



AGENDA

REGULAR MEETING OF THE BOARD OF DIRECTORS

Tuesday, December 1, 2020
6:00 PM

IN AN EFFORT TO PREVENT THE SPREAD OF COVID-19 (CORONAVIRUS), AND IN ACCORDANCE WITH THE GOVERNOR'S EXECUTIVE ORDER N-29-20, THERE WILL BE NO PUBLIC LOCATION FOR ATTENDING THIS BOARD MEETING IN PERSON. MEMBERS OF THE PUBLIC MAY JOIN THE MEETING BY FOLLOWING THE INSTRUCTIONS BELOW:

Meeting Information

Meeting link: <https://sangorgoniomemorialhospital-ajd.my.webex.com/sangorgoniomemorialhospital-ajd.my/j.php?MTID=m7d9cb3fa3e1fb08065063c6d0b47753e>

Meeting number: 126 054 7664

Password: 1234

More ways to join

Join by video system

Dial [1260547664@webex.com](https://sangorgoniomemorialhospital-ajd.my.webex.com)

You can also dial 173.243.2.68 and enter your meeting number.

Join by phone

+1-510-338-9438 USA Toll

Access code: 126 054 7664

Password: 1234

Emergency phone number if WebEx tech difficulties

951-846-2846

code: 3376#

THE TELEPHONES OF ALL MEMBERS OF THE PUBLIC LISTENING IN ON THIS MEETING MUST BE "MUTED".

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Administration Office at (951) 769-2160. **Notification 48 hours prior to the meeting** will enable the Healthcare District to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR 35.02-35.104 ADA Title II].

TAB

I. Call to Order

D. Tankersley, Chair

II. Public Comment

Members of the public who wish to comment on any item on the agenda may speak during public comment or submit comments by emailing publiccomment@sgmh.org on or before 1:00 PM on Tuesday, December 1, 2020, which will become part of the board meeting record.

A five-minute limitation shall apply to each member of the public who wishes to address the Healthcare District Board of Directors on any matter under the subject jurisdiction of the Board. A thirty-minute time limit is placed on this section. No member of the public shall be permitted to “share” his/her five minutes with any other member of the public. (Usually, any items received under this heading are referred to staff for future study, research, completion and/or future Board Action.) (PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.)

On behalf of the Healthcare District Board of Directors, we want you to know that the Board acknowledges the comments or concerns that you direct to this Board. While the Board may wish to occasionally respond immediately to questions or comments if appropriate, they often will instruct the Hospital CEO, or other Hospital Executive personnel, to do further research and report back to the Board prior to responding to any issues raised. If you have specific questions, you will receive a response either at the meeting or shortly thereafter. The Board wants to ensure that it is fully informed before responding, and so if your questions are not addressed during the meeting, this does not indicate a lack of interest on the Board’s part; a response will be forthcoming.

NOTE: ALL MEMBERS OF THE SAN GORGONIO MEMORIAL HOSPITAL BOARD OF DIRECTORS ARE INVITED PARTICIPANTS AND MAY ADDRESS THE SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT BOARD OF DIRECTORS AT ANY TIME DURING THIS MEETING.

OLD BUSINESS

- | | | | |
|------|---|-----|--------|
| III. | * Proposed Action - Approve Minutes | All | |
| | <ul style="list-style-type: none"> • November 3, 2020 regular meeting • November 17, 2020 special meeting | | A
B |

NEW BUSINESS

- | | | | |
|-------|--|-----------------------------|------------|
| IV. | Healthcare District Board Chair monthly report | D. Tankersley | verbal |
| V. | * Proposed Action - Approve October 2020 Financial report
<ul style="list-style-type: none"> ▪ ROLL CALL • Informational: Measure A funds report – October 2020 | M. Kammer | C

