(104)		312	(312)
6310 · Miscellaneous Expense		42	(42)		126	(126)
6311 · Cell Phone Expense	621	540	81	1,715	1,620	95
6312 · Wellness Park Expenses		208	(208)		624	(624)
6315 · Security Monitoring Expense		38	(38)	989	114	875
6340 · Postage Expense		542	(542)	479	1,626	(1,147)
6350 · Copier Rental/Fees Expense	392	458	(66)	1,212	1,374	(162)
6351 · Travel Expense	553	500	53	2,302	1,500	802
6352 · Meals & Entertainment Exp	610	333	277	983	999	(16)
6355 · Computer Services Expense	896	2,376	(1,480)	6,065	7,128	(1,063)
6360 · Supplies Expense	1,695	1,333	362	3,229	3,999	(770)
6380 · LAFCO Assessment Expense	1,783	1,500	283	5,349	4,500	849
Total 6000 · General & Administrative Exp	35,391	37,410	(2,019)	109,305	112,230	(2,925)
6325 · CEO Discretionary Fund	2,499	417	2,082	2,499	1,251	1,248
6445 · LPMP Expenses	70,703	79,512	(8,809)	219,816	238,536	(18,720)
6500 · Professional Fees Expense						
6516 · Professional Services Expense	77,501	25,750	51,751	153,351	77,250	76,101
6520 · Annual Audit Fee Expense	1,449	1,456	(7)	4,347	4,368	(21)
6530 · PR/Communications/Website		2,500	(2,500)	4,000	7,500	(3,500)
6560 · Legal Expense	13,240	10,000	3,240	33,480	30,000	3,480
Total 6500 · Professional Fees Expense	92,190	39,706	52,484	195,178	119,118	76,060
6700 · Trust Expenses						
6711 · Disability Admin. Fee Expense		537	(537)		1,611	(1,611)
6720 · Pension Plans Expense						
6721 · Legal Expense		208	(208)		624	(624)
6725 · RPP Pension Expense	20,000	20,000	0	60,000	60,000	0

Desert Healthcare District

Cumulative Profit & Loss Budget vs. Actual

July through September 2017

	MONTH			TOTAL		
	Sep 17	Budget	$ Over Budget	Jul - Sep 17	Budget	$ Over Budget
6728 · Pension Audit Fee Expense	406	408	(2)	1,721	1,224	497
Total 6720 · Pension Plans Expense	20,406	20,616	(210)	61,721	61,848	(127)
Total 6700 · Trust Expenses	20,406	21,153	(747)	61,721	63,459	(1,738)
Total Expense Before Grant Expense and Unrealized Loss	248,663	220,481	28,182	690,565	661,443	29,122
7000 · Grants Expense						
7010 · Major Grant Awards Expense	230,329	391,667	(161,338)	1,006,443	1,175,001	(168,558)
7027 · Grant Exp - NEOPB	13,963	10,000	3,963	24,766	30,000	(5,234)
Total 7000 · Grants Expense	244,292	401,667	(157,375)	1,031,209	1,205,001	(173,792)
9999-1 · Unrealized (gain)loss on invest	239,421	125,000	114,421	213,023	375,000	(161,977)
Net Income	**(38,231)**	**5,340**	**(43,571)**	**350,162**	**16,020**	**334,142**

Las Palmas Medical Plaza

Cumulative Profit & Loss Budget vs. Actual

July through September 2017

	MONTH			TOTAL		
	Sep 17	Budget	$ Over Budget	Jul - Sep 17	Budget	$ Over Budget
Income						
4500 · LPMP Income						
4505 · Rental Income	65,328	70,036	(4,708)	196,214	210,108	(13,894)
4510 · CAM Income	25,639	27,812	(2,173)	77,148	83,436	(6,288)
4513 · Misc. Income		83	(83)		249	(249)
4500 · LPMP Income	90,967	97,931	(6,964)	273,362	293,793	(20,431)
Expense						
6445 · LPMP Expenses						
6420 · Insurance Expense	1,100	1,000	100	3,300	3,000	300
6425 · Building - Depreciation Expense	22,923	22,923	0	68,769	68,769	0
6426 · Tenant Improvements -Dep Exp	14,044	14,853	(809)	42,132	44,559	(2,427)
6427 · HVAC Maintenance Expense	281	1,333	(1,052)	1,512	3,999	(2,487)
6428 · Roof Repairs Expense		208	(208)		624	(624)
6431 · Building -Interior Expense		208	(208)		624	(624)
6432 · Plumbing -Interior Expense		208	(208)		624	(624)
6433 · Plumbing -Exterior Expense		208	(208)		624	(624)
6434 · Allocation Internal Prop. Mgmt	3,658	3,658	0	10,974	10,974	0
6435 · Bank Charges	759	1,000	(241)	2,603	3,000	(397)
6437 · Utilities -Vacant Units Expense	91	333	(242)	230	999	(769)
6439 · Deferred Maintenance Repairs Ex	375	1,042	(667)	375	3,126	(2,751)
6440 · Professional Fees Expense	10,117	10,167	(50)	30,351	30,501	(150)
6441 · Legal Expense		83	(83)		249	(249)
6458 · Elevators - R & M Expense	1,449	917	532	3,107	2,751	356
6460 · Exterminating Service Expense	180	208	(28)	540	624	(84)
6463 · Landscaping Expense	1,250	1,250	0	9,436	3,750	5,686
6467 · Lighting Expense		500	(500)		1,500	(1,500)
6468 · General Maintenance Expense		83	(83)		249	(249)
6470 · Maint. / Janitorial Service Exp		417	(417)		1,251	(1,251)
6471 · Marketing-Advertising		1,458	(1,458)		4,374	(4,374)
6475 · Property Taxes Expense	6,000	6,000	0	18,000	18,000	0
6476 · Signage Expense		250	(250)		750	(750)
6480 · Rubbish Removal Medical Waste E	1,327	1,400	(73)	2,652	4,200	(1,548)
6481 · Rubbish Removal Expense	2,123	2,039	84	6,369	6,117	252
6482 · Utilities/Electricity/Exterior	(1,362)	833	(2,195)	433	2,499	(2,066)
6484 · Utilties - Water (Exterior)	551	583	(32)	1,664	1,749	(85)
6485 · Security Expenses	5,837	6,250	(413)	17,369	18,750	(1,381)
6490 · Miscellaneous Expense		100	(100)		300	(300)
6445 · LPMP Expenses	70,703	79,512	(8,809)	219,816	238,536	(18,720)
Net Income	**20,264**	**18,419**	**1,845**	**53,546**	**55,257**	**(1,711)**

Desert Healthcare District
Balance Sheet
As of September 30, 2017

	Sep 30, 17
ASSETS	
Current Assets	
Checking/Savings	
1000 · CHECKING CASH ACCOUNTS	941,374
1100 · INVESTMENT ACCOUNTS	54,487,497
Total Checking/Savings	55,428,870
Accounts Receivable	98,732
Other Current Assets	
1270 · Prepaid Insurance -Ongoing	31,029
1279 · Pre-Paid Fees	36,917
1281 · NEOPB Receivable	40,785
1295 · Property Tax Receivable	1,450,366
Total Other Current Assets	1,559,096
Total Current Assets	57,086,698
Fixed Assets	
1300 · FIXED ASSETS	4,888,729
1335-00 · ACC DEPR	(1,433,820)
1400 · LPMP Assets	7,514,499
Total Fixed Assets	10,969,409
Other Assets	
1700 · OTHER ASSETS	2,928,331
TOTAL ASSETS	**70,984,438**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	78,922
2001 · LPMP Accounts Payable	44,590
Total Accounts Payable	123,512
Other Current Liabilities	
2002 · LPMP Property Taxes	18,000
2131 · Grant Awards Payable	2,119,693
2133 · Accrued Accounts Payable	139,550
2141 · Accrued Vacation Time	22,125
2142 · Accrued Sick Time	32,531
2155 · Grant Payable - NEOPB	7,152
2186 · Retired BOD Medical - Current	18,935
2188 · Current Portion - LTD	14,803

Desert Healthcare District
Balance Sheet
As of September 30, 2017

	Sep 30, 17
2190 · Investment Fees Payable	26,532
Total Other Current Liabilities	2,399,321
Total Current Liabilities	2,522,833
Long Term Liabilities	
2170 · RPP - Pension Liability	2,943,995
2171 · RPP-Deferred Inflows-Resources	3,242,061
2280 · Long-Term Disability	58,514
2281 · Grants Payable - Long-term	10,455,641
2286 · Retirement BOD Medical Liabilit	75,961
2290 · LPMP Security Deposits	58,517
Total Long Term Liabilities	16,834,689
Total Liabilities	19,357,522
Equity	
3900 · *Retained Earnings	51,276,754
Net Income	350,162
Total Equity	51,626,916
TOTAL LIABILITIES & EQUITY	**70,984,438**

Desert Healthcare District
Balance Sheet
As of September 30, 2017

	Sep 30, 17
ASSETS	
Current Assets	
Checking/Savings	
1000 · CHECKING CASH ACCOUNTS	
1010 · Union Bank - Checking	634,383
1046 · Las Palmas Medical Plaza	306,491
1047 · Petty Cash	500
Total 1000 · CHECKING CASH ACCOUNTS	941,374
1100 · INVESTMENT ACCOUNTS	
1130 · Facility Replacement Fund	
1129 · F R Fund - Restricted-Pulmonary	1,000,000
1130 · Facility Replacement Fund - Other	54,592,860
Total 1130 · Facility Replacement Fund	55,592,860
1135 · Unrealized Gain(Loss) FRF	(1,105,363)
Total 1100 · INVESTMENT ACCOUNTS	54,487,497
Total Checking/Savings	55,428,870
Accounts Receivable	
1201 · Accounts Receivable	
1204 · LPMP Accounts Receivable	(13,639)
1205 · Misc. Accounts Receivable	10,633
1211 · A-R Foundation - Exp Allocation	101,738
Total Accounts Receivable	98,732
Other Current Assets	
1270 · Prepaid Insurance -Ongoing	31,029
1279 · Pre-Paid Fees	36,917
1281 · NEOPB Receivable	40,785
1295 · Property Tax Receivable	1,450,366
Total Other Current Assets	1,559,096
Total Current Assets	57,086,698
Fixed Assets	
1300 · FIXED ASSETS	
1310 · Computer Equipment	75,769
1315 · Computer Software	68,770
1320 · Furniture and Fixtures	27,085
1325 · Offsite Improvements	300,849
1331 · DRMC - Parking lot	4,416,257
Total 1300 · FIXED ASSETS	4,888,729
1335-00 · ACC DEPR	

Desert Healthcare District
Balance Sheet
As of September 30, 2017

	Sep 30, 17
1335 · Accumulated Depreciation	(184,157)
1336 · Acc. Software Depreciation	(66,555)
1337 · Accum Deprec- Solar Parking Lot	(1,100,427)
1338 · Accum Deprec - LPMP Parking Lot	(82,681)
Total 1335-00 · ACC DEPR	(1,433,820)
1400 · LPMP Assets	
1401 · Building	8,705,680
1402 · Land	2,165,300
1403 · Tenant Improvements -New	1,995,325
1404 · Tenant Improvements - CIP	129,550
1406 · Building Improvements	
1406.1 · LPMP-Replace Parking Lot	676,484
1406 · Building Improvements - Other	1,364,337
Total 1406 · Building Improvements	2,040,821
1407 · Building Equipment Improvements	350,663
1409 · Accumulated Depreciation	
1410 · Accum. Depreciation	(6,764,449)
1412 · T I Accumulated Dep.-New	(1,108,390)
Total 1409 · Accumulated Depreciation	(7,872,839)
Total 1400 · LPMP Assets	7,514,499
Total Fixed Assets	10,969,409
Other Assets	
1700 · OTHER ASSETS	
1731 · Wellness Park	1,693,800
1740 · RPP-Deferred Outflows-Resources	1,234,531
Total Other Assets	2,928,331
TOTAL ASSETS	70,984,438
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	78,922
2001 · LPMP Accounts Payable	44,590
Total Accounts Payable	123,512
Other Current Liabilities	
2002 · LPMP Property Taxes	18,000
2131 · Grant Awards Payable	2,119,693
2133 · Accrued Accounts Payable	139,550

Desert Healthcare District
Balance Sheet
As of September 30, 2017

	Sep 30, 17
2141 · Accrued Vacation Time	22,125
2142 · Accrued Sick Time	32,531
2155 · Grant Payable - NEOPB	7,152
2186 · Retired BOD Medical - Current	18,935
2188 · Current Portion - LTD	14,803
2190 · Investment Fees Payable	26,532
Total Other Current Liabilities	2,399,321
Total Current Liabilities	2,522,833
Long Term Liabilities	
2170 · RPP - Pension Liability	2,943,995
2171 · RPP-Deferred Inflows-Resources	3,242,061
2280 · Long-Term Disability	58,514
2281 · Grants Payable - Long-term	10,455,641
2286 · Retirement BOD Medical Liabilit	75,961
2290 · LPMP Security Deposits	58,517
Total Long Term Liabilities	16,834,689
Total Liabilities	19,357,522
Equity	
3900 · *Retained Earnings	51,276,754
Net Income	350,162
Total Equity	51,626,916
TOTAL LIABILITIES & EQUITY	**70,984,438**

Desert Healthcare District
A/R Aging Summary
As of September 30, 2017

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL	Comments
Cohen Musch Thomas Medical Group	-	(6,660)	-	-	-	(6,660)	Prepaid
Desert Family Medical Center	-	(3,395)	-	-	-	(3,395)	Prepaid
Desert Healthcare Foundation-	31,674	31,861	-	31,256	6,948	101,738	Due from Foundation
Desert Oasis Healthcare Medical Group	-	(1,933)	-	-	-	(1,933)	Prepaid
Desert Regional Medical Center	-	2,968	-	-	-	2,968	Current
Kay Hazen-	2,383	-	-	-	-	2,383	Current
Laboratory Corporation of America	-	(4,620)	-	-	-	(4,620)	Prepaid
Sovereign	750	750	-	750	6,000	8,250	Slow Pay
TOTAL	34,807	18,972	-	32,006	12,948	98,732	

Desert Healthcare District
Deposit Detail
September 2017

Type	Date	Name	Amount
Deposit	**09/05/2017**		**1,749**
		T-Mobile	(1,749)
TOTAL			(1,749)
Deposit	**09/21/2017**		**100**
		ACHD	(100)
TOTAL			(100)
Deposit	**09/29/2017**		**149,702**
		Riverside County Treasurer-	(149,702)
TOTAL			(149,702)
		Total Deposits	**149,702**

DESERT HEALTHCARE DISTRICT
PROPERTY TAX RECEIPTS FY 2017 - 2018
RECEIPTS - TWELVE MONTHS ENDED JUNE 30, 2018

	FY 2017-2018 Projected/Actual					FY 2016-2017 Projected/Actual				
	Budget %	Budget $	Act %	Actual Receipts	Variance	Budget %	Budget $	Act %	Actual Receipts	Variance
July	2.5%	$ 152,663	1.3%	$ 79,912	$ (72,750)	2.5%	$ 157,242	1.7%	$ 107,591	$ (49,652)
Aug	1.6%	$ 97,704	1.7%	$ 101,498	$ 3,794	1.6%	$ 100,635	1.2%	$ 76,625	$ (24,010)
Sep	2.6%	$ 158,769	2.4%	$ 147,194	$ (11,575)	2.6%	$ 163,532	2.4%	$ 149,702	$ (13,830)
Oct	0.0%	$ -	0.0%	$ -	$ -	0.0%	$ -	0.0%		
Nov	0.4%	$ 24,426	0.0%	$ 2,455	$ (21,971)	0.4%	$ 25,159	0.0%		
Dec	16.9%	$ 1,031,999	17.6%	$ 1,075,328	$ 43,330	16.9%	$ 1,062,958	0.0%		
Jan	31.9%	$ 1,947,974	33.0%	$ 2,014,083	$ 66,110	31.9%	$ 2,006,413	0.0%		
Feb	0.0%	$ -	0.8%	$ 50,338	$ 50,338	0.0%	$ -	0.0%		
Mar	0.3%	$ 18,320	0.2%	$ 11,638	$ (6,681)	0.3%	$ 18,869	0.0%		
Apr	5.5%	$ 335,858	5.8%	$ 356,027	$ 20,169	5.5%	$ 345,933	0.0%		
May	19.9%	$ 1,215,194	19.9%	$ 1,215,601	$ 408	19.9%	$ 1,251,649	0.0%		
June	18.4%	$ 1,123,596	16.8%	$ 1,025,799	$ (97,797)	18.4%	$ 1,157,304	0.0%		
Total	**100%**	**$ 6,106,500**	**99.6%**	**$ 6,079,874**	**$ (26,626)**	**100.00%**	**$ 6,289,695**	**5.3%**	**$ 333,917**	**$ (87,492)**

Las Palmas Medical Plaza
Deposit Detail - LPMP
September 2017

Type	Date	Name	Amount
Deposit	**09/06/2017**		**13,997**
Payment	09/06/2017	Derakhsh Fozouni, M.D.	-4,215
Payment	09/06/2017	Derakhsh Fozouni, MD -	-1,434
Payment	09/06/2017	Aijaz Hashmi, M.D., Inc.	-2,656
Payment	09/06/2017	Brad A. Wolfson, M.D.	-3,286
Payment	09/06/2017	Ramy Awad, M.D.	-2,406
TOTAL			-13,997
Deposit	**09/21/2017**		**71,006**
		Palmtree Clinical Research	-4,350
Payment	09/21/2017	Steven Gundry, M.D.	-5,190
Payment	09/21/2017	Pathway Pharmaceuticals,Inc.	-2,162
Payment	09/21/2017	West Pacific Medical Laboratory	-1,889
Payment	09/21/2017	Milauskas Eye Institute Medical Group	-5,862
Payment	09/21/2017	Peter Jamieson, M.D.	-2,844
Payment	09/21/2017	Dennis Spurgin, D.C.	-2,656
Payment	09/21/2017	Tenet HealthSystem Desert, Inc	-5,265
Payment	09/21/2017	Tenet HealthSystem Desert, Inc.	-26,646
Payment	09/21/2017	Desert Regional Medical Center	-4,658
Payment	09/21/2017	Cure Cardiovascular Consultants	-2,752
Payment	09/21/2017	Cohen Musch Thomas Medical Group	-3,365
Payment	09/21/2017	Cohen Musch Thomas Medical Group	-3,365
TOTAL			-71,006
Deposit	**09/21/2017**		**4,620**
Payment	09/21/2017	Laboratory Corporation of America	-4,620
TOTAL			-4,620
Deposit	**09/29/2017**		**8,693**
Payment	09/29/2017	Desert Family Medical Center	-3,395
Payment	09/29/2017	Desert Oasis Healthcare Medical Group	-1,933
Payment	09/29/2017	Cohen Musch Thomas Medical Group	-3,365
TOTAL			-8,693
		Total Deposits	**98,316**