D |
| VI. | For review – Healthcare District Bylaws
(scheduled for approval at January 2021 meeting per Bylaws Section 9, (b)) | D. Tankersley | E |
| VII. | * Proposed Action – Approve FY20 Financial Audit
<ul style="list-style-type: none"> ▪ ROLL CALL | H. Yonemoto/
Wipfli, LLC | F |
| VIII. | 2021 Slate of Officers
(2020 Slate of Officers included in packet for reference) | D. Tankersley | G |
| | <ul style="list-style-type: none"> • * Proposed Action - Nominate/Approve 2021 Healthcare District Board Chair | | |

▪ **ROLL CALL**

- * **Proposed Action – Nominate/Approve 2021 Healthcare District Board Vice Chair**

▪ **ROLL CALL**

- * **Proposed Action – Nominate/Approve 2021 Healthcare District Board Secretary/Treasurer**

▪ **ROLL CALL**

XI. Committee reports:

- Measure D Community Oversight Committee
 - November 18, 2020 – No quorum
- Measure A Community Oversight Committee
 - November 18, 2020 – No quorum

D. Tankersley

D. Tankersley

X. General Information

*** **ITEMS FOR DISCUSSION/APPROVAL IN CLOSED SESSION**

D. Tankersley

- Proposed Action – Approve Medical Staff Credentialing
(*Health & Safety Code §32155; and Evidence Code §1157*)

XI. **ADJOURN TO CLOSED SESSION**

RECONVENE TO OPEN SESSION

*** **REPORT ON ACTIONS TAKEN DURING CLOSED SESSION**

D. Tankersley

XII. Future Agenda Items

XIII. Adjournment

D. Tankersley

***Action Required**

In accordance with The Brown Act, *Section 54957.5*, all public records relating to an agenda item on this agenda are available for public inspection at the time the document is distributed to all, or a majority of all, members of the Board. Such records shall be available at the Healthcare District Administration office located at 600 N. Highland Springs Avenue, Banning, CA 92220 during regular business hours, Monday through Friday, 8:00 am - 4:30 pm.

I certify that on November 27, 2020 I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of San Gorgonio Memorial Healthcare District, and on the San Gorgonio Memorial Hospital website, said time being at least 72 hours in advance of the regular meeting of the Board of Directors
(*Government Code Section 54954.2*).

Executed at Banning, California on November 27, 2020



Ariel Whitley, Executive Assistant

TAB A

REGULAR MEETING OF THE
SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT
BOARD OF DIRECTORS

November 3, 2020

The regular meeting of the Board of Directors of the San Gorgonio Memorial Healthcare District was held on Tuesday, November 3, 2020. In an effort to prevent the spread of COVID-19 (coronavirus), and in accordance with the Governor's Executive Order N-29-20, there was no public location for attending this board meeting in person. Board members and members of the public participated via WebEx.

Members Present: Phillip Capobianco III, Estelle Lewis, Ehren Ngo, Dennis Tankersley (Chair)

Absent: None

Required Hospital: Steve Barron (CEO), Pat Brown (CNO), Holly Yonemoto (CBDO), Annah Karam (CHRO), Karan Singh, MD (CQO), Margaret Kammer (Controller), Ariel Whitley (Executive Assistant)

AGENDA ITEM	DISCUSSION	ACTION / FOLLOW-UP
Call To Order	Chair Dennis Tankersley called the meeting to order at 6:00 pm.	
Public Comment	Members of the public who wished to comment on any item on the agenda were encouraged to submit comments by emailing publiccomment@sgmh.org prior to this meeting. No public comment emails were received.	
OLD BUSINESS		
Proposed Action - Approve Minutes October 6, 2020 regular meeting	Chair Tankersley asked for any changes or corrections to the minutes of the October 6, 2020 regular meeting. There were none.	The minutes of the October 6, 2020 regular meeting will stand correct as presented.
NEW BUSINESS		

AGENDA ITEM	DISCUSSION	ACTION / FOLLOW-UP								
Ad Hoc Nomination Committee Proposed Action – Approve proposed new Board member	<p>Chair Tankersley reported that the Ad Hoc Nomination Committee is presenting proposed new board member, Joel Labha, D.O., for approval by the Board.</p> <p>It is noted that this vacancy was created by the resignation of Lanny Swerdlow.</p> <p>The term for this seat will take effect immediately, expires December 2022, and the candidate must run for a full four year term in December 2022, should he choose to remain on the Board.</p> <p>BOARD MEMBER ROLL CALL:</p> <table><tr><td>Capobianco</td><td>Yes</td><td>Lewis</td><td>Yes</td></tr><tr><td>Ngo</td><td>Yes</td><td>Tankersley</td><td>Yes</td></tr></table> <p>Motion carried.</p> <p>The swearing in of the new board member will take place at a later date and time.</p>	Capobianco	Yes	Lewis	Yes	Ngo	Yes	Tankersley	Yes	M.S.C., (Tankersley/Lewis), the SGMHD Board of Directors approved Joel Labha, D.O., as a new Healthcare District Board member effective immediately.
Capobianco	Yes	Lewis	Yes							
Ngo	Yes	Tankersley	Yes							
Healthcare District Board Chair Monthly report	Dennis reported that Riverside County is seeking a coalition to push back on state COVID-19 tier system. He reminded us to continue to practice social distancing.									
Proposed Action – Approve the September 2020 Financial Report	<p>Margaret Kammer reviewed the September 2020 Finance Report as included on the board tablets.</p> <p>BOARD MEMBER ROLL CALL:</p> <table><tr><td>Capobianco</td><td>Yes</td><td>Lewis</td><td>Yes</td></tr><tr><td>Ngo</td><td>Yes</td><td>Tankersley</td><td>Yes</td></tr></table> <p>Motion carried.</p>	Capobianco	Yes	Lewis	Yes	Ngo	Yes	Tankersley	Yes	M.S.C., (Lewis/Ngo), the SGMHD Board of Directors approved the September 2020 Financial report as presented.
Capobianco	Yes	Lewis	Yes							
Ngo	Yes	Tankersley	Yes							
• Informational - Measure A expenditures – September 2020	Chair Tankersley noted that a copy of the Measure A funds and expenditures - September 2020 were included on the board tablets.									
Quarterly Common Area Maintenance fees report	Margaret Kammer, SGMH Controller, noted that the Quarterly Common Area Maintenance fees report was included on the board tablets.									

AGENDA ITEM	DISCUSSION	ACTION / FOLLOW-UP								
Proposed Action – Approve 2021 Meeting Dates	<p>Chair Tankersley reported that included on the board tablets is a list of suggested meeting dates for 2021.</p> <p>BOARD MEMBER ROLL CALL:</p> <table><tr><td>Capobianco</td><td>Yes</td><td>Lewis</td><td>Yes</td></tr><tr><td>Ngo</td><td>Yes</td><td>Tankersley</td><td>Yes</td></tr></table> <p>Motion carried.</p>	Capobianco	Yes	Lewis	Yes	Ngo	Yes	Tankersley	Yes	M.S.C., (Dennis /Ngo), the SGMHD Board of Directors approved the 2021 Meeting Dates as presented.
Capobianco	Yes	Lewis	Yes							
Ngo	Yes	Tankersley	Yes							
For Review – Existing 2020 Slate of Officers	<p>Chair Tankersley noted that a copy of the 2020 Slate of Officers was included on the Board tablets as informational. Officers are scheduled to be elected at the December board meeting becoming effective in January 2021.</p>									
Adjourn to Closed Session	<p>Chair Tankersley reported the items to be reviewed and discussed and/or acted upon during Closed Session will be:</p> <p>➤ Proposed Action – Approve Medical Staff Credentialing</p> <p>The meeting adjourned to Closed Session at 6:39 pm.</p>									
Reconvene to Open Session	<p>The meeting reconvened to Open Session at 6:44 pm.</p> <p>At the request of Chair Tankersley, Ariel Whitley reported on the actions taken/ information received during closed session as follows:</p> <p>➤ Approved Medical Staff Credentialing</p>									
General Information	None									
Future Agenda Items	None									
Adjournment	The meeting was adjourned at 6:44 pm.									