Desert Healthcare District
Check Register
As of September 30, 2017

Type	Date	Num	Name	Amount
1000 · CHECKING CASH ACCOUNTS				
1010 · Union Bank - Checking				
Bill Pmt -Check	09/01/2017	14604	Donna Den Bleyker.	(131)
Bill Pmt -Check	09/01/2017	14605	So.Cal Computer Shop	(550)
Bill Pmt -Check	09/01/2017	14606	Underground Service Alert of Southern Cal	(13)
Liability Check	09/07/2017		QuickBooks Payroll Service	(23,408)
Liability Check	09/07/2017		QuickBooks Payroll Service	(1,243)
Bill Pmt -Check	09/08/2017	14608	Anthem Blue Cross	(105)
Bill Pmt -Check	09/08/2017	14609	Blackbaud, Inc.	(183)
Bill Pmt -Check	09/08/2017	14610	Brian Wachs, CPA	(500)
Bill Pmt -Check	09/08/2017	14611	Burke Consulting	(2,000)
Bill Pmt -Check	09/08/2017	14612	Law Offices of Scott & Jackson	(10,100)
Bill Pmt -Check	09/08/2017	14613	The Nyhart Company	(5,796)
Bill Pmt -Check	09/08/2017	14614	Xerox Financial Services	(392)
General Journal	09/11/2017	03-01	401a payment - 09/08/17 payroll	(1,791)
General Journal	09/11/2017	03-01	457b payment - 09/08/17 payroll	(3,131)
Bill Pmt -Check	09/12/2017	14615	Find Food Bank, Inc.	(39,015)
Bill Pmt -Check	09/12/2017	14616	Variety of the Desert	(5,000)
Bill Pmt -Check	09/12/2017	14617	KaufmanHall	(76,958)
Bill Pmt -Check	09/20/2017	14618	Act for MS	(82,851)
Bill Pmt -Check	09/20/2017	14619	Alejandro Espinoza-	(293)
Bill Pmt -Check	09/20/2017	14620	Calif. Public Employees'Retirement System	(10,205)
Bill Pmt -Check	09/20/2017	14621	Coachella Valley Economic Partnership	(25,000)
Bill Pmt -Check	09/20/2017	14622	CoPower Employers' Benefits Alliance	(1,684)
Bill Pmt -Check	09/20/2017	14623	First Bankcard (Union Bank)	(2,341)
Bill Pmt -Check	09/20/2017	14624	Frazier Pest Control, Inc.	(30)
Bill Pmt -Check	09/20/2017	14625	Hanson House Foundation	(5,000)
Bill Pmt -Check	09/20/2017	14626	Law Offices of Scott & Jackson	(13,240)
Bill Pmt -Check	09/20/2017	14627	Reynaldo J. Carreón M.D. Foundation	(5,000)
Bill Pmt -Check	09/20/2017	14628	Staples Credit Plan	(937)
Bill Pmt -Check	09/20/2017	14629	State Compensation Insurance Fund	(2,235)
Liability Check	09/21/2017		QuickBooks Payroll Service	(1,185)
Liability Check	09/21/2017		QuickBooks Payroll Service	(23,321)
General Journal	09/25/2017	03-03	401a payment - 09/22/17 payroll	(1,792)
General Journal	09/25/2017	03-03	457b payment - 09/22/17 payroll	(3,132)
Bill Pmt -Check	09/26/2017	14630	Alejandro Espinoza-	(2,754)
Bill Pmt -Check	09/26/2017	14631	Palm Desert Chamber of Commerce	(200)
Bill Pmt -Check	09/26/2017	14632	Principal Life Insurance Co.	(798)
Bill Pmt -Check	09/26/2017	14633	Shred-It	(80)

Desert Healthcare District

Check Register

As of September 30, 2017

Type	Date	Num	Name	Amount
Bill Pmt -Check	09/26/2017	14634	Vanessa Smith-	(107)
Bill Pmt -Check	09/26/2017	14635	Top Shop	(205)
Check	09/30/2017		Service Charge	(914)
General Journal	09/30/2017	03-02	August 2017 LTD Payment - Jena Marie Van Earl	(1,234)
General Journal	09/30/2017	03-06	Record Medical Reimb - September 2017	(155)
TOTAL				**(355,009)**

Desert Healthcare District
Details for credit card Expenditures
Credit card purchases - August 2017 - Paid September 2017

Number of credit cards held by District personnel -2
Credit Card Limit - $5,000
Credit Card Holders:
Herb Schultz - Chief Executive Officer
Chris Christensen - Chief Financial Officer
Routine types of charges:
Office Supplies, Dues for membership, Computer Supplies, Meals, Travel including airlines and Hotels, Catering, Supplies for BOD meetings, CEO Discretionary for small grant & gift items

	Statement							
Year	Month Charged	Total Charges		Expense Type	Amount	Purpose	Description	Participants
		$ 2,340.77						
Chris' Statement:								
2017	August	$ 890.31		District				
				6360	$ 654.19	NEOP - Shed for community garden		
				6360	$ 24.86	Conference call expense		
				6360	$ 52.40	Conference call expense		
				6360	$ 16.45	Conference call expense		
				6360	$ 56.49	Conference call expense		
				6360	$ 9.92	Conference call expense		
				6360	$ 3.86	Conference call expense		
				6360	$ 18.09	Conference call expense		
				6360	$ 11.67	Conference call expense		
				6360	$ 7.94	Conference call expense		
				6360	$ 9.34	Conference call expense		
				6360	$ 25.10	Conference call expense		
					$ 890.31			
Herb's Statement:								
2017	August	$ 1,450.46		District				
				6351	$ 16.98	lyft		
				6351	$ 5.00	lyft		
				6351	$ 43.97	ACHD - meal		
				6351	$ 18.00	ACHD - parking		
				6351	$ 353.88	Hotel - Sacramento trip		
				6351	$ 28.00	southwest		
				6351	$ 15.89	lyft		
				6352	$ 65.28	Legislative Breakfast - CEO/POOD		
	5230	$ 136.27		6352	$ 38.97	CEO/Mary Odell		
	6351	$ 739.68		6352	$ 82.55	Program Committee lunch		
	6352	$ 574.51		6351	$ 10.00	PS Chamber of Commerce meeting CEO		
		$ 1,450.46		5230	$ 76.79	CEO/BOD		
				6352	$ 190.95	Staff lunch		
				6352	$ 15.46	CEO meeting		
				5230	$ 59.48	CEO/BOD		
				6352	$ 162.68	Staff lunch		
				6351	$ 247.96	Flight - Sacramento trip		
				6352	$ 18.62	CEO meeting		
					$ 1,450.46			

Las Palmas Medical Plaza
Check Register
As of September 30, 2017

Type	Date	Num	Name	Amount
1000 · CHECKING CASH ACCOUNTS				
1046 · Las Palmas Medical Plaza				
Bill Pmt -Check	09/08/2017	9717	Imperial Security	$ (1,424)
Bill Pmt -Check	09/08/2017	9718	INPRO-EMS Construction	$ (10,117)
Bill Pmt -Check	09/08/2017	9719	Palm Springs Disposal Services Inc	$ (2,123)
Bill Pmt -Check	09/08/2017	9720	Ronald Himelman	$ (1,856)
Bill Pmt -Check	09/12/2017	9721	Stericycle, Inc.	$ (1,327)
Bill Pmt -Check	09/20/2017	9722	Frazier Pest Control, Inc.	$ (180)
Bill Pmt -Check	09/20/2017	9723	Frontier Communications	$ (209)
Bill Pmt -Check	09/20/2017	9724	Imperial Security	$ (1,566)
Bill Pmt -Check	09/20/2017	9725	Pink, Inc.	$ (1,250)
Bill Pmt -Check	09/20/2017	9726	Southern California Edison	$ (1,697)
Bill Pmt -Check	09/26/2017	9727	Amtech Elevator Services	$ (1,239)
Bill Pmt -Check	09/26/2017	9728	Desert Air Conditioning Inc.	$ (281)
Bill Pmt -Check	09/26/2017	9729	Imperial Security	$ (1,424)
Check	09/30/2017		Service Charge	$ (759)
TOTAL				**$ (25,452)**

DESERT HEALTHCARE DISTRICT

Doing Healthy Deeds

MEMORANDUM

DATE: October 10, 2017

TO: F&A Committee

RE: Retirement Protection Plan (RPP)

Current number of participants in Plan:

Active – still employed by hospital	138
Vested – no longer employed by hospital	62
Former employees receiving annuity	13
Total	**213**

The outstanding liability for the RPP is approximately **$5.0M** (Actives - $3.6M and Vested - $1.4M). Per the June 30, 2017 Actuarial Valuation, the RPP has an Unfunded Pension Liability of approximately **$2.9M**. A monthly accrual of $20K is being recorded each month as an estimate for FY2018.

The payouts, excluding monthly annuity payments, made from the Plan for the Three (3) months ended September 30, 2017 totaled **$64K.** Monthly annuity payments (13 participants) total **$1.8K** per month.

DESERT HEALTHCARE DISTRICT
FINANCE, ADMINISTRATION, REAL ESTATE AND LEGAL COMMITTEE
MEETING MINUTES
October 10, 2017

Meeting of the Finance, Administration, Real Estate and Legal Committee of the Desert Healthcare District was held in the Desert Healthcare District Conference Room, 2nd Floor, Palm Springs, CA

Attendance:

Members	Absent
Mark Matthews, Chairman/Treasurer	
Director Les Zendle, MD	

Staff
Herb K. Schultz, CEO
Chris Christensen, CFO
Donna Craig, Senior Program Officer
Mary Pannoni, Accounting/Admin Support
Alejandro Espinoza, Program Officer and Outreach Director
Andrea S. Hayles, Clerk to the Board

Community Members
Sid Rubenstein, Community Member
Arthur Shorr, Community Member

CALL TO ORDER
The meeting was called to order at 3:01 p.m. by Chairman Matthews.

APPROVAL OF AGENDA
Chairman Matthews asked for an approval of the agenda.

It was moved and seconded (Community Member Shorr, Director Zendle) to approve the agenda. Motion passed unanimously.

PUBLIC COMMENT
There were no public comments.

APPROVAL OF MINUTES
Submitted for approval:

1. Minutes – September 12, 2017

It was moved and seconded (Director Zendle, Community Member Shorr) to approve the minutes of September 12, 2017. Motion passed unanimously.

CEO REPORT – Herb K. Schultz, CEO explained that the first round of interviews has concluded for the open position of Chief Operating Officer with the second round of interviews commencing this week. The open position of Communication and Marketing Director interviews will begin next week, and the open Health Policy Analyst position proposal has been submitted to the California Endowment for review. Mr. Schultz explained the cvHIP marketing plan and collaborations with the City of Palm Springs. Mr. Schultz described the Hospital Governance and Oversight Committee has identified a consultant for the Desert Regional Medical Center hospital inspection. The draft proposal will be provided to Tenet and posted to the District's website. Mr. Schultz outlined the legislatures new select committee on Delivery System Reform and Single Payer Healthcare.

CHIEF FINANCIAL OFFICER'S REPORT - LPMP Leasing Update

Chris Christensen, CFO provided an overview of his Report that included the open Chief Operation Officer position candidates and an update on marketing the Las Palmas Plaza vacancies.

FINANCIAL REPORTS

1. Financial Statements – The District's and LPMP Financial Statements for September 2017 was reviewed.
2. Accounts Receivable Aging Summary – The September 2017 accounts receivable detail was reviewed.
3. Deposits – District – The District's September 2017 deposits detail was reviewed.
4. Property Tax Receipts – District - The property tax receipts were reviewed.
5. Deposits – LPMP – The LPMP's September 2017 deposit detail was reviewed.
6. Check Register – District - The September 2017 DHCD check register for the District was reviewed.
7. LPMP Check Register – The September 2017 LPMP check register was reviewed.
8. Credit Card – Detail of Expenditures -
9. RPP Update – The RPP update was reviewed.
10. Grant Payment Schedule - The grant payment schedule was reviewed.

It was moved and seconded (Director Zendle, Community Member Shorr,) to approve the September 2017 District Financial Reports - Items 1-10 and to forward to the Board for approval.
Motion passed unanimously.

PUBLIC COMMENT

There were no public comments.

OTHER MATTERS

1. Retirement Protection Plan 06/30/17 Reports – Informational
    a. Actuarial Valuation Report 06/30/17
    b. GASB Nos. 67 & 68 Disclosure of Pension Benefits Report 06/30/17

    Chris Christensen, CFO explained that based on last year's Board decision, the board agreed to contribute $3.4M to the investment account of the Retirement Protection Plan. Combined with the discount rate, this reduced the net pension liability from $9M of the prior year to $2.8M for this year. Mr. Christensen explained that the amounts are actuarial with $5.3M currently in the investment account.

    It was moved and seconded (Director Zendle, Community Member Rubenstein) to forward to the Board the Retirement Protection Plan.
    Motion passed unanimously.

2. Craig Hartzheim – Moss Levy & Hartzheim – FY 2017 Audit Reports – Action
    a. District RPP
    b. Management Letter, Communication Letter, Internal Controls Report
    c. District Audit Report
    d. RPP Audit Report

    Chris Christensen, CFO thanked and commended Moss Levy & Hartzheim and the audit team for their work during the audit.

    Craig Hartzheim, Partner, provided an overview of the FY 2017 Audit Report with no significant findings. Director Matthews inquired on the Retirement Protection Program $3.4M with a minor liability. Mr. Hartzheim explained that most government agencies do not usually prefund – other government agencies pay as you go and it depends on the discretionary monies. There are growing unfunded liability with more entities and discretionary funds. Mr. Christensen provided a handout for the 2014 and 2015 Statement of Cash Flow representing the changes for GASB-68.

    Ezra Kaufman, District Resident, inquired on previous questions from community members regarding a change from year to year for 2014 to 2015 on cash payments to suppliers for goods and services further explaining that in 2016 to 2017 there is a fluctuation in the same cash flow line item. Mr. Hartzheim explained that the audit reports for years in question would be restated and presented at a future meeting with Mr. Christensen adding that there were no higher cash expenses.

    It was moved and seconded (Community Member Rubenstein, Community Member Shorr) to forward Craig Hartzheim – Moss Levy & Hartzheim – FY 2017 Audit Reports to the Board.
    Motion passed unanimously.

Recessed to the Finance, Administration, Real Estate and Legal Committee of the Desert Healthcare Foundation at 3:39 p.m.
It was moved and seconded (Community Member Rubenstein, Community Member Shorr) to recess the Finance, Administration, Real Estate and Legal Committee to the Desert Healthcare Foundation.

Reconvene of the Finance, Administration, Real Estate and Legal Committee of the Desert Healthcare District.

3. DRMC Capital Investment Review – Section 14.9 Lease Agreement

   Herb K. Schultz, CEO explained there are concerns about outstanding issues with Section 14.9 and the work of District Staff as a team, and data has not been provided to date. Staff is working to obtain further information about the Tenet side of the lease and any additional items that should be performed as the lessor to the lessee.

   Ezra Kaufman, District Resident inquired on the amount the District spent in capital improvements in the 3 years prior to the commencement of the lease. Chair Matthews recommends speaking with legal counsel and Staff to continue work on the capital improvements.

PUBLIC COMMENT
There were no public comments.

ADJOURNMENT
The meeting was adjourned at 3:54 p.m.

ATTEST: ____
Mark Matthews, Chairman Finance and Administration Committee/Treasurer
Desert Healthcare District Board of Directors

Chief Financial Officer's Report

October 10, 2017

Operations:

The annual audit is complete and will be presented at today's meeting.

Candidates for the COO position are currently being interviewed. The first round of interviews has been completed by the CFO, with second round interviews anticipated the week of October 9, 2017.

Las Palmas Medical Plaza - Property Management:

Occupancy:
See attached unit rental status report.

92.7% currently occupied –

Total annual rent including CAM fees is **$1,089,624.**

Leasing Activity:

None to report.

Las Palmas Medical Plaza
Unit Rental Status
As of October 1, 2017

Unit	Tenant Name	Deposit	Lease Dates		Term	Unit	Percent	Monthly	Annual	Rent Per	Monthly	Total Monthly	Total Annual
			From	To		Sq Feet	of Total	Rent	Rent	Sq Foot	CAM	Rent Inclg CAM	Rent Inclg CAM
											$ 0.60		
1W, 104	Vacant					1,024	2.07%						
1W, 105	Vacant					1,060	2.15%						
3W, 105-106	Vacant					1,536	3.11%						
Total - Vacancies						3,620	7.33%						
Total Suites-33 - 29 Suites Occupied		$ 58,516.90				49,356	92.7%	$ 65,162.80	$ 781,953.60	$ 1.42	$ 25,639.20	$ 90,802.00	$ 1,089,624.00

Summary - All Units		
Occupied	45,736	92.7%
Vacant	3,620	7.3%
Total	49,356	100%

August 18, 2017

PRIVATE

Mr. D. Chris Christensen, CPA
Chief Financial Officer
Desert Healthcare District
1140 N. Indian Canyon Drive
Palm Springs, California 92262

Re: Desert Hospital Retirement Protection Plan - June 30, 2017 Actuarial Valuation Report

Dear Chris:

Enclosed are the results of the actuarial valuation report that Nyhart completed on behalf of Desert Hospital's Retirement Protection Plan as of June 30, 2017. We have also enclosed an Executive Summary of the valuation results.

A review of the valuation will indicate that we are recommending a contribution of $288,378 this year compared to $928,460 in 2015. The large decrease in the contribution is primarily due to the contribution made in 2016 in the amount of $3,400,000. The funded status of the Plan has increased from 55% in 2006 to 81% in 2017, which remains below a fully funded level. We have provided alternative results, found in Section V, using a 5% interest rate to reflect that once trust assets are depleted, funds used for Plan benefits may earn a lower rate of return. Also found in Section V, are results using a 4.0% assumed interest rate to illustrate the potential cost to purchase annuities in the current market environment.

We are available to discuss the results of the report with you and other members of management. Thank you for allowing us to assist the District with this important assignment.

Sincerely,
Nyhart

Luis Murillo
Consulting Actuary

LM:rl

Enclosure

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530 B Street, Suite 900, San Diego, CA 92101
(619) 239-0831 www.nyhart.com

EXECUTIVE SUMMARY

This report presents the results of the actuarial valuation for the Desert Hospital Amended and Restated Retirement Protection for the Plan Year ending June 30, 2017. The accrued liability has decreased from $7,081,445 to $6,617,248 while the plan assets have increased from $2,405,256 to $5,344,173. Please note that the funded status of the Plan has increased from 55% in 2006 to 81% in 2017 and has increased from 34% in 2015. A contribution in the amount of $3,400,000 was made in 2016.

The recommended contribution is $288,378 for this year. The recommended contribution is calculated by amortizing the unfunded liability over the remaining lifetime of current active participants.

Interest to be earned on the Fund for pre-retirement is assumed to be 7½% per annum compounded annually. The 12-month Treasury Constant Maturity rate is assumed to be 4% per annum compounded annually. These interest rates are the same as used in the last valuation.

Due to general improvements in mortality rates in published studies, we have changed the mortality assumption from the 2015 tables for annuitant males and females to the 2017 tables for annuitant males and females. The mortality table used for conversion to a monthly benefit has been updated to the current 417(e) table. These changes made very little difference in the cost. There is no assumed pre-retirement mortality since death benefits are typically the payout of the cash balance.

We have included alternative results in the valuation to reflect assets being held outside of the trust and to illustrate the potential cost to settle the Plan. It is our understanding the District has earmarked certain assets outside of the Trust for covering Plan liabilities. We have included results using a 5% interest rate to reflect that once trust assets are depleted, funds used for Plan benefits may earn a lower rate of return. We have also provided results using a 4.0% assumed interest rate to illustrate the potential cost to purchase annuities in the current market environment.

Contributions

Past contributions in excess of the recommended contributions had resulted in a credit balance as of June 30, 2003, which fully offset the recommended contributions that would have otherwise applied. While this credit balance was exhausted in the subsequent years, the District had continued to not make any contributions to the Plan until 2016 when it contributed $3,400,000 to the trust. The table below shows the past funded status and recommended contributions.

	6/30/2011	6/30/2013	6/30/2015	6/30/2017
Contributions (end of year)				
Normal Cost	$0	$0	$0	$0
Recommended	1,011,471	1,631,186	928,460	288,378
Actual Contribution	0	0	3,400,000	TBD
Funded Status				
Actuarial Accrued Liability	$7,921,342	$7,357,700	$7,081,445	$6,617,248
Actuarial Value of Assets	(3,522,125)	(2,797,614)	(2,405,256)	(5,344,173)
Unfunded Actuarial Accrued Liability	$4,399,217	$4,560,086	$4,676,189	$1,273,075
Funded Percentage	44%	38%	34%	81%
Interest Rate	7.5%	7.5%	7.5%	7.5%

Demographic Highlights

The participant count has decreased from 254 as of the last valuation to 217 as of June 30, 2017.
This is primarily due to benefit cash outs of 30 active and terminated vested employees.

	6/30/2009	6/30/2011	6/30/2013	6/30/2015	6/30/2017
Participants					
Actives	212	200	195	167	141
Terminated Vested	135	89	60	64	60
Retired	42	34	29	23	16
Total participants	389	323	284	254	217
Average Annual Benefits					
Terminated Vested	$3,135	$3,289	$3,154	$3,315	$3,739
Retired	$2,138	$2,210	$2,052	$2,117	$1,789

Summary of Assets

Assets are currently invested with the US Bank, with an investment mix of approximately 60% in equities, 39% in bonds and government securities, and 1% in cash.

The actuarial value of assets, used to determine Plan contribution requirements is the market value including any due and accrued contributions.

Period Ending:	Fund Earnings Net of Expenses	Benefits Paid	Balance	Gross Rate of Return	Return Net of Expenses
6/30/2004	$823,386	$1,134,072	$6,164,199	14.74%	13.99%
6/30/2005	355,457	1,137,094	5,382,563	7.10%	6.38%
6/30/2006	480,561	626,741	5,236,383	10.24%	9.51%
6/30/2007	811,927	397,447	5,650,863	16.91%	16.18%
6/30/2008	(419,175)	679,614	4,552,074	(7.26%)	(7.92%)
6/30/2009	(775,300)	425,408	3,351,366	(17.30%)	(17.92%)
6/30/2010	380,477	465,473	3,266,370	13.01%	12.25%
6/30/2011	656,164	400,409	3,522,125	22.25%	21.48%
6/30/2012	(30,044)	457,918	3,034,163	(0.22%)	(0.92%)
6/30/2013	313,210	549,759	2,797,614	12.14%	11.39%
6/30/2014	341,245	482,252	2,656,607	14.15%	13.40%
6/30/2015	52,912	304,264	2,405,256	2.84%	2.12%
6/30/2016	(21,621)	459,397	1,924,238	(0.31%)	(1.00%)
6/30/2017	402,315	382,380	5,344,173	12.48%	11.76%
Average Last 5 Years				8.10%	7.37%
Average Last 10 Years				4.55%	3.84%

Plan Experience

The fund experienced an asset loss of $54,000 for the two-year period ended June 30, 2017. On the liability side there was a gain of $761,000, about 10% of the expected liability. This is primarily due to the difference between the assumed interest and the 0.25% and 0.66% credited to the cash balance in the last two years.

Desert Hospital Amended and Restated Retirement Protection Plan

Actuarial Valuation

June 30, 2017

Desert Hospital
Amended and Restated
Retirement Protection Plans

Actuarial Valuation
June 30, 2017

Table of Contents

ACTUARIAL VALUATION CERTIFICATION

This statement has been prepared in accordance with generally accepted actuarial principles and practices, and, to the best of my knowledge, fairly reflects the actuarial condition and funding requirements of the Desert Hospital Amended and Restated Retirement Protection Plan as of June 30, 2017. The results of the valuation are set forth in this report, which reflects the provisions of the plan as disclosed in Section I: Principal Plan Provisions.

The valuation is based on employee and plan financial data, as of June 30, 2017, which were provided by the Plan Administrator and Plan Trustee. All information submitted to us has been reviewed for reasonableness and consistency, but has otherwise been accepted and relied upon without audit. The plan provisions and other material assumptions are disclosed in Sections I and II respectively of this report.

In my opinion, the assumptions used in preparing the actuarial report to which this certification is attached, for the Desert Hospital Amended and Restated Retirement Protection Plan, represent my best estimate as of the valuation date of anticipated experience under the Plan. The report and accompanying tables (which describe the actuarial assumptions and methods employed and summarize the principal eligibility and benefit provisions upon which the valuation was based) are complete and accurate to the best of my knowledge.

It is my understanding that the Plan is a governmental plan, within the meaning of section 414(d) of the Internal Revenue Code (IRC), and as such is neither subject to the minimum funding standards of IRC sections 412 and 430 nor covered by the Pension Benefit Guaranty Corporation under Title IV (Plan Termination Insurance) of the Employee Retirement Income Security Act of 1974 (ERISA).

Future actuarial measurements may differ significantly from the current measurement presented in this report due to such factors as the following: plan experience differing from that anticipated; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. The undersigned credentialed actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Certified by:

Marilyn Jones, ASA, MAAA, EA
Enrollment No. 17-04987

Luis Murillo, ASA, MAAA

Date: 8/18/2017

SECTION I: PRINCIPAL PLAN PROVISIONS

Effective Date

July 1, 1971; amended and restated effective July 1, 1986; amended and restated effective July 1, 2002; amended and restated effective July 1, 2008, last amended and restated effective July 1, 2013.

Plan Year

July 1 through June 30.

Eligibility

All employees shall be eligible to participate in the Plan on the first day of the month after they have completed one Year of Service (minimum of 832 hours within a 12-month period). Effective November 1, 1994, eligible employee shall exclude any employee who is classified as a "per diem" employee or a temporary employee. Effective May 31, 1997, no new entrants into the Plan are permitted.

Normal Retirement Date

The first day of the month coinciding with or next following the later of a participant's 65th birthday or 5 years of participation in the Plan.

Normal Retirement Benefit

A lump sum benefit equal to the employee's Cash Account will be payable at Normal Retirement. A participant's Cash Account is equal to:

i. the accrued benefit as of June 30, 1986, converted to a lump sum, plus

ii. an additional amount for each year of service beginning after June 30, 1986 and prior to June 30, 1992 equal to 2% of compensation plus 4% of compensation in excess of 1/3 of the Social Security wage base for the year ending in the plan year; for each year of service after June 30, 1992 equal to 5% of compensation; on or after October 1, 1996 and prior to May 31, 1997, 3% of compensation is credited to participants whose retirement benefits are not governed by a collective bargaining agreement, plus

iii. interest on the Participant’s Cash Account. Prior to July 1, 2001, the interest credited was equal to the 12-month Treasury bill rate as of each March 31, effective the following July 1. On and after July 1, 2002, the interest credited is based on the rate of return on the one year constant maturity Treasury for the March preceding the Plan Year.

Benefit accruals were frozen as of May 31, 1997, except for interest which is credited annually to the Participant’s Cash Account as defined in the Plan document.

Accrued Benefit

A participant's accrued benefit is equal to the Cash Account as of the date of termination or calculation.

Early Retirement Benefit

On or after the attainment of age 55 and the completion of 10 Years of Service, or age 60 and the completion of 5 Years of Service, a participant may apply for Early Retirement and receive the vested Accrued Benefit.

Deferred Retirement Benefit

If the participant retires after Normal Retirement Date, the benefit shall be the benefit accrued to actual retirement.

Disability Benefit

None other than normal termination benefit. Benefits become 100% vested upon disability.

Death Benefits

Prior to Normal Retirement Date:	The participant's beneficiary will receive the participant's Accrued Benefit.
After Normal Retirement Date:	The beneficiary will receive the monthly survivor income payments, if any, in accordance with the selected option.

Benefits Upon Termination of Employment

The terminated participant may receive the vested Cash Account 90 days after the end of the Plan Year in which a one-year break-in-service occurs. The vested portion of the benefit accrued to date of termination to commence at Normal Retirement Date is calculated in accordance with the following tables:

Prior to July 1, 1992:

Years of Service	Percentage Vested
Less than 3	0%
3	20
4	40
5	60
6	80
7 or more	100

On or after July 1, 1992:

Years of Service	Percentage Vested
Less than 3	0%
3	60
4	80
5 or more	100

Employee Contributions

No employee contributions are required or permitted.

Normal Form of Pension

Life only.

Optional Form

Lump sum payment.

SECTION II: VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

Valuation Method

The recommended contribution under the Plan for expected future retirement benefits is determined in accordance with the Projected Unit Credit Cost Method. Under this approach, the pension contribution each year is determined as the sum of (a) the normal cost, which is the present value of the participant's retirement income accruing for the year following the valuation date and, (b) an amount to amortize, in equal annual installments over the remaining working lifetime of current active employees, the unfunded portion, if any, of the actuarial liability.

The actuarial liability is calculated separately for each Participant, and summed to determine the Plan's total liability. For each Participant, the actuarial liability is the present value of benefits accrued as of the end of the Plan Year, subject to a minimum amount equal to the participant's Cash Account. The benefits accrued at the end of the Plan Year are subject to the 2001 Grandfathered annuity provided by the Plan Administrator

All employees eligible in accordance with the provisions of the Plan listed in the data provided by the Employer and benefit payment information provided by the Plan Administrator and Trustee were included in the valuation.

Actuarial Assumptions

The following actuarial assumptions were used in performing the valuation:

Valuation Date

June 30, 2017

Pre- Retirement Mortality

None. Participants are assumed to live to Normal Retirement Age.

Post-Retirement Mortality

In accordance with the 2017 Annuitant Mortality Table. Sample rates are as follows:

	Deaths per 1,000	
Ages	Males	Females
65	9.840	9.282
70	15.925	14.994
75	27.744	23.554
80	51.599	39.309
85	94.897	67.842
90	167.928	123.259

Withdrawal from Service for Termination

None. Participants are assumed to work for the District until Normal Retirement Age.

Interest to be Earned on the Fund

Pre-retirement: 7½% per annum, compounded annually.

Post-retirement: 6½% per annum, compounded annually.

12 Month Treasury Constant Maturity Rate

4% per annum, compounded annually.

Conversion Rate for Account Balance

Based on 30-year Treasury securities rate of 5% per year, no pre-retirement mortality and the applicable 417(e) mortality table.

Retirement

All participants are assumed to retire at age 65 (or attained age if later). The present value of their benefit payable at age 65 is subject to a minimum accrued benefit equal to their Cash Account.

Valuation of Assets

The actuarial value of assets is equal to the market value of assets at year-end plus any unpaid accrued contributions due.

Changes in assumptions

The post-retirement mortality tables were changed from 2015 annuitant tables to 2017 annuitant tables.

SECTION III: DATA FOR THE VALUATION

A. Employee Data

The valuation was performed on the basis of the employee data furnished to us by the Employer. The following table shows a summary of participants in the last two valuations:

		6/30/2015	6/30/2017
1.	Active Participants		
	Number	167	141
	Average age	58.5	59.7
	Cash Account balances	$4,518,864	$3,734,946
2.	Terminated Participants with Deferred Benefits		
	Number	64	60
	Average annual deferred pension*	$3,315	$3,739
	Average age	59.9	61.3
	Cash Account balances	$1,278,226	$1,325,927
3.	Retirees and Beneficiaries		
	Number	23	16
	Average annual pension	$2,117	$1,789
	Average age	86.8	89.2
4.	Total participants included in valuation	254	217

B. Reconciliation of Assets

The following schedule represents a summary of the statement of assets for Plan Years ending June 30, 2014 and June 30, 2017:

	2015-16	2016-17
1. Accrued asset value as of beginning of year	$2,405,256	$1,924,238
2. Receipts		
a. Employer contributions including receivables	$0	$3,400,000
b. Interest and Dividends	47,653	77,776
c. Realized gain/(loss)	40,835	72,758
Total Receipts	$ 88,488	$3,550,534
3. Disbursements		
a. Benefit payments	(459,397)	(382,380)
b. Expenses	(14,983)	(24,513)
Total Disbursements	(474,380)	(406,893)
4. Unrealized gain/(loss)	(95,126)	276,294
5. Net income [(2) + (3) + (4)]	(481,018)	3,419,935
6. Accrued asset value as of end of year [(1) + (5)]	$1,924,238	$5,344,173
7. Gross rate of return	(0.31%)	12.48%
8. Rate of return net of expenses	(1.00%)	11.76%

C. Summary of Assets

Plan assets were invested as follows:

	6/30/2016		6/30/2017	
1. Cash	$58,847	3%	$65,026	1%
2. Government securities	248,786	13%	759,007	14%
3. Corporate bonds	363,762	19%	935,661	18%
4. International bonds	0	0%	0	0%
5. Domestic Stocks	206,273	11%	433,559	8%
6. International Stocks	13,201	1%	29,360	1%
7. Equity mutual funds	934,741	48%	2,737,981	51%
8. Fixed income mutual funds	98,628	5%	383,579	7%
9. Real estate mutual funds	0	0%	0	0%
10. Total market value at year end	$1,924,238	100%	$5,344,173	100%
11. Contribution receivable	0		0	
12. Accrued asset value at year end	$1,927238		$5,344,173	

A. Expected Unfunded Accrued Liability

	Plan Year Beginning 7/1/2015	Plan Year Beginning 7/1/2016
Applicable Interest Rate	*7.50%/6.50%*	*7.50%/6.50%*
1. Unfunded accrued liability at beginning of period	$4,676,189	$5,026,903
2. Normal cost	0	0
3. Missing participants paid in prior years *	0	0
3. Interest to year-end	350,714	377,018
4. Subtotal [(1) + (2) + (3)]	$5,026,903	$5,403,921
5. Contributions	0	(3,400,000)
6. Interest on contributions	0	(127,500)
7. Expected unfunded accrued liability before changes [(4) + (5) + (6)]	$5,026,903	$1,876,421
8. Change due to amendment	0	0
9. Change due to assumption change	0	17,447
10. Expected unfunded accrued liability (surplus) at year-end [(7) + (8) + (9)]	$5,026,903	$1,893,868

B. Actual Unfunded Accrued Liability by Component

	Values At 6/30/2015	Values At 6/30/2017
Applicable Interest Rate	*7.50%/6.50%*	*7.50%/6.50%*
1. Accrued liability*		
a. Actives	$5,244,355	$4,662,425
b. Terminated vested	1,588,842	1,814,431
c. Retirees and beneficiaries	248,248	140,392
2. Total accrued liability [(1a) + (1b) + (1c)]	$7,081,445	$6,617,248
3. Actuarial value of assets	2,405,256	5,344,173
4. Unfunded accrued liability (surplus) [(2) - (3)]	$4,676,189	$1,273,075
5. Funded percentage	34%	81%

C. Actuarial Gains and Losses

1. Expected unfunded accrued liability (surplus) [see A(10)]	$5,286,709	$1,893,868
2. Actual unfunded accrued liability (surplus)	4,676,189	1,273,075
3. Actuarial gain/(loss) [(1) - (2)]	$610,520	$620,793
4. Gain/(loss) from mortality experience	($9,385)	($86,811)
5. Actuarial gain/(loss) from assets	25,799	(53,810)
6. Actuarial gain/(loss) from liabilities	594,106	761,414

D. Recommended Contribution

	6/30/2015	6/30/2017
Applicable Interest Rate	*7.50%/6.50%*	*7.50%/6.50%*
1. Normal cost	$0	$0
2. Amortization of unfunded accrued liability base	928,460	288,378
3. Contribution due June 30 [(1) + (2)]	$928,460	$288,378
Amortization period *	Remaining working lifetime	Remaining working lifetime

* The amortization period is the remaining working lifetime of active participants as of June 30, 2017. Active participants over the age of 65 are assumed to retire immediately. The amortization factor as of June 30, 2017 is 4.4146.

SECTION V: ALTERNATIVE RESULTS

The results below using an assumed interest rate of 5% reflect that the District has not been contributing to the Fund in past years and once Fund assets are depleted, funds used for Plan benefits would likely earn a lower rate of return. The results using an interest rate of 4.0% are to illustrate the potential cost to purchase annuities in the current market environment. Actual settlement costs would depend on the number of participants electing annuities and actual quotes received from annuity providers.

A. Actual Unfunded Accrued Liability by Component		Values At	
	6/30/2017	6/30/2017	6/30/2017[1]
Applicable Interest Rate	*7.50%/6.50%*	*5.00%*	*4.00%*
1. Accrued liability[2]			
a. Actives	$4,662,425	$5,847,052	$6,702,030
b. Terminated vested	1,814,431	2,222,667	2,522,071
c. Retirees and beneficiaries	140,392	149,575	156,421
2. Total accrued liability [(1a) + (1b) + (1c)]	$6,617,248	$8,219,294	$9,380,522
3. Actuarial value of assets	5,344,173	5,344,173	5,344,173
4. Unfunded accrued liability (surplus) [(2) - (3)]	$1,273,076	$2,875,121	$4,036,349
5. Funded percentage	81%	65%	57%
B. Recommended Contribution			
Amortization Factor	*4.4146*	*4.8374*	*5.0313*
1. Normal Cost	$0	$0	$0
2. Amortization of unfunded accrued liability base	288,378	594,353	802,248
3. Contribution due June 30 [(1) + (2)]	$288,378	$594,353	$802,248

[1] If all active and terminated vested participants take their cash accounts at termination, the accrued liability is reduced to $5,201,265.

[2] The amortization period is the remaining working lifetime of active participants as of June 30, 2017. Active participants over the age of 65 are assumed to retire immediately.