In accordance with The Brown Act, *Section 54957.5*, all reports and handouts discussed during this Open Session meeting are public records and are available for public inspection. These reports and/or handouts are available for review at the Healthcare District Administration office located at 600 N. Highland Springs Avenue, Banning, CA 92220 during regular business hours, Monday through Friday, 8:00 am - 4:30 pm.

Minutes respectfully submitted by Ariel Whitley, Executive Assistant

TAB B

SPECIAL MEETING OF THE
SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT
BOARD OF DIRECTORS

November 17, 2020

The special meeting of the Board of Directors of the San Gorgonio Memorial Healthcare District was held on Tuesday, November 17, 2020. In an effort to prevent the spread of COVID-19 (coronavirus), and in accordance with the Governor's Executive Order N-29-20, there was no public location for attending this board meeting in person. Board members and members of the public participated via WebEx.

Members Present: Phillip Capobianco III, Joel Labha, D.O., Estelle Lewis, Ehren Ngo, Dennis Tankersley (Chair)

Absent: None

Required Hospital: Steve Barron (CEO), Holly Yonemoto (CBDO), Ariel Whitley (Executive Assistant), Gary Hicks (G.L. Hicks Financial, LLC)

AGENDA ITEM	DISCUSSION	ACTION / FOLLOW-UP
Call To Order	Chair Dennis Tankersley called the meeting to order at 10:06 am.	
Public Comment	Members of the public who wished to comment on any item on the agenda were encouraged to submit comments by emailing publiccomment@sgmh.org prior to this meeting. No public comment emails were received.	
OLD BUSINESS		
Committee report:		
Ad Hoc Nomination Committee Swearing in of new board member	Hospital Executive Assistant, Ariel Whitley, performed the swearing in of new Healthcare District Board Member, Joel Labha.	
NEW BUSINESS		

AGENDA ITEM	DISCUSSION	ACTION / FOLLOW-UP												
Proposed Action – Adopt Resolution No. 2020-08 regarding authorizing the issuance of revenue bonds.	<p>Gary Hicks from G.L. Hicks Financial, LLC, reviewed Resolution No. 2020-08 regarding authorizing the issuance of revenue bonds as included in the board packets.</p> <p>BOARD MEMBER ROLL CALL:</p> <table><tr><td>Capobianco</td><td>Yes</td><td>Labha</td><td>Yes</td></tr><tr><td>Lewis</td><td>Yes</td><td>Ngo</td><td>Yes</td></tr><tr><td>Tankersley</td><td>Yes</td><td colspan="2">Motion carried.</td></tr></table>	Capobianco	Yes	Labha	Yes	Lewis	Yes	Ngo	Yes	Tankersley	Yes	Motion carried.		M.S.C., (Capobianco, Lewis), the SGMHD Board of Directors adopted Resolution No. 2020-08 regarding authorizing the issuance of revenue bonds as presented.
Capobianco	Yes	Labha	Yes											
Lewis	Yes	Ngo	Yes											
Tankersley	Yes	Motion carried.												
Proposed Action – Adopt Ordinance No. 2020-03 regarding approving a formal agreement for the sale of San Gorgonio Memorial Healthcare District revenue bonds series 2020	<p>Gary Hicks from G.L. Hicks Financial, LLC, reviewed Ordinance No. 2020-03 regarding approving a formal agreement for the sale of San Gorgonio Memorial Healthcare District revenue bonds series 2020 as included in the board packet.</p> <p>BOARD MEMBER ROLL CALL:</p> <table><tr><td>Capobianco</td><td>Yes</td><td>Labha</td><td>Yes</td></tr><tr><td>Lewis</td><td>Yes</td><td>Ngo</td><td>Yes</td></tr><tr><td>Tankersley</td><td>Yes</td><td colspan="2">Motion carried.</td></tr></table>	Capobianco	Yes	Labha	Yes	Lewis	Yes	Ngo	Yes	Tankersley	Yes	Motion carried.		M.S.C., (Capobianco, Labha), the SGMHD Board of Directors adopted Ordinance No. 2020-03 regarding approving a formal agreement for the sale of San Gorgonio Memorial Healthcare District revenue bonds series 2020 as presented.
Capobianco	Yes	Labha	Yes											
Lewis	Yes	Ngo	Yes											
Tankersley	Yes	Motion carried.												
General Information	None													
Future Agenda Items	None													
Adjournment	The meeting was adjourned at 10:24 am.													