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GASB Nos. 67 & 68 DISCLOSURE OF PENSION BENEFITS

Fiscal Year Ending June 30, 2017

Desert Hospital Retirement Protection Plan

Nyhart Actuary & Employee Benefits
530 B Street, Ste. 900, San Diego, CA 92101
(619) 239-0831 – www.nyhart.com

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

The information presented in this report is based on:

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

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

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

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

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

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

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

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

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

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

Nyhart

Marilyn K. Jones, ASA, MAAA, EA, FCA

Luis Murillo, ASA, MAAA

08/18/2017

Net Pension Liability
The components of the net pension liability at June 30

	06/30/2017	06/30/2016
Total pension liability	$ 8,219,294	$ 11,568,940
Plan fiduciary net position	(5,344,173)	(1,924,238)
Net pension liability	$ 2,875,121	$ 9,644,702
Plan fiduciary net position as a percent of the total pension liability	65.02%	16.63%
Pension Expense for the Fiscal Year Ended June 30	$ (431,362)	$ 533,501

Actuarial Assumptions
The total pension liability was determined using the following actuarial assumptions

Inflation	2.75%	2.75%
Salary increases, including inflation	0.00%	0.00%
Discount rate	5.00%	2.83%

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

	2017	2016
Inactive plan members and beneficiaries currently receiving benefits	16	23
Inactive plan members entitled to but not yet receiving benefits	60	64
Active plan members	141	167
Total members	217	254

Assets		**06/30/2017**		**06/30/2016**
Cash and deposits	$	65,026	$	58,847
Securities lending cash collateral		0		0
Total cash	$	65,026	$	58,847
Receivables:				
Contributions	$	0	$	0
Due from broker for investments sold		0		0
Investment income		0		0
Other		0		0
Total receivables	$	0	$	0
Investments:				
Domestic fixed income securities	$	1,982,960	$	711,175
Domestic equities		2,287,831		700,125
International equities		913,069		454,091
International fixed income securities		95,287		0
Total investments	$	5,279,147	$	1,865,391
Total assets	$	5,344,173	$	1,924,238
Liabilities				
Payables:				
Investment management fees	$	0	$	0
Due to broker for investments purchased		0		0
Collateral payable for securities lending		0		0
Other		0		0
Total liabilities	$	0	$	0
Net position restricted for pensions	$	**5,344,173**	$	**1,924,238**

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	06/30/2017	06/30/2016
Additions		
Contributions:		
Employer	$ 3,400,000	$ 0
Member	0	0
Nonemployer contributing entity	0	0
Total contributions	$ 3,400,000	$ 0
Investment income:		
Net increase in fair value of investments	$ 349,052	$ (54,291)
Interest and dividends	77,776	47,653
Less investment expense, other than from securities lending	0	0
Net income other than from securities lending	$ 426,828	$ (6,638)
Securities lending income	0	0
Less securities lending expense	0	0
Net income from securities lending	$ 0	$ 0
Net investment income	$ 426,828	$ (6,638)
Other	0	0
Total additions	$ 3,826,828	$ (6,638)
Deductions		
Benefit payments, including refunds of member contributions	$ 382,380	$ 459,397
Administrative expense	24,513	14,983
Other	0	0
Total deductions	$ 406,893	$ 474,380
Net increase in net position	$ 3,419,935	$ (481,018)
Net position restricted for pensions		
Beginning of year	1,924,238	2,405,256
End of year	$ 5,344,173	$ 1,924,238

	06/30/2017	06/30/2016
Total pension liability		
Service cost	$ 0	$ 0
Interest	321,990	397,980
Changes of benefit terms	0	0
Differences between expected and actual experience	(437,093)	(493,455)
Changes of assumptions	(2,852,163)	1,944,607
Benefit payments, including refunds of member contributions	(382,380)	(459,397)
Net change in total pension liability	(3,349,646)	1,389,735
Total pension liability - beginning	11,568,940	10,179,205
Total pension liability - ending (a)	**$ 8,219,294**	**$ 11,568,940**
Plan fiduciary net position		
Contributions - employer	$ 3,400,000	$ 0
Contributions - member	0	0
Contributions - nonemployer contributing member	0	0
Net investment income	426,828	(6,638)
Benefit payments, including refunds of member contributions	(382,380)	(459,397)
Administrative expenses	(24,513)	(14,983)
Other	0	0
Net change in plan fiduciary net position	$ 3,419,935	$ (481,018)
Plan fiduciary net position - beginning	1,924,238	2,405,256
Plan fiduciary net position - ending (b)	**$ 5,344,173**	**$ 1,924,238**
Net pension liability - ending (a) - (b)	**$ 2,875,121**	**$ 9,644,702**
Plan fiduciary net position as a percentage of the total pension liability	65.02%	16.63%
Covered-employee payroll	Not Applicable	Not Applicable
Net pension liability as percentage of covered-employee payroll	Not Applicable	Not Applicable

Fiscal year ending	06/30/2017	06/30/2016
Service cost	$ 0	$ 0
Interest on total pension liability	321,990	397,980
Projected earnings on pension plan investments	(96,808)	(86,723)
Changes of benefit terms	0	0
Employee contributions	0	0
Pension plan administrative expense	24,513	14,983
Other changes	0	0
Current period recognition of deferred outflows/(inflows) of resources		
Differences between Expected & Actual Experience in measurement of the Total Pension Liability	$ (315,480)	$ (206,207)
Changes of assumptions	(324,120)	388,921
Differences between Projected & Actual Earnings on Pension Plan Investments	(41,457)	24,547
Total	$ (431,362)	$ 533,501

Differences between expected and actuarial experience in measurement of the total pension liability for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2017 Balance
June 30, 2017	$ (437,093)	4.0	$ (109,273)	$ (327,820)
June 30, 2016	$ (493,455)	5.0	$ (98,691)	$ (296,073)
June 30, 2015	$ (537,578)	5.0	$ (107,516)	$ (215,030)
			$ (315,480)	$ (838,923)

Changes in assumptions for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2017 Balance
June 30, 2017	$ (2,852,163)	4.0	$ (713,041)	$ (2,139,122)
June 30, 2016	$ 1,944,607	5.0	$ 388,921	$ 1,166,765
			$ (324,120)	$ (972,357)

Differences between projected and actual earnings on pension plan investments for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2017 Balance
June 30, 2017	$ (330,020)	5.0	$ (66,004)	$ (264,016)
June 30, 2016	$ 93,361	5.0	$ 18,672	$ 56,017
June 30, 2015	$ 29,374	5.0	$ 5,875	$ 11,749
			$ (41,457)	$ (196,250)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ (838,923)
Changes of Assumptions	$ 1,166,765	$ (2,139,122)
Net difference between projected and actual earnings on pension plan investments	$ 67,766	$ (264,016)
	$ 1,234,531	$ (3,242,061)

The balances as of June 30, 2017 of the deferred outflows/(inflows) of resources will be recognized in pension expense for the fiscal year ending June 30.

2018	$(681,057)
2019	$(681,056)
2020	$(579,413)
2021	$(66,004)
2022	$ 0
Thereafter	$ 0

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Domestic fixed income securities	36.0%	*2.50%*
Domestic equities	45.0%	*5.50%*
International equities	15.0%	*6.50%*
International fixed income securities	2.0%	*2.50%*
Cash	2.0%	*0.00%*
Total	100.0%	

Long-term expected rate of return is 6.82%.

Money-weighted rate of return is 12.48%.

Discount rate

The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted for current members during the 2037 fiscal year. Therefore, the long-term expected rate of return 6.82% was used to discount funded projected benefit payments and the municipal bond rate 3.40% was used to discount unfunded projected benefit payments to determine the total pension liability. The single effective discount rate was 5.00%.

Note the discount rate changed from 2.83% as of June 30, 2016 to 5.00% as of June 30, 2017 measurement date.

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 5.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net pension liability	$ 4,036,349	$ 2,875,121	$ 1,920,194

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	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 928,460	$ 928,460	$ 1,631,186	$ 1,631,186	$ 0
Contributions in relation to the actuarially determined contribution	3,400,000	0	0	0	0
Contribution deficiency (excess)	**$ (2,471,540)**	**$ 928,460**	**$ 1,631,186**	**$ 1,631,186**	**$ 0**
Covered-employee payroll	$ 0	$ 0	$ 0	$ 0	$ 0
Contributions as a percentage of covered-employee payroll					

	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 0	$ 0	$ 0	$ 0	$ 0
Contributions in relation to the actuarially determined contribution	0	0	0	0	0
Contribution deficiency (excess)	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Covered-employee payroll	$ 0	$ 0	$ 0	$ 0	$ 0
Contributions as a percentage of covered-employee payroll					

The total pension liability as of June 30, 2017 was determined using the following acuarial assumptions:

Inflation	2.75%
Discount rate	5.0%, net of pension plan investment expense, including inflation.
Measurement date	June 30, 2017, based on a valuation date of June 30, 2017.
Ad-hoc cost-of-living increases	Not applicable.
Mortality	Pre-Retirement: None. Post-Retirement: 2017 Annuitant Mortality Table.
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 until Normal Retirement Age.
Other assumptions	See actuarial assumptions provided in the June 30, 2017 funding valuation for other relevant assumptions.

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

The total pension liability as of June 30, 2017 was determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	Pre-retirement: 7.50%, net of pension plan investment expense, including inflation. Post-retirement: 6.50%, net of pension plan investment expense, including inflatio
Measurement date	June 30, 2017, based on a valuation date of June 30, 2017.
Ad-hoc cost-of-living increases	Not applicable.
Mortality	Pre-Retirement: None. Post-Retirement: 2017 Annuitant Mortality Table.
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 until Normal Retirement Age.
Other assumptions	See actuarial assumptions provided in the June 30, 2017 funding valuation for other relevant assumptions.

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

The Plan provisions used for measuring liabilities in this report match those shown in the June 30, 2017 funding valuation.

**DESERT HEALTH CARE DISTRICT,
DESERT HEALTH CARE FOUNDATION AND
DESERT HOSPITAL RETIREMENT PLAN**

**MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER**

JUNE 30, 2017

DESERT HEALTH CARE DISTRICT,
DESERT HEALTH CARE FOUNDATION AND
DESERT HOSPITAL RETIREMENT PLAN

JUNE 30, 2017

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To the Honorable Board of Directors
of the Desert Health Care District, Desert Health Care Foundation and Desert Hospital Retirement Plan (the entities)
Palm Springs, California

In planning and performing our audit of the financial statements of the Desert Health Care District, Desert Health Care Foundation and Desert Hospital Retirement Plan (the entities), as of and for the fiscal year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the entities' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. Accordingly, we do not express an opinion on the effectiveness of the entities' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit we noted no matters involving internal controls and their operations, that are required to be reported under Government Auditing Standards.

We have included in this letter a summary of communications with the members of the Board of Directors as required by professional auditing standards. We would like to thank the entities' management and staff for the courtesy and cooperation extended to us during the course of our engagement.

The accompanying communications and recommendations are intended solely for the information and use of management, the members of the Board of Directors, and others within the entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
October 5, 2017

MOSS, LEVY & HARTZHEIM LLP
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To the Honorable Board of Directors
of the Desert Health Care District, Desert Health Care Foundation and Desert Hospital Retirement Plan (the entities)
Palm Springs, California

We have audited the financial statements of the financial statements of the Desert Health Care District, Desert Health Care Foundation and Desert Hospital Retirement Plan (the entities) of the entities for the fiscal year ended June 30, 2017, and have issued our report thereon dated October 5, 2017. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated May 22, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the entities are described in Note 1 of the notes to the basic financial statements.

We noted no transactions entered into by the entities during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were the estimated historical cost and useful lives of certain capital assets, the funding progress of the District's RPP plan, and the estimate of an allowance for uncollectable receivables. Management's estimates of the estimated historical cost and useful lives of certain capital assets are based on historical data and industry guidelines, while the funding progress of the RPP plan and are based on consultants' estimates. The amount of estimated allowance for uncollectable receivables is based on historical data. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The estimates for the Defined Benefit Pension Plan are in the footnotes to the financial statements.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entities' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

<u>Restriction on Use</u>

This information is intended solely for the use of the members of the Board of Directors and management of the entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
October 5, 2017

CURRENT YEAR RECOMMENDATIONS

Other Matters

None

STATUS OF PRIOR YEAR RECOMMENDATION

None

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

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HADLEY Y HUI, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Board of Directors
of the Desert Health Care District, Desert Health Care Foundation and Desert Hospital Retirement Plan (the entities)
Palm Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business activities, the fiduciary fund financial statements of the Desert Health Care District, and the financial statements of the Desert Health Care Foundation and Desert Hospital Retirement Plan (the entities), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entities' basic financial statements, and have issued our report thereon dated October 5, 2017.

Internal Control over Financial Reporting.

In planning and performing our audit of the financial statements, we considered the entities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. Accordingly, we do not express an opinion on the effectiveness of the entities internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the entities financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entities internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
October 5, 2017

DESERT HEALTHCARE DISTRICT

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2017

DESERT HEALTHCARE DISTRICT

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MOSS, LEVY & HARTZHEIM LLP
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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

We have audited the accompanying financial statements of the business type activities and the fiduciary fund financial statements of the Desert Healthcare District (District) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the fiduciary fund financial statements of the District as of June 30, 2017, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2017, on our consideration of Desert Healthcare District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Desert Healthcare District's internal control over financial reporting and compliance.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 and the Schedule of Changes in the Net Pension Liability and Related Ratios on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Comparative Summarized Information

We have previously audited the District's 2016 financial statements, and our report dated October 5, 2016 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2016, is consistent, in all material respects, with the audited financial from which it has been derived.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
October 5, 2017

DESERT HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 2017 AND 2016

The Desert Healthcare District (the District) has issued its financial statements for the fiscal years ended June 30, 2017 and June 30, 2016 in conformity with the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). This report, Management's Discussion and Analysis, is an overview of the financial activities for the fiscal years and is an integral part of the accompanying Basic Financial Statements.

ACCOUNTING METHOD

The District's revenues and expenses are recognized on a full accrual basis; revenues are recognized in the period incurred. All assets and liabilities associated with the activity of the District are included on the Statement of Net Position.

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements reflect the activities of two funds. The Financial Statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position (Income Statement) and Statement of Cash Flows, and the Agency Fund, which is the Desert Healthcare Foundation's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. Together with this report, these Financial Statements provide information about the significant events, assumptions and decisions which resulted in the financial performance reflected in those statements.

The Statement of Net Position provides information regarding the financial position of the District, including its capital assets and debts.

The Statement of Revenues, Expenses and Changes in Net Position (Income Statement) provide information regarding the revenues received by the District, and the expenses incurred in carrying out the District's programs.

The Statement of Cash Flows provides information regarding the sources and uses of the cash which flowed into and out of the District as a result of its operations and financing decisions.

FINANCIAL ACTIVITIES & FISCAL YEAR 2017 HIGHLIGHTS

Desert Healthcare District ("the District") is a government entity operating under the Local Health Care District Law. The District was created by the state of California in 1948 for the purpose of providing hospital services to the residents of the District. The District was responsible for building Desert Hospital, now known as Desert Regional Medical Center. In 1997, the Board of Directors voted to lease the hospital to Tenet Health System Desert, Inc. for 30 years.

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 2017 and 2016.

Table A

Assets:	6/30/2017	6/30/2016	Change
Cash and cash equivalents	$ 1,431,371	$ 1,330,982	$ 100,389
Investments	54,644,090	57,516,417	(2,872,327)
Capital assets, net	12,792,784	13,421,481	(628,697)
All Other Assets	340,068	710,478	(370,410)
Total Assets	$ 69,208,314	$ 72,979,358	$ (3,771,044)
Deferred Outflows:			
GASB 68 Reporting for Pension Plans	$ 1,234,531	$ 1,647,999	$ (413,468)
Total Deferred Outflows	$ 1,234,531	$ 1,647,999	$ (413,468)
Liabilities:			
Grants payable	$ 12,449,038	$ 14,011,642	$ (1,562,604)
Net Pension Liability	2,883,995	9,644,702	(6,760,707)
All Other Liabilities	590,996	731,420	(140,424)
Total Liabilities	$ 15,924,029	$ 24,387,764	$ (8,463,735)
Deferred Inflows:			
GASB 68 Reporting for Pension Plans	$ 3,242,061	$ 717,310	$ 2,524,751
Total Deferred Inflows	$ 3,242,061	$ 717,310	$ 2,524,751
Net Assets:			
Net investment in capital assets	$ 12,792,784	$ 13,421,481	$ (628,697)
Unrestricted	37,483,971	35,100,802	2,383,169
Restricted	1,000,000	1,000,000	-
Total Net Position	$ 51,276,755	$ 49,522,283	$ 1,754,472

The $1,754,472 increase in Total Net Position is due to the net income of $1,754,472 for the current fiscal year ended June 30, 2017. This compares to a net income of $3,340,544 for the fiscal year ended June 30, 2016. The decrease is primarily due to increased grant expenses of $1,375,619 and increased unrealized loss on investments of $620,707. The $2,872,327 decrease in Investments is due primarily to a $3,400,000 transfer of funds from the Investments account to reduce the Net Pension Liability. The $628,697 decrease in Capital Assets is due primarily to depreciation of capital assets. The $370,410 decrease in All Other Assets is due to a temporary receivable for unexpended grant funds of $368,359 in 2016 received in 2017. The $413,468 increase in Deferred Outflows is due to a timing difference in the actuarial valuation for GASB 68 reporting for the Retirement Protection Plan. The $1,562,604 decrease in Grants Payable is due primarily to higher grant disbursements than new accrued grants. The $6,760,707 decrease in Net Pension Liability is due primarily to a $3,400,000 transfer of funds from the Investments account to reduce the Net Pension Liability and an increase of the discount rate from 2.83% to 5.00%. The $2,524,751 increase in Deferred Inflows is due to a timing difference in the actuarial valuation for GASB 68 reporting for the Retirement Protection Plan.

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, which was established to provide working capital in the event that the lease with Tenet Health System Desert, Inc. is terminated prematurely; and rental income from the Las Palmas Medical Plaza which is owned and managed by the District.

- Grant Program – The District administers a grant and preventative health initiatives programs that donate a significant portion of the District's annual property tax revenues to health-related programs serving residents of Desert Hot Springs, Thousand Palms, Palm Springs, Cathedral City, Rancho Mirage and Palm Desert (West of Cook Street) and unincorporated areas of the County that are within the District's boundaries.

Table B, below, is a condensed version of the Statements of Revenues, Expenses and Changes in Net Position; it summarizes the District's revenue and expenses, and compares Fiscal Year 2017 results to Fiscal Year 2016.

Table B

	6/30/17	6/30/16	Change
Revenue:			
Property Tax Revenue	$ 6,082,391	$ 5,794,197	$ 288,194
Rental income	1,178,485	1,141,312	37,174
All other income	213,133	278,566	(65,433)
Total Revenue	$ 7,474,009	$ 7,214,075	$ 259,934
Expenses:			
Grants program	$ 3,453,749	$ 2,078,129	$ 1,375,619
Administrative Expense	2,177,287	2,673,227	(495,940)
Total Expense	$ 5,631,036	$ 4,751,356	$ 879,680
Nonoperating Income(Expenses)	$ (88,501)	$ 877,825	(966,326)
Net Income (Loss)	$ 1,754,472	$ 3,340,544	$ (1,586,072)

The Statements of Revenues, Expenses, and Change in Net Position (Continued)

Revenue
Property taxes are the District's primary source of operating revenues. The property tax revenue for the fiscal year ended June 30, 2017 was $6,082,391 which was an increase of $288,194 from the fiscal year ended June 30, 2016.

Rental income of $1,178,485 for the fiscal year ended June 30, 2017 was $37,174 higher than the fiscal year ended June 30, 2016.

All other income for the fiscal year ended June 30, 2017 decreased $65,433 compared to the fiscal year ended June 30, 2016. The increase was due primarily to a decrease in investment income.

Expenses
Grant Program expense for the fiscal year ended June 30, 2017 increased by $1,375,619 compared to the fiscal year ended June 30, 2016. This is due primarily to increased approved grants. Grants are recorded in the fiscal year that they are approved by the District's Board of Directors.

Administrative expenses for the fiscal year ended June 30, 2017 decreased $495,940 from the fiscal year ended June 30, 2016. The decrease is due to various expenses including lower pension plan expense of $955,989 for the GASB 68 Net Pension Liability; lower General and Administrative expenses of $79,960, primarily due to previous year CEO severance compensation of $88,000; higher election fees of $196,467 due to an election held in the current fiscal year; higher expense of $34,407 at Las Palmas Medical Plaza, primarily due to higher Professional Fees and Property Taxes expense; higher professional fees expense of $349,795, including higher legal expense of $46,718 and higher professional services fees of $290,958 for market analysis & assessments, community polling, and other services to the AB2414 boundary expansion/LAFCO application and the District/Foundation's 3-year strategic planning process.

CAPITAL ASSETS

At June 30, 2017, the District had $21,939,868 in capital assets and $9,147,084 accumulated depreciation, resulting in $12,792,784 net capital assets. At June 30, 2016, the District had $21,936,462 in capital assets and $8,514,981 in accumulated depreciation, resulting in $13,421,481 net capital assets.

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

Table C

	Balance 6/30/15	Net Additions	Net Retirements	Balance 6/30/16	Net Additions	Net Retirements	Balance 6/30/17
Cost	$ 21,982,396	$ 68,043	$ (113,977)	$ 21,936,462	$ 4,929	$ (1,523)	$ 21,939,868
Acc. Depreciation	(7,996,846)	(632,112)	113,977	(8,514,981)	(632,916)	812	(9,147,084)
Capital Assets, Net	$ 13,985,550	$ (564,069)	$ -	$ 13,421,481	$ (627,987)	$ (711)	$ 12,792,784

DEBT ADMINISTRATION

The District has no outstanding debt.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The Fiscal Year 2018 budget reflects revenues of $9,062,621 and operating expenses of $9,140,038. Capital expenditures are budgeted at $738,504. The Desert Healthcare District/Foundation adopted a new 3-Year Strategic Plan, with four Community Health Focus Areas: Homelessness; Primary Care and Behavioral Health Access; Healthy Eating and Active Living; and Quality, Safety, Accountability, and Transparency.

During the fiscal year ended June 30, 2017, the District awarded $3,396,365 in new grants and distributed grants in the amount of $4,889,943. Projected new grants to be awarded for the fiscal year 2017–2018 amount to $4,700,000 and distributions for grants could possibly total $17,136,870 due to the existing grant liability as of June 30, 2017 and the projected grant awards.

The District has also established a reserve fund of approximately $56,000,000 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.

CONTACTING THE DISTRICT'S MANAGEMENT

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DESERT HEALTHCARE DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 1,431,371	$ 1,330,982
Investments	17,257,100	16,191,150
Accounts receivable - net	293,905	642,045
Prepaid items and deposits	46,164	68,433
Total current assets	19,028,540	18,232,610
NON-CURRENT ASSETS		
Investments	37,386,990	41,325,267
Capital assets, net	12,792,784	13,421,481
Total non-current assets	50,179,774	54,746,748
DEFERRED OUTFLOWS		
Deferred Outflows of Resources:		
Pension Plans	1,234,531	1,647,999
Total deferred outflows of resources	1,234,531	1,647,999
TOTAL ASSETS AND DEFERRED OUTFLOWS	70,442,845	74,627,357
CURRENT LIABILITIES		
Current liabilities:		
Accounts payable and accrual liabilities	317,854	384,267
Grants payable	1,993,397	2,707,889
Compensated absences	46,835	80,808
Disability claims, reserve, current portion	14,803	14,803
Retired directors medical benefits, current portion	23,000	29,000
Total current liabilities	2,395,889	3,216,767
NON-CURRENT LIABLILITIES		
Grants payable	10,455,641	11,318,022
Long-term disability claims reserve	62,215	72,078
Long-term retired director's medical benefits	72,250	76,125
Net pension liability	2,883,995	9,644,702
Deposits payable	54,039	60,070
Total non-current liabilities	13,528,140	21,170,997
DEFERRED INFLOWS		
Deferred Inflows of Resources:		
Pension Plans	3,242,061	717,310
Total deferred inflows of resources	3,242,061	717,310
TOTAL LIABILITIES AND DEFERRED INFLOWS	19,166,090	25,105,074
NET POSITION		
Net investment in capital assets	12,792,784	13,421,481
Unrestricted	37,483,971	35,100,802
Restricted	1,000,000	1,000,000
TOTAL NET POSITION	$ 51,276,755	$ 49,522,283

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, 2017

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2017	2016
OPERATING REVENUES		
Property taxes	$ 6,082,391	$ 5,794,197
Rental income	1,178,485	1,141,312
Other income	213,133	278,566
Total revenues	7,474,009	7,214,075
OPERATING EXPENSES		
Grant allocations	3,453,749	2,078,129
General expenses	436,175	226,053
Rental expenses	894,421	860,015
Salaries and benefits	190,859	1,180,408
Legal fees	117,593	70,222
Depreciation	194,979	193,754
Other	146,333	142,332
Election fees	196,467	
Security	460	443
Total expenditures	5,631,036	4,751,356
Income (loss) from operations	1,842,973	2,462,719
NONOPERATING INCOME (EXPENSES)		
Investment income	30,049	991,773
Investment expenses	(118,550)	(113,948)
Total nonoperating income (loss)	(88,501)	877,825
Increase (decrease) in net position	1,754,472	3,340,544
NET POSITION		
Beginning of fiscal year	49,522,283	46,181,739
End of fiscal year	$ 51,276,755	$ 49,522,283

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, 2017

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from County	$ 6,080,531	$ 5,924,197
Cash received from Grantor	134,297	200,497
Cash payments to suppliers for goods and services	(1,406,821)	(785,521)
Cash payments to unfunded pension liability	(3,400,000)	
Cash payments to employees for services and benefits	(657,184)	(691,392)
Cash payments to grantee	(5,030,622)	(3,599,479)
Rental and other operating revenues	1,601,291	869,923
Net cash provided (used) by operating activities	(2,678,508)	1,918,225
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases and dispositions of capital assets	(4,929)	(68,043)
Net cash provided (used) by capital and related financing activities	(4,929)	(68,043)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	100	858
Net investment sales (purchases)	2,783,726	(1,818,831)
Net cash provided (used) by investing activities	2,783,826	(1,817,973)
Net increase (decrease) in cash	100,389	32,209
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	1,330,982	1,298,773
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	$ 1,431,371	$ 1,330,982
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 1,431,371	$ 1,330,982

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, 2017

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2017	2016
Income from operations	$ 1,842,973	$ 2,462,719
Adjustments to reconciliation of income from operations to net cash provided (used) by operating activities:		
Depreciation	632,916	643,609
Changes in assets and liabilities:		
Accounts receivable	348,140	(227,466)
Prepaid items and deposits	22,269	(30,986)
Deferred outflow-pension	413,468	(1,624,500)
Pension liabilities	(6,760,707)	1,870,753
Accounts payable and accrued liabilities	(66,413)	66,002
Grants payable	(1,576,873)	(1,521,350)
Deposits payable	(6,031)	8,008
Compensated absences	(33,973)	8,873
Gain on disposition of fixed assets	710	
Long-term disability claims reserve	(9,863)	(14,259)
Deferred inflow - pension	2,524,751	287,248
Retired director's medical liability	(9,875)	(10,426)
Net cash provided (used) by operating activities	$ (2,678,508)	$ 1,918,225

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
JUNE 30, 2017

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016

	Private- Purpose Trust Fund	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 2,017,563	$ 206,897
Grants receivable	14,477	102,047
Prepaid items	2,500	2,800
Accrued interest and dividend receivable	11,532	9,781
Total current assets	2,046,072	321,525
OTHER ASSETS		
Contributions receivable - charitable remainder trusts	185,939	204,175
Assets held in charitable remainder trusts	86,207	78,576
Investments	2,410,881	2,352,838
Total other assets	2,683,027	2,635,589
TOTAL ASSETS	4,729,099	2,957,114
LIABILITIES		
Current liabilities:		
Accounts payable	16,312	2,838
Deferred grant income	2,000,000	
Grants payable - current portion	217,292	647,106
Total current liabilities	2,233,604	649,944
Long-term liabilities:		
Grants payable - long-term	200,000	200,000
Total long-term liabilities	200,000	200,000
Total liabilities	2,433,604	849,944
NET POSITION	$ 2,295,495	$ 2,107,170

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, 2017

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust Fund	
	2017	2016
ADDITIONS		
Contributions	$ 4,980	$ 105,305
Grants	120,306	405,752
Interest and dividends	57,334	73,802
Investment gains	58,111	86,039
Sale of mineral rights	55,000	
Miscellaneous income	18,406	
Change in value - charitable trusts	(10,605)	12,333
Total support and revenue	303,532	683,231
DEDUCTIONS		
Grants and services	60,590	368,233
Management and general	54,617	64,009
Total expenses	115,207	432,242
INCREASE IN NET POSITION	188,325	250,989
NET POSITION, BEGINNING OF FISCAL YEAR	2,107,170	1,856,181
NET POSITION, END OF FISCAL YEAR	$ 2,295,495	$ 2,107,170

The accompanying notes are an integral part of these financial statements

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 five 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)

The District has and continues to assess the healthcare needs of the Western Coachella Valley. The District makes grants to healthcare providers who provide needed healthcare services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial Reporting Entity — Continued
As required by 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:

- The component unit's governing body is the same as the governing body of the District
- The component unit provides services entirely, or almost entirely, to the District or otherwise exclusively, or almost exclusively, benefits the District even though it does not provide services directly to it.

Included within the reporting entity as a blended component unit is the following:

Desert Healthcare Foundation (Foundation)

The Foundation is a health and welfare organization created to identify the health care needs of the Desert Healthcare District and to work toward alleviating those needs through various programs and services. The Foundation operates primarily in the Coachella Valley area of Southern California and, as such, is subject to market conditions, which could affect charitable giving and the realization of recorded assets values at various times.

The foundation’s condensed financial statements are included in these financial statements as a Private-Purpose Trust Fund fiduciary fund type.

Complete financial statements of the Foundation can be requested from the District, 1140 North Indian Canyon Drive, Palm Springs, California 92262.

Basis of Accounting and Measurement Focus

Business-Type Activities

The basic financial statements include a Statement of Net 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting and Measurement Focus – Continued

These basic financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents changes in net position for the year. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. All proprietary funds are accounted for on a cost of services of *"economic resources"* measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on the Statement of Net 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 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.

Use of Restricted/Unrestricted Net Position
When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Foundation's policy is to apply restricted net assets first.

Cash, Cash Equivalent and Investments
All cash and cash equivalents are considered to be demand deposits, money market funds and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and Improvements	40 – 50 years
Furniture and Equipment	3 – 7 years

Compensated Absences

Employees have vested interests in varying levels of vacation and sick leave based on their length of employment. Sick leave is payable only when an employee is unable to work due to personal or family illness. Unused sick leave does not vest and is forfeited upon termination.

Property Tax

The County of Riverside (the County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-79 general property taxes are based either on a flat 1% rate applied to the 1975-1976 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-1976 valuation. Taxable values on properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

Property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after this date are subject to accrual and considered available as a resource that can be used to finance the current year operations of the District.

Income Taxes

The District is a political subdivision of the State of California and, as such, is exempt from federal and state income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurement

The District and Foundation apply Generally Accepted Accounting Principles (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.

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 Assets — This amount is restricted by external creditors, grantors, contributors, or laws of regulations of other governments.

Unrestricted Net Assets — This amount is all net assets that do not meet the definition of "net investment in capital assets", or "restricted net assets."

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 15 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 by the government that is applicable to a future reporting period. Refer to Note 15 for a detailed listing of the deferred outflow 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 $47,000,000 to maintain the operations without interruption during the transition period. The District, recognizing this obligation, established an investment fund, with a net value of $55,843,478 as of June 30, 2017, identified as the Facility Replacement Fund. The lease agreement contains provisions in the event the lease terminates prior to May 30, 2021. If the lease terminates for reasons such as default by the lessor to perform obligations within a sixty day period or the premises are totally destroyed and repairs are not feasible between the dates of June 1, 2014 and May 30, 2021, the District may be obligated to repay Tenet beginning June 1, 2017 the unamortized prepaid rent as defined in the lease agreement which decreases annually through May 2021. However, the District does not expect these conditions to occur during the term of the lease and therefore, recorded the full amount of the payments received to income in fiscal year ended June 30, 1997. The lease agreement was recently amended to allow the District to provide the funding for the cost of preapproved capital improvements that will reduce the amount of the prepaid rent schedule by a ratio of $3 for each $1 spent, and in some cases a ratio of $3.50 for each $1 spent.

The $4,649,645 construction cost and credit received from Desert Regional Medical Center for lower electrical costs of the hospital parking lot provided for a $3 for $1 reduction amounting to $13,948,935 to the prepaid rent schedule. An additional $4,589,200 reduction to the prepaid lease schedule was due to a $3.50 for $1 reduction per a 10 year facility lease agreement between the District and Hospital for facility space at the District's medical office building to be occupied by the Hospital.

As of June 30, 2017, the prepaid lease balance is $12,128,525. This amount will decrease annually by $3,066,667 plus approximately $210,000 for the value of the electricity provided through May 2018 per terms of the lease agreement. The prepaid lease repayment may be made in full upon lease termination or over a period of five years.

3. CASH AND INVESTMENTS

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

	June 30, 2017	June 30, 2016
District's Statement of Net Position:		
Cash and cash equivalents	$ 1,431,371	$ 1,347,897
Investments	54,644,090	57,499,502
Fiduciary Statement of Net Position:		
Cash and cash equivalents	2,017,563	206,897
Investments	2,410,881	2,352,838
Total Cash and Investments	$ 60,503,905	$ 61,407,134
Cash and Investments consist of the following:		
Cash on Hand	$ 700	$ 700
Cash in Bank-District	231,484	921,035
Cash in Bank-Foundation	1,984,693	206,697
Money Market Funds	1,232,057	426,362
Investments	57,054,971	59,852,340
Total Cash and Investments	$ 60,503,905	$ 61,407,134

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.

3. CASH, AND INVESTMENTS - Continued

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
Local Agency Investment Fund (State Pool)	N/A	None	$50 million
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Repurchase Agreements	1 year	None	None
Bankers' Acceptance (must be dollar denominated)	180 days	40%	30%
Commercial Paper - Pooled Funds	270 days	40%	10%
Commercial Paper - Non-Pooled Funds	270 days	25%	10%
Negotiable Time Certificates of Deposit	5 years	30%	None
Non-negotiable Time Certificates of Deposit	5 years	None	None
State of California and Local Agency Obligations	5 years	None	None
Placement Service Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	None
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

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.

3. CASH, AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk (Continued)

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

As of June 30, 2017

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*	$ 891,720	$ 44,204	$ 35,215	$ 37,712	$ 91,133	$ 683,456
U.S. Government Agencies	26,678,586	9,185,840	4,109,620	7,620,245	2,582,706	3,180,175
U.S. Treasury Notes	28,664,630	8,071,240	6,204,884	2,145,900	6,127,190	6,115,416
Municipal Bonds	94,228		20,101			74,127
Domestic Common Stock*	725,807	725,807				
Total	$ 57,054,971	$ 18,027,091	$ 10,369,820	$ 9,803,857	$ 8,801,029	$ 10,053,174

* Held by Foundation

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
Corporate Bonds*	$ 768,473	$ 53,207	$ 60,109	$ 49,186	$ 15,821	$ 590,150
U.S. Government Agencies	29,841,811	6,371,482	9,586,350	4,235,780	6,768,860	2,879,339
U.S. Treasury Notes	27,530,644	8,163,880	8,525,555	4,255,802	2,217,593	4,367,814
Municipal Bonds	1,075,749	1,003,210			20,590	51,949
Domestic Common Stock*	635,663	635,663				
Total	$ 59,852,340	$ 16,227,442	$ 18,172,014	$ 8,540,768	$ 9,022,864	$ 7,889,252

* Held by Foundation

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

As of June 30, 2017:

				Rating as of Fiscal Year End			
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
Corporate Bonds*	$ 891,720	A	$ -	$ -	$ 142,370	$ 749,350	$ -
U.S. Government Agencies	26,678,585	A		26,678,585			
U.S. Treasury Notes	28,664,630	N/A	28,664,630				
Municipal Bonds	94,229	N/A		10,682	63,566	19,981	
Domestic Common Stock*	725,807	N/A					725,807
Total	$ 57,054,971		$ 28,664,630	$ 26,689,267	$ 205,936	$ 769,331	$ 725,807

* Held by Foundation

As of June 30, 2016:

				Rating as of Fiscal Year End			
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
Corporate Bonds*	$ 768,473	A	$ -	$ 18,042	$ 110,006	$ 640,425	$ -
U.S. Government Agencies	29,841,811	A		29,841,811			
U.S. Treasury Notes	27,530,644	N/A	27,530,644				
Municipal Bonds	1,075,749	N/A		11,141	1,043,213	21,395	
Domestic Common Stock*	635,663	N/A					635,663
Total	$ 59,852,340		$ 27,530,644	$ 29,870,994	$ 1,153,219	$ 661,820	$ 635,663

* Held by Foundation

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 three investments at June 30, 2017 that represent 5% or more of total District investments (other than U.S. Treasury Notes). These investments are:

Federal Home Loan Banks of $6,702,445 with various maturity dates through June 30, 2020, and interest rates of 1.375-5.000%.
Federal Home Loan Mortgage Corporation of $9,155,460 with various maturity dates through June 30, 2022, and interest rates of 1.250-5.500%.
Federal National Mortgage Association of $10,556,105 with various maturity dates through June 30, 2022, and interest rates of 1.250-4.600%.

There are three investments at June 30, 2016 that represent 5% or more of total District investments These investments are:

Federal Home Loan Banks of $13,457,871 with various maturity dates through June 30, 2019, and interest rates of 1.250-5.375%.
Federal Home Loan Mortgage Corporation of $8,380,820 with various maturity dates through June 30, 2020, and interest rates of 1.250-5.500%.
Federal National Mortgage Association of $8,003,120 with various maturity dates through June 30, 2020, and interest rates of 1.375-5.500%.