In accordance with The Brown Act, *Section 54957.5*, all reports and handouts discussed during this Open Session meeting are public records and are available for public inspection. These reports and/or handouts are available for review at the Healthcare District Administration office located at 600 N. Highland Springs Avenue, Banning, CA 92220 during regular business hours, Monday through Friday, 8:00 am - 4:30 pm.

TAB C



SAN GERONIO
MEMORIAL HEALTHCARE
DISTRICT

October 2020 Unaudited Financial Report

FY 2021

Presented by:

M. Kammer

**SAN GORGONIO MEMORIAL DISTRICT
BANNING, CALIFORNIA**

10/31/20

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	FY 2021	ACT CUR 10/31/20	BUD CUR 10/31/20	PRIOR YR 10/31/19	ACT YTD 10/31/20	BUD YTD 10/31/20	Prior YTD 10/31/19
Gross Patient Revenue							
Inpatient Routine Revenue		\$0	\$0	\$0	\$0	\$0	\$0
Inpatient Ancillary Revenue		0	0	0	0	0	0
Outpatient Revenue		0	0	0	0	0	0
Long Term Care Revenue		0	0	0	0	0	0
Home Health Revenue		0	0	0	0	0	0
Total Gross Patient Revenue		0	0	0	0	0	0
Discounts and Allowances		0	0	0	0	0	0
Bad Debt Expense (Governmental Provi		0	0	0	0	0	0
Prior Year Settlements		0	0	0	0	0	0
Charity Care		0	0	0	0	0	0
Total Deductions From Revenue		0	0	0	0	0	0
Net Patient Revenue		0	0	0	0	0	0
Other Operating Revenue		\$0	\$2,833	\$0	0	11,333	0
Clinic Revenues		\$55,127	\$17,500	\$41,754	78,551	70,000	111,346
Tax Subsidies Measure D		\$377,500	\$208,333	\$175,000	755,000	833,333	700,000
Tax Subsidies Advelorum		(\$75,010)	\$120,833	\$105,000	-75,010	483,333	420,000
Other Non-Operating Revenue - Grants		\$0	\$16,667	\$73,244	0	66,667	279,546
		357,617	366,167	394,998	758,541	1,464,667	1,510,892
EXPENSES							
Salaries and Wages		\$0	\$0	\$0	0	0	0
Fringe Benefits		\$0	\$0	\$0	0	0	0
Contract Labor		\$0	\$0	\$0	0	0	0
Physicians Fees		\$0	\$0	\$0	0	0	0
Purchased Services		\$210,887	\$35,433	\$35,557	211,282	141,733	86,159
Supply Expense		\$0	\$0	\$33	0	0	267
Utilities		\$2,694	\$1,917	\$0	6,491	7,667	10,009
Repairs and Maintenance		\$6,857	\$0	\$10,638	28,636	0	30,462
Insurance Expense		\$0	\$0	\$0	0	0	0
All Other Operating Expenses		\$0	\$9,599	\$70	169	38,397	9,483
IGT Expense		\$0	\$0	\$0	0	0	0
Leases and Rentals		\$0	\$0	\$0	0	0	0
Clinic Expenses		\$47,944	\$60,400	\$66,322	191,372	241,599	272,490
		268,382	107,349	112,619	437,950	429,396	408,871
EBIDA		89,235	258,818	282,379	320,591	1,035,271	1,102,021
Depreciation		\$494,658	\$483,333	\$494,513	1,978,633	2,000,000	2,051,127
Interest Expense (Non-Governmental Pr		\$398,082	\$465,290	\$401,466	833,331	1,564,448	1,600,051
		892,740	948,623	895,978	2,811,964	3,564,448	3,651,178
Contributions		\$20,264	\$16,667	\$0	28,550	66,667	50,524
Tax Subsidies for GO Bonds - M-A		\$597,442	\$666,667	\$585,613	2,389,767	2,666,667	2,342,450
Total Non Operating Revenue/(Expens		617,706	683,333	585,613	2,418,317	2,733,333	2,392,974
NET INCOME		(\$185,799)	(\$6,472)	(\$27,987)	(\$73,056)	\$204,156	(\$156,182)