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, 2017 and 2016, the District's deposits with financial institutions in excess of federal depository insurance limits are legally required by the California Government Code, to collateralize the District's deposits as noted above.

3. CASH AND INVESTMENTS – Continued

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.

The District has the following recurring fair value measurements;

As of June 30, 2017

		Fair Value Measurement Using		
Investments by fair value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Corporate Bonds	$ 891,720	$ 891,720	$ -	$ -
U.S. Government Agencies	26,678,586	26,678,586		
U.S. Treasury Notes	28,664,630	28,664,630		
Municipal Bonds	94,228	94,228		
Domestic Common Stock	725,807	725,807		
	$ 57,054,971	$ 57,054,971	$ -	$ -

As of June 30, 2016

		Fair Value Measurement Using		
Investments by fair value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Corporate Bonds	$ 27,530,644	$ 27,530,644	$ -	$ -
U.S. Government Agencies	29,841,811	29,841,811		
U.S. Treasury Notes	768,473	768,473		
Municipal Bonds	1,075,749	1,075,749		
Domestic Common Stock	635,663	635,663		
	$ 59,852,340	$ 59,852,340	$ -	$ -

4. CAPITAL ASSETS

Business-Type Activities

At June 30, 2017 and 2016, the capital assets of the business-type activities consisted of the following:

June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Non-depreciable assets				
Land	$ 3,988,650	$ -	$ -	$ 3,988,650
Total non-depreciable assets	3,988,650			3,988,650
Depreciable assets:				
Buildings and improvements	17,777,623	1,972		17,779,595
Furniture and equipment	170,189	2,957	(1,523)	171,623
Total	17,947,812	4,929	(1,523)	17,951,218
Less accumulated depreciation	(8,514,981)	(632,916)	813	(9,147,084)
Total depreciable assets, net	9,432,831	(627,987)	(710)	8,804,134
Total Capital Assets, Net	$ 13,421,481	$ (627,987)	$ (710)	$ 12,792,784

June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Non-depreciable assets				
Land	$ 3,988,650	$ -	$ -	$ 3,988,650
Total non-depreciable assets	3,988,650			3,988,650
Depreciable assets:				
Buildings and improvements	17,835,414	55,241	(113,032)	17,777,623
Furniture and equipment	158,332	12,802	(945)	170,189
Total	17,993,746	68,043	(113,977)	17,947,812
Less accumulated depreciation	(7,996,846)	(632,112)	(113,977)	(8,514,981)
Total depreciable assets, net	9,996,900	(564,069)		9,432,831
Total Capital Assets, Net	$ 13,985,550	$ (564,069)	$ -	$ 13,421,481

5. RESTRICTED NET POSITION

The District has $1,000,000 of restricted net position at June 30, 2017 consisting of a contribution received during the June 30, 2012 year restricted to pulmonary research and rehabilitation and/or for the purchase and/or construction of facilities used for these purposes.

6. SPLIT INTEREST AGREEMENTS – FOUNDATION

At June 30, 2017 and 2016, the split interest agreements of the fiduciary fund consisted of the following:

	2017	2016
Contributions receivable - charitable remainder trusts	$ 185,939	$ 204,175
Assets held in charitable remainder trust	86,207	78,576
Total	$ 272,146	$ 282,751

Charitable Reminder Trusts

The Foundation was named trustee in one charitable remainder unitrust in which the trustee has a fiduciary responsibility to maintain and invest the trust assets prudently.

Trust 1 (dated April 12, 1989): Upon the death of the donor, 100% of the principal and income of the trust that is not required to have been distributed to the life beneficiary shall become the property of the Foundation. The donor passed away on May 30, 2015. The Foundation may use these assets for general purposes, as outlined in the trust agreement.

At June 30, 2017 and 2016, the estimated fair value of the trust was approximately $86,207 and $78,576, respectively.

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, 2016 and 2015, which is the most current information available, the estimated present value of future cash flows was $119,011 and $143,509, 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, 2017 and 2016 was $66,928 and $60,666, respectively.

7. GRANTS

The District has granted awards to various healthcare providers that provide needed healthcare services. Awards not fully funded in the current fiscal year are carried over to the subsequent fiscal year. At June 30, 2017 and 2016, the total grant awards payable were $12,449,038 and $14,025,911, respectively. Total grant expense for the fiscal years ended June 30, 2017 and 2016 amounted to $3,453,749 and $2,078,129, respectively.

The Foundation has granted awards to various healthcare providers that provide needed healthcare services. At June 30, 2017 and 2016, the total grant awards payable were $417,292 and $847,106, respectively. Total grants and services expense for the years ended June 30, 2017 and 2016 amounted to $60,590 and $368,233, respectively.

8. LONG-TERM DISABILITY CLAIMS RESERVE

Long-term disability claims were self-insured by the Corporation. 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, 2017 and 2016, the long-term disability claims reserves were as follows:

	Balance at July 1, 2016	Claims Paid	Changes in Estimates	Balance at June 30, 2017	Due Within One Year
Claims payable	$ 86,881	$ (14,803)	$ 4,940	$ 77,018	$ 14,803

	Balance at July 1, 2015	Claims Paid	Changes in Estimates	Balance at June 30, 2016	Due Within One Year
Claims payable	$ 101,140	$ (11,439)	$ (2,820)	$ 86,881	$ 14,803

9. RETIRED DIRECTORS MEDICAL BENEFITS

The District has a liability for any post-employment benefits to be paid to employees or Board of Directors. The only post-employment benefits applicable to the District are the payments of lifetime medical benefits to six former members of the Board of Directors. The initial actuarially calculated obligation recorded by the District during the fiscal year ended June 30, 2010 amounted to $287,862. The remaining outstanding obligation at June 30, 2017 and 2016 were as follows:

	2017	2016
Current	$ 23,000	$ 29,000
Long-term	72,250	76,125
	$ 95,250	$ 105,125

10. INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the District carries commercial insurance. The District purchases commercial insurance to cover the risk of loss for property, business liability, and medical payments.

11. RENTAL INCOME

The District rents commercial office suites subject to lease terms ranging from three to five years. Rental income includes the base monthly rental payments plus the common area maintenance fee. Rental income consisted of the following for the fiscal years ended June 30, 2017 and 2016:

	2017	2016
Base rent	$ 854,111	$ 833,969
Common area maintenance	324,374	307,343
	$ 1,178,485	$ 1,141,312

The five year fiscal year minimum rental schedule follows:

2018	2019	2020	2021	2022
$ 964,670	$ 698,778	$ 537,212	$ 463,596	$ 352,301

12. COMMITMENT AND CONTINGENCIES

Earthquake Retrofit

Senate Bill 1953 imposes certain requirements that acute care hospitals would be required to meet within a specified time. These requirements include conducting seismic evaluations. The deadline was extended to January 1, 2030. After January 1, 2030, all hospitals must be determined to be in compliance.

13. 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.

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, 2017), the Plan's independent actuary determined that the actuarial value of the Plan's net pension liability was $2,883,995 at June 30, 2017 and $9,644,702 at June 30, 2016. In the report it was recommended that an actuarially determined contribution of $288,378 as of June 30, 2017 and $928,460 as of June 30, 2016, should be made. The District's board of directors elected to fund the Plan, in the amount of $3,400,000 during 2017.

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.

13. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Schedule of Funding Progress

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2006	$5,236,383	$ 9,566,663	$ (4,330,280)	55%	N/A	N/A
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	4,552,074	9,312,581	(4,760,507)	49%	N/A	N/A
6/30/2009	3,351,366	9,141,403	(5,790,037)	37%	N/A	N/A
6/30/2010	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2011	3,522,125	7,921,342	(4,399,217)	45%	N/A	N/A
6/30/2012	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2013	2,797,614	7,357,700	(4,560,086)	38%	N/A	N/A
6/30/2014	2,656,607	10,603,012	(7,946,405)	25%	N/A	N/A
6/30/2015	2,405,256	10,179,205	(7,773,949)	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	5,335,299	8,219,294	(2,883,995)	65%	N/A	N/A

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

14. 401(K) RETIREMENT PLAN

The District converted from a 401(k) retirement plan to a 457(B) and 401(A) retirement plans. A 457(B) (employee contribution) and 401(A) (employer contribution) retirement plans were determined to be more appropriate for a governmental agency. The 401(K) plan was terminated during the fiscal year 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, 2017 and 2016 were $39,173 and $46,114, respectively.

15. PENSION PLAN

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, 2017, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	60
Active employees	141
Total	217

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

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

15. PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	5.00%, net of pension plan investment expense, including inflation.
Measurement date	June 30, 2017, based on a valuation date of June 30, 2017.
Ad hoc cost-of-living increases	Not applicable
Mortality	Pre-Retirement: None Post-Retirement:2017 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 particapnts and benefit accruals.
Retirement	100% retirement 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, 2017 funding valuation for other relevant assumptions.

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

15. PENSION PLAN (Continued)

Net Pension Liability

Discount Rate

The discount rate used to measure the total pension liability was 5.00 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 5.00 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 5.00 percent is applied to all plans in the Plan. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the Districts' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 5.00 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 5.15 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 is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. For these reasons, the Plan expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 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

15. PENSION PLAN (Continued)

Net Pension Liability (Continued)

Discount Rate (Continued)

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	36.0%	2.50%
Domestic equities	45.0	5.50
International equities	15.0	6.50
International Fixed Income Securities	2.0	2.50
Cash	2.0	0.00

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability/(Asset) (c) = (a) - (b)
Balance, June 30, 2016 (VD)	$ 11,568,940	$ 1,924,238	$ 9,644,702
Changes in Recognized for the Measurment Period:			
Employer Contributions		3,400,000	(3,400,000)
Interest on the Total Pension Liability	321,990		321,990
Differences between Expected and Actual Experience	(437,093)		(437,093)
Changes in Assumptions	(2,852,163)		(2,852,163)
Net Investment Income **		426,828	(426,828)
Benefit Payments, including Refunds of Employee Contributions	(382,380)	(382,380)	-
Administrative Expenses		(33,387)	33,387
Net Changes during 2016-17	(3,349,646)	3,411,061	(6,760,707)
Balance, June 30, 2017 (MD) *	$ 8,219,294	$ 5,335,299	$ 2,883,995

* The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.
** Net of Administrative expenses.

15. PENSION PLAN (Continued)

Changes in the Plan's Net Pension Liability

Sensitivity of the Net Pension Liability 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 5.00 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 (4.00 percent) or 1 percentage-point higher (6.00 percent) than the current rate:

	Discount Rate – 1% (4.00%)	Current Discount Rate (5.00%)	Discount Rate + 1% (6.00%)
Plan's Net Pension Liability/(Asset)	$ 4,036,349	$ 2,883,995	$ 1,920,194

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, 2017, the District recognized pension expense of $3,400,000. At June 30, 2017, 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	$ -	$ (838,923)
Net differences between projected and actual earnings on pension plan investments	67,766	(264,016)
Changes in assumptions	1,166,765	(2,139,122)
Total	$ 1,234,531	$(3,242,061)

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

Fiscal Year Ended June 30,	**Deferred Outflows/(Inflows) of Resources**
2018	$ (681,057)
2019	(681,056)
2020	(579,413)
2021	(66,004)

REQUIRED SUPPLEMENTARY INFORMATION

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

Prepared for the Desert Healthcare District, a Single-Employer Defined Benefit Pension Plan as of June 30, 2017

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

	2017	2016	2015
Measurement Period	2016-2017[1]	2014-2015[1]	2013-2014[1]
Total Pension Liability			
Interest on total pension liability	$ 321,990	$ 397,980	$ 418,035
Differences between expected and actual experience	(437,093)	(493,455)	(537,276)
Changes in assumptions	(2,852,163)	1,944,607	
Benefit payments, including refunds of employee contributions	(382,380)	(459,397)	(304,566)
Net change in total pension liability	(3,349,646)	1,389,735	(423,807)
Total pension liability - beginning	11,568,940	10,179,205	10,603,012
Total pension liability - ending (a)	8,219,294	11,568,940	10,179,205
Plan fiduciary net position			
Employer contributions	3,400,000		
Net investment income	426,828	(6,638)	71,101
Benefit payments	(382,380)	(459,397)	(304,566)
Administrative expenses	(33,387)	(14,983)	(17,886)
Net change in plan fiduciary net position	3,411,061	(481,018)	(251,351)
Plan fiduciary net position - beginning	1,924,238	2,405,256	2,656,607
Plan fiduciary net position - ending (b)	5,335,299	1,924,238	2,405,256
Net pension liability - ending (a) - (b)	$ 2,883,995	$ 9,644,702	$ 7,773,949
Plan fiduciary net position as a percentage of the total pension liability	64.91%	16.63%	23.63%
Covered - employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered - employee payroll	N/A	N/A	N/A

Notes to Schedule

Changes in Assumptions:

2015 to 2016 Investment rate of return, including inflation, and net of investment expense changed from 4.00% to 2.83%.

2016 to 2017 Discount Rate changed from 2.83% to 5.00%.

*Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

DESERT HOSPITAL
RETIREMENT PROTECTION PLAN

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2017

MOSS, LEVY & HARTZHEIM LLP
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, 2017 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.

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

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, 2017, 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, 2017 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 2016 financial statements, and our report dated October 5, 2016 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
October 5, 2017

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	2017	2016
ASSETS		
Cash	$ 64,991	$ 58,837
Investments, at fair value		
U.S. Government securities	755,911	247,787
Corporate equity securities	462,385	219,244
Corporate debt securities	927,457	361,394
Mutual funds	3,121,560	1,033,368
Total investments	5,267,313	1,861,793
Interest and dividends receivable	11,869	3,608
LIABILITIES		
Accrued trustee fees	8,874	-
NET POSITION RESTRICTED FOR PENSION		
Net position restricted for pension	$ 5,335,299	$ 1,924,238

(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, 2017

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2017	2016
ADDITIONS:		
Contributions	$ 3,400,000	$ -
Investment income:		
Net appreciation (loss) in fair value of Plan assets	347,913	(56,095)
Interest, dividends, and other investment income	78,916	49,457
Net income (loss)	3,826,829	(6,638)
DEDUCTIONS:		
Distributions of benefits	382,380	459,397
Administrative expenses	33,388	14,983
Total deductions	415,768	474,380
NET INCREASE (DECREASE) IN NET POSITION	3,411,061	(481,018)
NET POSITION RESTRICTED FOR PENSION:		
BEGINNING OF THE FISCAL YEAR	1,924,238	2,405,256
END OF THE FISCAL YEAR	$ 5,335,299	$ 1,924,238

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

1. PLAN STATUS

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

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

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

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

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

2. PLAN DESCRIPTION

General

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

Vesting

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

Account Balances

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

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, 2017 by the Plan's independent actuary determined that the actuarial value of the Plan's net pension liability was $2,883,995 at June 30, 2017 and $9,644,702 at June 30, 2016 and recommended to the District an actuarially determined contribution of $288,378 as of June 30, 2017 and $928,460 as of June 30, 2016.

Administration and Trustee

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Use of Estimates

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

Federal Income Taxes

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting

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

4. CASH AND INVESTMENTS

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

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

The Plan's investments are categorized below:

	2017		2016	
Investment Type	Cost	Fair Value	Cost	Fair Value
Cash	$ 64,991	$ 64,991	$ 58,837	$ 58,837
Investments				
U.S. Government securities	756,073	755,911	241,976	247,787
Corporate equity securities	418,008	462,385	199,067	219,244
Corporate debt securities	929,318	927,457	360,793	361,394
Mutual funds	2,800,692	3,121,560	973,031	1,033,368
Investments total	4,904,091	5,267,313	1,774,867	1,861,793
Total cash and investments	$ 4,969,082	$ 5,332,304	$ 1,833,704	$ 1,920,630

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.

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, 2017

		Remaining Maturity (in Months)				
Investment Type	Carrying Amount	12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More than 49 Months
Equity Based Mutual Funds	$ 2,737,981	$ 2,737,981	$ -	$ -	$ -	$ -
Fixed Income Mutual Funds	383,579	383,579				
Corporate Bonds	927,457		100,940	101,605	310,242	414,670
U.S. Government Agencies	553,136	1,199	4,232			547,705
U.S. Treasury Note	202,775		50,494	50,359	50,971	50,951
Foreign Stock	29,307	29,307				
Domestic Common Stock	433,078	433,078				
Total	$ 5,267,313	$ 3,585,144	$ 155,666	$151,964	$ 361,213	$ 1,013,326

As of June 30, 2016

		Remaining Maturity (in Months)				
Investment Type	Carrying Amount	12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More than 49 Months
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	$ 1,861,793	$ 1,357,676	$ 53,466	$112,151	$ -	$ 338,500

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, 2017:

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End: AAA	AA	A	Not Rated
Equity Based Mutual Funds	$ 2,737,981	N/A	$ -	$ -	$ -	$ -	$ 2,737,981
Fixed Income Mutual Funds	383,579	N/A					383,579
Corporate Bonds	927,457	A			310,600	616,857	
U.S. Government Agencies	553,136	A		51,049		502,087	
U.S. Treasury Note	202,775	N/A	202,775				
Foreign Stock	29,307	N/A					29,307
Domestic Common Stock	433,078	N/A					433,078
Total	$ 5,267,313		$ 202,775	$ 51,049	$ 310,600	$ 1,118,944	$ 3,583,945

As of June 30, 2016:

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End: AAA	AA	A	Not Rated
Equity Based Mutual Funds	$ 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
Total	$ 1,861,793		$ 52,981	$ 194,806	$ 99,053	$ 262,341	$ 1,252,612

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 six investments at June 30, 2017 that represent 5% or more of total Plan investments. These investments are:

4,375 Shares of IShares S&P 500 Growth ETF valued at $324,334.
3,100 Shares of IShares S&P 500 Value ETF valued at $325,376.
5,750 Shares of IShares Msci Eafe ETF valued at $374,900.
1,575 Shares of IShares Russell 2000 ETF valued at $221,949.
3,900 Shares of IShares Msci Eafe Value ETF valued at $201,630.
2,750 Shares of IShares Msci Eafe Growth ETF valued at $203,390.

There are four 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%.
1,700 Shares of IShares S&P 500 Value ETF valued at $157,930.
2,400 Shares of IShares Msci Eafe ETF Fund valued at $133,968.

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, 2017, 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.

4. CASH AND INVESTMENTS (Continued)

Fair Value Measurements

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

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

The Plan has the following recurring fair value measurements as of June 30, 2017:

		Fair Value Measurement Using		
Investments by fair value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
US Government Issues	$ 755,911	$ 755,911	$ -	$ -
Corporate Issues	927,457		927,457	
Mutual Funds- Equity	2,737,981	2,737,981		
Mutual Funds- Fixed Income	383,579		383,579	
Domestic Common Stock	433,078	433,078		
Foreign Stocks	29,307	29,307		
	$ 5,267,313	$ 3,956,277	$ 1,311,036	$ -

The Plan has the following recurring fair value measurements as of June 30, 2016:

		Fair Value Measurement Using		
Investments by fair value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
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		
	$ 1,861,793	$ 1,206,966	$ 654,827	$ -

5. ACTUARIAL ASSUMPTIONS

The total pension liability as of June 30, 2017 was determined using the Plan provided in the June 30, 2017 funding valuation.

The total pension liability as of June 30, 2017 was determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	5.00%, net of pension plan investment expense, including inflation.
Measurement date	June 30, 2017, based on a valuation date of June 30, 2017.
Ad hoc cost-of-living increases	Not applicable
Mortality	Pre-Retirement: None Post-Retirement: 2017 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, 2017 funding valuation for other relevant assumptions.

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

6. NET PENSION LIABILITY OF THE PLAN

Schedule of Changes in Net Pension Liability and Related Ratios

Total pension liability:	**2017**	**2016**
Service cost	$ -	$ -
Interest	321,990	397,980
Changes of benefit terms	-	-
Differences between expected and actual experience	(437,093)	(493,455)
Changes of assumptions	(2,852,163)	1,944,607
Benefit payments, including refunds of member contributions	(382,380)	(459,397)
Net change in total pension liability	(3,349,646)	1,389,735
Total pension liability - beginning	11,568,940	10,179,205
Total pension liability - ending (a)	$ 8,219,294	$ 11,568,940
Plan fiduciary net position		
Contributions - employer	$ 3,400,000	$ -
Contributions - member	-	-
Net investment income	426,829	(6,638)
Benefit payments, including refunds of member contributions	(382,380)	(459,397)
Administrative expenses	(33,388)	(14,983)
Other	-	-
Net change in plan fiduciary net position	3,411,061	(481,018)
Plan fiduciary net position - beginning	1,924,238	2,405,256
Plan fiduciary net position - ending (b)	5,335,299	1,924,238
Net pension liability - ending (a) - (b)	$ 2,883,995	$ 9,644,702
Plan fiduciary net position as a percentage of the total pension liability	65.02%	16.63%
Covered - employee payroll	N/A	N/A
Net pension liability as percentage of covered - employee payroll	N/A	N/A

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 5.00%. 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 3.40% 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 5.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net pension liability	$ 4,036,349	$ 2,883,995	$ 1,920,194

Summary

Plan membership

The total pension liability was determined based on the plan membership as of June 30,	2017	2016
Inactive plan members if beneficiaries currently receiving benefits	16	23
Inactive plan members entitled to but not yet receiving benefits	60	64
Active plan members*	141	167
	217	254

6. NET PENSION LIABILITY OF THE PLAN (Continued)

Summary (Continued)

Net Pension Liability

The components of the net pension liability at June 30,	2017	2016
Total pension liability	$ 8,219,294	$ 11,568,940
Plan fiduciary net position	(5,335,299)	(1,924,238)
Net pension liability	$ 2,883,995	$ 9,644,702
Plan fiduciary net position as a % of the total pension liability	65.02%	16.63%

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions.	2017	2016
Inflation	2.75%	2.75%
Salary increases	NA	NA
Investment rate of return	6.82%	6.87%
Discount rate	5.00%	2.83%

SUPPLEMENTARY INFORMATION

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2017

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)
06/30/06	$ 5,236,383	$ 9,566,663	$ (4,330,280)	55%	N/A	N/A
06/30/07	N/A	N/A	N/A	N/A	N/A	N/A
06/30/08	4,552,074	9,312,581	(4,760,507)	49%	N/A	N/A
06/30/09	3,351,366	9,141,403	(5,790,037)	37%	N/A	N/A
06/30/10	N/A	N/A	N/A	N/A	N/A	N/A
06/30/11	3,522,125	7,921,342	(4,399,217)	45%	N/A	N/A
06/30/12	N/A	N/A	N/A	N/A	N/A	N/A
06/30/13	2,797,614	7,357,700	(4,560,086)	38%	N/A	N/A
06/30/14	2,656,607	10,603,012	7,946,405	25%	N/A	N/A
06/30/15	2,405,256	10,149,205	7,743,949	24%	N/A	N/A
06/30/16	1,924,238	11,568,940	9,644,702	17%	N/A	N/A
06/30/17	5,335,299	8,219,294	2,883,995	65%	N/A	N/A

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

DESERT HEALTHCARE DISTRICT

Doing Healthy Deeds

Date: October 24, 2017

To: Board of Directors

Subject: CBRE proposed Professional Services agreement to perform a Facility Condition Assessment

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Staff recommendation: Consideration to approve a Professional Services Agreement for CBRE to complete a Facility Condition Assessment.

Background:

- At the July 24, 2017 Hospital Governance and Oversight Committee (Committee) meeting, the Committee requested an inspection be performed to assess the condition of the hospital.
- The Committee directed Staff to seek consultants who specialize in hospital facilities inspections.
- Staff has enlisted CBRE, a national real estate consulting firm, to provide a proposal to perform the inspection services.
- The independent inspection will result in a Facility Condition Assessment report.
- The draft CBRE Professional Services Agreement is include for your review and consideration for approval.

Fiscal Impact:

Estimated cost is $32,300.

DRAFT

CBRE

Assessment & Consulting Services
CBRE | Valuation & Advisory Services
3501 Jamboree Road, Suite 100| Newport Beach, CA 92660
Ph: 949 809 4106

To:	D. Chris Christensen, CPA	
Firm:	Desert Healthcare District/Foundation	
Address:	1150 N Indian Canyon Drive Palm Springs, CA 92262	
Tel:	(760) 323-6356	
Cell:	(760) 567-0051	
Email:	cchristensen@dhcd.org	
Date:	October 6, 2017	
From:	Michael LaFalce	michael.lafalcejr@cbre.com
	Jason Lind	jason.lind@cbre.com
Re:	Fee Quotation for Consulting Services Desert Regional Medical Center – 600,000 SF 1150 N Indian Canyon Drive Palm Springs, CA 92262 CBRE Proposal No.: PC71038638	

As a follow-up to your RFP, CBRE, Inc., a Delaware corporation (hereafter "Consultant") is pleased to submit this proposal to Desert Regional Medical Center (the "Client") to provide the following services:

Task 1 – Facility Condition Assessment – Multi-Assessor Team – SME – SSC

The Scope of Work will be to perform a Facility Condition Assessment (FCA). The FCA will be performed in general conformance with ASTM E 2018 – 15, Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process. The purpose of the FCA will be to provide a baseline report for use in Capital Planning Initiatives. A site visit of the property will be conducted by a CBRE Team consisting of:

- Generalist, typically an Architect or Engineer (Team Lead)
- Mechanical, Electrical and Plumbing Subject Matter Expert, typically an Engineer (MEP SME)

The Team Leader will guide the efforts of the entire Due Diligence Team and the Team will endeavor to evaluate100% of the Readily Accessible; Site Systems, Structural Systems, Building Envelope Systems, Plumbing Systems, Mechanical Systems, Electrical Systems, Parking Garages, Fire and Life Safety and Conveying Systems. Additionally, the Team will endeavor to evaluate 20% of the Readily Accessible Interior Areas. Our report will focus on infrastructure condition, ages, capacities, deferred maintenance, and remaining useful life. A debrief call with Project Reviewer (Senior Architect or PE, providing overall QA/QC, and support to the team from the office) and other team members selected by your group within a few days of the completion of the site visits.

Short Term and Long Term cost schedules will be provided. Short Term costs will include a deficiency description, recommended remediation and associated cost for repair or replacement. A photo of the deficiency will be included. Long Term Capital Reserve cost schedules will include a description of the building systems, age, remaining useful life and cost projections for replacement and maintenance.

We prefer that a building engineer or maintenance staff member familiar with this property and its history accompany us during our walk-through of the buildings. During the site visit, visual observations will be made to note the general condition of the property and to locate obvious problems and visible defects in the materials and building systems. If we have concerns about specific items, which may require additional investigation, we will notify you accordingly. Additionally, interviews with building staff and a review of Client provided documentation will be performed during the site assessment. Review of documentation will include, but not be limited to, past and future capital improvement schedules, equipment replacement and equipment lists, ongoing equipment replacement proposals and costing, and as built or design drawings.

A brief description / condition of each of the systems listed below, along with observed deficiencies will be prepared for:

Site / Civil: The purpose of the Site Civil portion of the assessment is to observe and report on the general condition of site infrastructure and improvements which include the site utilities, site drainage, paving, sidewalks, site signage, lighting, and the landscaping. This will be accomplished by performing a review of the site. Site Civil drawings are requested to be provided for our reference in order to assist in understanding the systems that may affect the subject site. The types of materials, general conditions, major concerns and our repair recommendations will be included in the Report.

Structural: The purpose of the Structural portion of the assessment is to determine what general structural systems were used and their adequacy for the continued future current usage of the facility. We will perform a site walk-through to locate visible defects, which might suggest structural problems. The general soil conditions and local geology will be noted to provide opinion on potential problematic conditions in the area and observed localized issues will be noted.

Exterior Building Envelope: The purpose of the Exterior Building Envelope portion of the assessment is to visually review and assess the type and condition of materials used in construction of the exterior building envelope. Our observations will include visual review of exterior walls, windows, doors, caulk, trim, and siding for overall integrity of the systems and their ability to resist moisture infiltration. Our observations will be made from the ground or roof as appropriate and as can be safely performed. No facade drops will be performed as part of the base proposal.

Roofing: We will report on the in-place roofing system. We will visually assess its general condition based on site observations of the roofing membrane, flashing, penetrations and expansion joint details, and the general performance of the drainage system. No roof cores or testing will be conducted as part of the base FCA unless specifically agreed to. If reasonably accessible, the underside of the deck and a sampling of attic spaces will also be observed to determine if there is evidence of infiltration leakage. Steep-slope roofs will not be walked. Access to low-slope roofs must be provided or otherwise arranged by Client, including OSHA-approved portable ladders, as needed. No destructive testing will be performed as part of the base FCA.

Mechanical, Electrical, and Plumbing (MEP): The purpose of the MEP portion of the assessment is to view available MEP equipment, to note the type of systems used, to perform a review of the facility to observe the systems' present operation and to assess the general quality and condition of installation. Each building system will be evaluated based on condition, age, criticality, deficiencies, and remaining useful life of the aforementioned systems. No testing will be performed by CBRE. The services of a separate HVAC consultant are not included in this scope.

Interior Finishes: The purpose of the interior finishes portion of the assessment is to note finishes that are in place, assess the condition of the common area elements and the finishes within a percentage of the tenant spaces and comment on needed replacements and/or repairs that may be required.

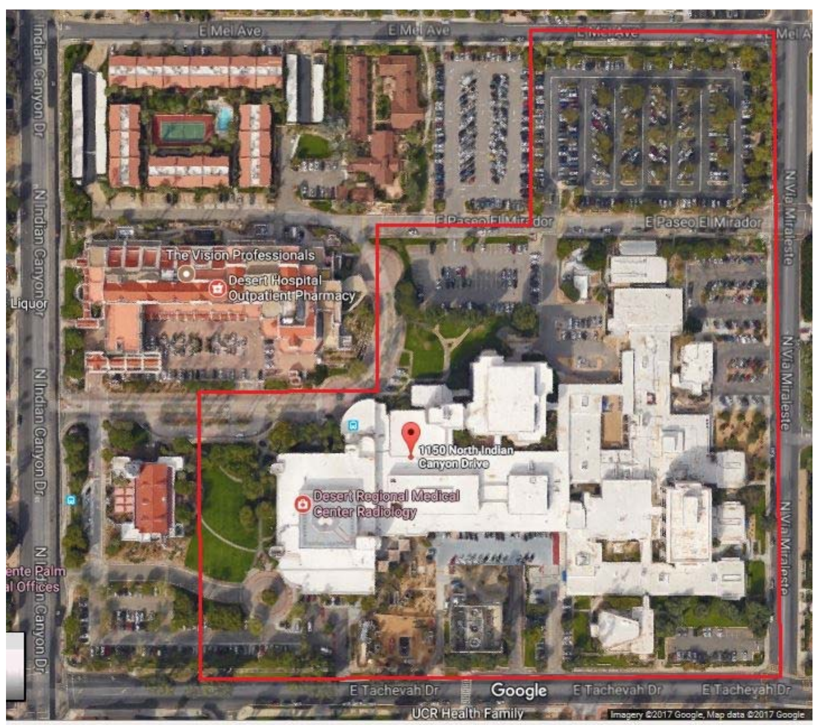
Life Safety / Fire Protection Systems: The purpose of the Life Safety/Fire Prevention Systems Assessment will be to identify the systems that exist within the property. Fire alarms, sprinkler systems, fire extinguishers, smoke detectors, and emergency egress lighting and signage will be among the items we assess. We will identify third party fire or security alarm monitoring firms under contract, and inquire regarding the inspection history of these systems. Equipment will not be operated or tested by CBRE as part of this project. We will attempt to verify if the current systems comply with current code by way of interview of the local authority having jurisdiction (a general review of the property type with the local authority). The services of a separate fire protection consultant are not included in this scope.

Conveying Systems:

The focus here will be the vertical transportation systems including: inspection of elevators, lift systems to verify safety testing and inventory, audit of compliance documentation and service contracts, equipment type, manufacturer, age, condition, controller types, cab finishes, operations and timings.

Americans with Disabilities Act (ADA): The purpose of this assessment will be to confirm the accessibility of public areas of the site and buildings as defined by the American with Disabilities Act of 1990 (ADA). CBRE will prepare a Checklist ADA Survey that will note and comment on applicable and major path-of-travel items that may not be in compliance with Title III of the Americans with Disabilities Act. A visual survey of the Subject will be performed by the Generalist. A listing of deficient issues will be provided along with recommended cost to remediate the deficiencies. Photographs of building deficiencies will be included for illustration purposes.

PROPERTY FEE SCHEDULE				
BUILDING	ADDRESS	AREA	YEAR BUILT	FEE
Desert Regional Medical Center	1150 N Indian Canyon Drive Palm Springs, CA 92262	600,000		$32,300.00



Proposal Specifications:

- Engagement via signing this Proposal.
- Consultant will schedule a site visit after the receipt of a signed copy of this Proposal.
- All travel related costs are included.
- A draft report will be delivered 15 business days after the site visit.
- Specific Contracted Purpose of Facility Condition Assessment: Capital Planning
    - Limited Narrative - Leve 2
    - Deficiency Costs & Photos
    - Capital Reserve Schedule - 10 Years, 3% Inflation Rate
    - Municipal Research
    - Flood Determination will be provided
- Representative Observations: 100% of accessible site, facades visible from grade, roof areas, plumbing systems, mechanical systems, electrical systems, fire suppression and alarms systems, conveying systems and 20% of the common areas
- This report is for internal use only. No third-party reliance without written consent of CBRE.
- The report(s) will be sent via electronic delivery. If needed, hard copies will be invoiced at $50 per copy.
- The fee(s) and schedule expressed herein shall be honored by Consultant for a period of 14 business days from the date of this quotation.
- The fee for the above scope is based on a single site visit. If additional site visits are required due access issues or areas and systems which are not readily visible or available, additional fees will apply. Authorization for the additional effort will be required before a revisit can be performed.
- Lift access, and ladder access shall be provided by the onsite staff. We have not included the cost of lifts or ladders within the current scope.
- Any corporate safety procedures which will be required to comply with will need to be provided prior to the start of work. If required safety procedures materially impact the scope of work presented herein, the scope, pricing, and scheduling may need to be revised.
- *Cancellation*: Should the Client cancel the engagement, the Client will be charged project-specific costs incurred, such as regulatory database and non-recoverable travel fees, based on the percentage of the project completion at the time of cancellation.

Project Cancellation Stage	Billing Stage
Project cancelled at least 24 hours (1 business day) prior to onsite visit:	Expenses Incurred to date
Project cancelled <24 hours prior to onsite visit, during, or following completion of the onsite visit, but prior to draft report writing:	50% of project fee
Project cancelled after or during draft report writing, but prior to review/production:	80% of project fee
Project cancelled after or during draft report production:	100% of project fee

If you have any questions or need additional information, please do not hesitate to contact us.

Sincerely,

FACILITY ASSESSMENT - CONSULTATIVE SOLUTIONS

Greg G. Souder, PE, MBA, LEED AP
Managing Director

Should this fee quotation, terms, and attached "Terms and Conditions" be acceptable, please sign below.

Accepted By:

Signature	Date
Print Name	Title

PROPERTY DATA REQUEST – ASSESSMENT & CONSULTING SERVICES

As part of our process you may have received, or will be receiving, Environmental and Property Condition Questionnaires to complete and forward back to CBRE. In addition to these questionnaires, please provide the following items in order to facilitate the assessment process:

1. All available construction documents (blueprints/plans) from the original/as-built construction of the building(s), or for any tenant improvement work or other recent construction work.
2. Site Plan, preferably 8 ½" X 11", which depicts the arrangement of buildings, building units per building, roads, parking stalls, and other site features.
3. Copies of any available previous property/site assessments (e.g., Appraisals, Environmental Site Assessments, Property Condition Assessments, Geotechnical Reports, or Asbestos Surveys).
4. Copies of Certificates of Occupancy, building permits, fire or health department inspection reports, elevator inspection certificates, roof or HVAC warranties, and any other operating documents.
5. Copy of the properties listing prospectus information assembled by the real estate sales company, and any other brochures or marketing information.
6. A summary of recent (past 5 years) capital improvement work, which describes the scope of the work and the cost of the improvements.
7. Executed contracts or proposals for improvements. Include historical costs for improvements, replacements, and repairs.
8. ADA survey and status of improvements implemented.
9. Current/pending litigation related to environmental or property conditions.

TERMS AND CONDITIONS – ASSESSMENT & CONSULTING SERVICES

1. GENERAL. These Terms and Conditions together with any documents they are incorporated into either implicitly or by reference (collectively the "Agreement") constitute the entire contract between CBRE (hereinafter "Consultant") and the person or firm authorizing Consultant to proceed (hereinafter "Client"). The terms of this Agreement shall be governed by, subject to and construed in accordance with the laws of the state of New York. Agreement shall supersede any prior discussions, understandings or agreements between the Parties and may be authorized in parts and by signature, facsimile, e-mail or other similar method and such execution shall be binding on all Parties. No revisions to the Agreement or verbal commitment shall be binding on either Party unless documented and accepted in writing by all Parties.

2. ROLE OF CONSULTANT. Consultant, its specialists and vendors will act as independent contractors, will not be considered an employee of Client and will have no authority to act on behalf of Client.

3. SERVICES. The purpose and scope of Services to be provided under this Agreement are more detailed in proposal attached to these terms and conditions. The effective date of any report issued will be the date upon which the first draft report is issued by Consultant.

4. PERFORMANCE STANDARD. In performing the Services, Consultant shall exercise the degree of skill and care normally exercised by consultants in the same community providing the same or similar services for projects of comparable size, complexity, budget, schedule and other characteristics of the project (the "Standard of Care"). Except as set forth in the immediately preceding sentence, Consultant makes no warranties, express or implied, with respect to the Services or any of its oral or written reports. Client acknowledges and agrees that (i) the Services may require judgments to be made by Consultant that are based upon limited data rather than scientific certainties; (ii) Consultant's approach, recommendations, and associated cost estimates, if any, are based upon industry practices and averages; (iii) Consultant's opinions are made at the time of the assessment with respect to the observations made and data obtained at the time of the assessment; (iv) ultimate outcomes could be inconsistent with the conclusions, results, and projections of Consultant; and (v) there may be additional reports, records, work proposals, whether written, pending, or verbal, that may impact Consultant's findings, recommendations or cost estimates, if any.

5. LIMITATIONS OF SERVICES. The Services provided do not constitute the practice of architecture, engineering or geology. In no event shall Consultant be held liable for latent or hidden conditions, conditions not actually observed by Consultant or the potential consequences of conditions of which Client had knowledge at the time of the assessment. The walk-through is limited to representative observations. Not all typical recurring components, equipment, areas or system will be observed. The walk-through will be limited to areas that are readily observable, easily accessible, and deemed safe by Consultant at the time of the site visit. Facades and pitched roof systems will be surveyed from grade or roof terraces, if any. Consultant's field observers do not wear special protective clothing or use protective equipment. Field observers will not enter crawl spaces or other confined areas that pose a health or safety risk that could result from the presence of mold, fungus, insects, vermin, protruding nails, etc. Additionally, if any ASTM standards are set forth in the Report, the Services are subject to the limitations detailed in the applicable ASTM standard. Consultant's opinions, whether oral or written, are not intended, nor should they be construed, as an insurance policy or a guarantee or warranty, expressed or implied, regarding the physical or environmental condition of the property and the property's compliance with local, state, or national building, structural, plumbing, or electrical codes; zoning ordinances, environmental/health regulations; or compliance with the Federal Fair Housing Act Accessibility (FHAA) Guidelines or the Americans with Disability Act (ADA). Client affirms an understanding of the scope and limitations of the Services and acknowledges the adequacy of the agreed upon scope of services for the purposes identified.

6. CLIENT INFORMATION. Client represents and warrants that, to the best of Client's knowledge, all information provided by Client is true, complete and accurate. Client shall defend, indemnify and hold Consultant harmless for claims arising from Client's failure to provide true, complete and accurate information to Consultant.

7. THIRD PARTY INFORMATION. Client acknowledges that Consultant may have relied on certain information provided by state and local officials and other public or private parties, contained within the files of agencies, within the reports or studies prepared by other consultants, which were provided to Consultant by Client, Client's agent, or property ownership/management, or provided directly to Consultant by property ownership, management or other representative. Client acknowledges that all such third party information is deemed by Consultant to be correct and complete without independent verification by Consultant. The thoroughness of Consultant's ALTA/ACSM Survey Review for compliance with Zoning Regulations was limited to the information provided in the survey itself.

8. CONSULTANT/CLIENT COMMUNICATION. It is understood that some municipalities will only release information to the property owner or authorized agent or in certain situations persons or entities that are located within the same municipality or state of the Subject. In these situations client will be notified immediately of the need for additional local support, which is to be provided by the Client or the Client's representative. Additionally, Client acknowledges that Consultant's ability to complete the MISR is dependent upon delivery of a current updated ALTA/ACSM Survey and timely responses from municipal agencies. At times the municipal agencies may be unable to provide written responses/ information within client required time frames. In these situations Consultant will endeavor to obtain required information verbally. In instances where the municipality is unable to provide information in hard copy or verbally Consultant will issue a draft report noting the outstanding information. Client agrees Consultant will not be held liable for any delays beyond the reasonable control of Consultant.

9. REPORTS AND WORK PRODUCT. All reports and work product developed (collectively "Reports") reflecting the Services provided are available for Client's use subject to the limitations of this Agreement. All Reports remain the property of Consultant and are subject to Consultant's document retention policies. Client shall not disseminate, distribute, make available or otherwise provide any Report to any third party (including without limitation, incorporating or referencing the Report, in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party service provider using the Report in the course of providing services for the sole benefit of Client, or (ii) as required by statute, government regulation, legal process, or judicial decree. In the event Client disseminates, distributes, makes available or otherwise provides any Report to any third party (including without limitation, incorporating or referencing the Report, in whole or in part, in any offering or other material intended for review by other parties), Client shall indemnify, defend and hold Consultant, its affiliates and their officers, directors, employees, contractors, agents and other representatives (Consultant and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties") harmless from and against any losses, liabilities, damages and expenses in connection with (i) any transaction contemplated by this Agreement or in connection with the Report or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iii) an actual or alleged violation of applicable law by Client (including, without limitation, securities laws) or the negligent or intentional acts or omissions of Client (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Consultant (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.

10. RELIANCE. Services provided under this Agreement are for the sole use and benefit of the Client for the purpose identified in the incorporating documents. Except as specifically identified in the proposal attached hereto or the report produced under this agreement there are no third-party beneficiaries of the Services and no such party shall be entitled to rely on the Consultant's work product or shall have rights of recourse or recovery from the Client or Consultant under any theory of law whatsoever.

11. UNAVOIDABLE DELAYS. Should the completion of the Services be delayed or prevented for causes beyond Consultant's control and without fault of or negligence of Consultant, including lack of access, Client's or property ownership's failure to provide data or force majeure, the time for performance shall be extended for a period equal to the delay and all Parties shall agree on the terms and conditions upon which the Services may continue. Force majeure

includes, but is not limited to, acts of God, acts or failures to act of federal, state or local government, war, epidemics, riots, quarantine restrictions, civil insurrections and severe weather.

12. FEES, INVOICING AND PAYMENT. Client agrees to pay Consultant the full amount identified in the Agreement or Work Order (hereinafter "Agreed Amount"). Unless otherwise specified in the Agreement, Consultant's fees shall be considered fully earned at the first issuance of a report, whether in draft or final form and will be invoiced at that time. Client agrees to pay the Agreed Amount within 30 days of the invoice date. Past due amounts are subject to a service charge the lesser of 1.5% per month or the maximum amount allowable by applicable law. All costs incurred in collecting past due amounts shall be paid by Client. In the event of dispute, Client agrees to pay all undisputed fees and will escrow the remainder of the Agreed Amount for disbursement upon resolution of the dispute. Any fees related to the escrow account are the sole responsibility of Client. Neither Client nor any permitted relying party shall have any rights under this Agreement, including rights to use or rely upon the report, until the Agreed Amount has been paid in full. Client's obligation to pay for the Services shall not be conditioned upon the completion of a transaction, ability to obtain financing, payment from third parties, approval of governmental or regulatory agencies or Consultant's findings.

13. CONFIDENTIALITY. Information provided by or generated by either Party during the performance of the Services will be treated as confidential unless such information is publically available. Unless required by law, Consultant agrees to release information relating to services only to its employees and subcontractors in the performance of Services and to Client's authorized representatives. Unless informed to the contrary by Client, Consultant may use the name of Client in promotional material provided no property specific information is utilized.

14. LIMITATIONS OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 9 ABOVE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES, AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING CLIENT'S OBLIGATION TO PAY THE FEES HEREUNDER) SHALL NOT EXCEED THE TOTAL FEES PAYABLE TO CONSULTANT UNDER THIS AGREEMENT OR $50,000, WHICHEVER IS GREATER. THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.

15. SAMPLING. When Services include the collection and analysis of samples, the Consultant shall act as bailee and shall not assume title to the samples collected. Unless otherwise stated in this Agreement, samples will be discarded immediately following analysis. Client is responsible for any costs associated with the disposal of any samples or wastes generated during the collection of the samples.

16. PROJECT SITE. Client acknowledges that the performance of Services may cause alteration or damage the property and/or building structures at the site. Consultant will exercise reasonable efforts to limit such alteration or damage, but shall have no responsibility for their restoration or repair. Prior to any site visit, Client agrees to disclose the identity of all utilities serving the property and the presence and location of hidden objects or potentially hazards known to Client relative to any areas Services are to be provided.

17. SAFETY. Consultant shall take all safety precautions required by federal, state and local laws, rules and regulations. Should Consultant be conducting Services on a property, Consultant shall not be responsible for the safety and have no rights or responsibility to direct or stop the work of Client's or property ownerships contractors, agents or employees.

18. TERMINATION. The Consultant's obligation to complete the Services may be terminated at any time by mutual consent or by written notice from either party. In the event of termination prior to completion of the Services by Client, for any reason, or Consultant, due to the breach of this Agreement by Client, Consultant reserves the right to complete such analyses and records as are necessary to place its files in order and, where considered by consultant as necessary to protect its professional reputation, to complete a report on Services performed to date. Client shall pay Consultant for all Services rendered. All other provisions of this Agreement shall survive termination.

19. RESPONDING TO SUBPOENA OR OTHER JUDICIAL COMMAND TO PRODUCE DOCUMENTS. If Consultant receives a subpoena or other judicial command to produce documents or to provide testimony involving this assignment in connection with a lawsuit or proceeding, Consultant will use reasonable efforts to notify Client of our receipt of same. If Consultant is not a party to these proceedings, Client agrees to compensate Consultant for its professional time and reimburse Consultant for the actual expenses that Consultant incurs in responding to any subpoena or judicial command, including attorneys' fees, if any, as they are incurred. Consultant will be compensated at the then prevailing hourly rates of personnel responding to the subpoena or judicial command for testimony.

20. HIRING OF EMPLOYEES. Client, including its principals, and any parent, subsidiary, or affiliated companies, jointly and severally, agrees that during the term of this Agreement, or within 18 months following the termination of this Agreement, it will not hire any of Consultant's employees or persons employed by Consultant during the term thereof. In the event that Client shall breach any obligation contained in this paragraph, Client shall be liable for, and shall pay Consultant on demand, damages of twenty thousand dollars ($20,000) for each employee so hired, it being mutually agreed by Client and Consultant that this provision for liquidated damages is reasonable and that the actual damage which would be sustained by Consultant as a result of the failure to comply with this provision would be impractical or extremely difficult to determine.

21. DISPUTE RESOLUTION. Notification of any controversy, claim, counter claim, action of dispute (collectively "Dispute") in connection with this Agreement or Services hereunder must be provided to all Parties to this Agreement within sixty (60) days of discovery of the condition giving rise to the Dispute. All parties agree to first seek amicable resolution of any Dispute, during which process any Party seeking recovery must submit an orderly and detailed description of alleged damages and each act, error or omission giving rise to such damages. If the dispute is unresolved within 90 days of the notice, either party may suggest informal mediation by a neutral mutually acceptable to the parties, with costs borne equally. Any Dispute which is unresolved after 150 days following the submission of this information may be resolved through legal action in the state of New York. Each Party shall be responsible for and shall pay for all costs connected with preparation and presentation of its position unless it is determined that a Party has initiated a recovery action on a basis inconsistent with the provisions of this Agreement. In such a case, the initiating Party shall, without exception, be assessed all costs incurred by the responding party. All Parties hereby waive trial by jury in any dispute arising out of or in any way connected with this Agreement and the Services provided. This waiver is made knowingly and voluntarily by the Parties hereto. In the event an insurable event arises, the parties agree to allow their respective insurance companies to evaluate and process the claim in accordance with the terms of this Agreement and the normal operating procedure, without circumventing or interference from the other party.

22. TIME PERIOD FOR LEGAL ACTIONS. Unless the time period is shorter under applicable law, except in connection with Section 9 above, Consultant and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or any Report, (b) any Services under this Agreement or (c) any acts or conduct relating to such Services, shall be filed within two (2) years from the earlier of the date of Consultant's inspection of the property that is the subject of the Report and the date of the Report. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.

23. CAPTIONS AND HEADINGS. The captions and headings used throughout this Agreement are for convenience and reference only, and the words contained therein shall in no way be deemed to define, limit, describe, modify or add to the interpretation, construction or meaning of any provision, scope or intent of the Agreement.

24. SEVERABILITY. If any provision of this Agreement, or application thereof to any person or circumstance, shall to any extent be invalid, then such provision shall be modified if possible to fulfill the intent of the Parties reflected in the original provision. The remainder of this Agreement, or the application of such provision to person or circumstance other than those as to which it is held invalid, shall not be affected thereby, and each provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

25. ASSIGNABILITY. No Party to this Agreement shall assign their rights under this Agreement to any third party without the prior written consent of the other Party.

26. NO WAIVER. No waiver by either Party of any default by the other party in the performance of any provision of this Agreement shall operate as or be construed as a waiver of any future default, whether like or different in character.
27. MISCELLANEOUS. Each Party, and the person executing on behalf of such Party, represent and warrant that they have the full power and authority to bind the Party represented. In the event of conflict between these terms and conditions and the provisions of any work order or other document, these terms and conditions shall control unless the conflicting document expressly supersedes specific provisions hereof. Each party to this Agreement affirms that it has read and understands the Agreement in full and has been advised by counsel as necessary or appropriate.
28. NO LIABILITY FOR DRAFT REPORTS. Consultant shall have no liability whatsoever for reports or deliverables that are submitted in draft form.
29. ADDITIONAL REPORT COPIES. Additional copies of the reports can be provided at $50 per copy.

October 24, 2017

To: Board of Directors

Re: West Valley Homelessness Initiative Update

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a. CVAG Homelessness Committee

The CVAG Homelessness Committee meets the 3rd Wednesday at 10:00 a.m. The Committee was dark in October and will be dark in December 2017 and March 2018.

The Homelessness Committee meetings for the year ending June 2018 are as follows:
November 15, 2017
January 17, 2018
February 21, 2018
April 18, 2018
May 16, 2018
June 20, 2018

President Rogers will represent the District beginning with the November 15th meeting; Herb will be the alternate. Staff (Herb and Donna) are always in attendance.

A big thank you to Director Wortham for serving on the committee.

b. **City Council Check Presentations:**

The Desert Healthcare District/Foundation continues to recognize various cities' commitment and leadership in alleviating the homelessness crisis in the Coachella Valley. Continuing to educate and expand community awareness activities of the Board's ongoing short-term recommendations of the Board's West Valley Homelessness Initiative, District/Foundation staff, in partnership with CVAG staff has scheduled check presentations. The "checks" are made out for $103,000 to each city, acknowledging that this is the Foundation's match to the cities' $103,000 contribution to CVAG's West Valley Housing Navigation Program. DHCD Director Les Zendle and Palm Desert Mayor Pro-tem and CVAG Homelessness Committee Chair Sabby Jonathan made the first "check" presentation to the City of Palm Springs at their October 18, 2017 City Council meeting.

Other "checks" will be presented at the following City Council meetings:

Coachella City Council	October 25 at 6 p.m.
Cathedral City – City Council Study Session	November 8 at 4:30 p.m.

Palm Desert City Council	November 16 at 4 p.m.
Desert Hot Springs City Council	November 21 at 6 p.m.

c. **Payments to CVAG's West Valley Navigation Program**
$103,000 District's contribution
$103,000 match to the City of Coachella's payment

d. **MOU with the City of Palm Springs**
The MOU between the City of Palm Springs and Desert Healthcare Foundation, approved by DHCD/F Board at their September 26, 2017 meeting, was approved by the Palm Springs City Council at the October 18, 2017 City Council meeting.
The MOU: $450,000 in matched funds from the collective fund for expanded personnel for the City's Mental Health Housing Crisis Response Team ($350,000) and case management/employment specialists wrap-around services ($100,000).

e. **Coachella Valley Rescue Mission and Martha's Village & Kitchen**
Communications and conversations continue with CVRM and Martha's regarding their concerns of over-capacity issues arising from the West Valley homeless individuals seeking services at their institutions because of the closure of the only West Valley shelter, Roy's Desert Resource Center. Both organizations have shared data retrieved from HUD's Homeless Management Information Service (HMIS) that details the number of unduplicated individuals from the District zip codes being served. Both organizations are inquiring as to whether funds from the West Valley Homeless Initiative or the District's own grant budget could be awarded, utilizing formulas that break down the cost per person for services received.

Grant applications have been emailed to both to begin the process; however, it is with the caveat that discussions are to continue how their ideas for mid-term and long-term solutions to address the needs of the homeless in the Coachella Valley can be addressed and incorporated into their grant requests.

It is anticipated that the requests will be brought forward to the Board for consideration at the November Board of Directors meeting.

Date: October 24, 2017

To: Board of Directors

Subject: On-Going Transformation of the Resources and Philanthropy Program: Creation of Issue-Oriented Advisory Committees and Elimination of Program Committee

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Staff Recommendation:
Consideration to Approve the Creation of Issue-Oriented Advisory Committees for the Four Community Health Focus Areas and Eliminate the Program Committee

Background:

- At its June meeting, the Board of Directors adopted a comprehensive and transformational 3-Year Strategic Plan to guide the activities of both the District and Foundation. A well-respected and well recognized strategic planning consultant, Pacific Health Consulting Group, assisted the Board and Staff in the Strategic Plan's development
- The Board's mission – "To achieve optimal health at all stages of life – is now coupled with a robust Vision for the future.
- The Board's new Vision states: "Connecting Coachella Valley residents to health and wellness services and programs through resources and philanthropy, health facilities, information and community education, and public policy."
- In the Strategic Plan, the Board of Directors outlined three strategic priorities, including "Community Health and Wellness." This programmatic priority makes a commitment to "Demonstrably improve community health in the Coachella Valley by leveraging District/Foundation investments and activities." In other words, create and implement a significantly greater proactive investment program for the future.
- Coupled with the three strategic priorities are four Community Health Focus Areas to serve as the focus for new initiatives, funding, and other investments. This includes:
  1) Homelessness
  2) Primary Care and Behavioral Health Access
  3) Healthy Eating, Active Living
  4) Quality, Safety, Accountability and Transparency
- With the adoption of the new Vision, Strategic Plan, Priorities, and Community Health Focus Areas, the Board of Directors adopted a professional services contract for a program consultant to undertake a review of the current program before taking steps toward initial implementation.

- Mary Odell, former long-time CEO of the UniHealth Foundation, a nationally known and well-respected philanthropic leader, served as the program consultant. In addition to reviewing the current program (She validated the CEO's issues and concerns about the current state of the program). She reviewed and provided significant input into three new program-related job descriptions, key infrastructure needed to run a proactive investment program. This included a Chief Operations Officer, Senior Program Officer, and Program Officer/Outreach Director.
- Up until the present time, the District utilized a Program Committee comprised of two Board Members and community members to review individual grant applications as well as progress reports.
- Community members have made a valuable contribution, sharing great expertise over the years, to infuse the District's past grantmaking process (primarily individual grant proposals) with experience and wisdom.
- With the District/Foundation's transformation, and the focus on broad-based initiatives and collective funds (e.g., Homelessness is the first), Staff believes that four "flexible" advisory committees should be created, one in line for each Community Health Focus Area, to better utilize the intellect, expertise, and power of the community.
- Advisory Committees with wide-ranging membership can better inform the development of proactive initiatives and investment strategies.
- A wide array of stakeholders have been consulted, both as a part of the Strategic Planning process as well as in the normal course of business, and the comments have been overwhelmingly positive.
- Further, in recent conversations with most, if not all, current Program Committee Members (in addition to) all agree with Staff's recommendation to create the Advisory Committee structure and process and eliminate the Program Committee.

Fiscal Impact:

Estimated cost – None.