Balance Sheet - Assets

SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT BANNING, CALIFORNIA

10/31/20

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	Current Month 10/31/2020	Prior Month 09/30/2020	ASSETS Positive/ (Negative) Variance	Percentage Variance	Prior Year 06/30/2019
ALL CASH (Healthcare System)	\$7,779,172	\$10,417,158			\$10,417,158
Current Assets -DISTRICT ONLY					
Cash and Cash Equivalents	\$3,192,784	\$28,737	\$3,164,047	11010.38%	\$3,109,902
Gross Patient Accounts Receivable	\$533,904	\$227,641	\$306,263	134.54%	\$0
Less: Bad Debt and Allowance Reserve	(\$428,743)	(\$177,608)	(\$251,135)	141.40%	\$0
Net Patient Accounts Receivable	\$105,161	\$50,033	\$55,128	110.18%	\$0
Interest Receivable	\$4,355,270	\$3,644,957	\$710,313	19.49%	\$566,680
Other Receivables	\$0	\$0	\$0	0.00%	\$0
Inventories	\$0	\$0	\$0	0.00%	\$0
Prepaid Expenses	\$72,875	\$0	\$72,875	0.00%	\$263,423
Due From Third Party Payers	\$0	\$0	\$0	0.00%	\$0
Due From Affiliates/Related Organization	\$0	\$0	\$0	0.00%	\$0
Other Current Assets	\$29,402	\$0	\$29,402	0.00%	\$0
Total Current Assets	7,755,492	5,543,548	2,211,944	39.90%	3,940,006
Assets Whose Use is Limited					
Cash			\$0	0.00%	
Investments	\$4,861,548	\$4,956,134	(\$94,586)	-1.91%	\$8,854,421
Bond Reserve/Debt Retirement Fund	\$0	\$0	\$0	0.00%	\$0
Trustee Held Funds	\$0	\$0	\$0	0.00%	\$0
Funded Depreciation	\$0	\$0	\$0	0.00%	\$0
Board Designated Funds	\$0	\$0	\$0	0.00%	\$0
Other Limited Use Assets	\$0	\$0	\$0	0.00%	\$0
Total Limited Use Assets	4,861,548	5,289,275	(5,289,275)	-100.00%	8,854,421
Property, Plant, and Equipment					
Land and Land Improvements	\$6,686,845	\$6,686,845	\$0	0.00%	\$4,820,671
Building and Building Improvements	\$127,399,218	\$127,399,218	\$0	0.00%	\$129,283,884
Equipment	\$26,412,987	\$26,338,357	\$74,630	0.28%	\$25,586,875
Construction In Progress	\$8,399,129	\$8,399,129	\$0	0.00%	\$8,390,249
Capitalized Interest	\$0	\$0	\$0	0.00%	\$0
Gross Property, Plant, and Equipment	\$168,898,179	\$168,823,549	\$74,630	0.04%	\$168,081,679
Less: Accumulated Depreciation	(\$79,137,811)	(\$78,148,495)	(\$989,316)	1.27%	(\$71,114,751)
Net Property, Plant, and Equipment	89,760,368	90,675,054	(914,686)	-1.01%	96,966,928
Other Assets					
Unamortized Loan Costs	\$1,442,108	\$1,446,356	(\$4,248)	-0.29%	\$12,419,080
Assets Held for Future Use	\$0	\$0	\$0	0.00%	\$0
Investments in Subsidiary/Affiliated Org.	\$12,844,511	\$12,844,511	\$0	0.00%	\$0
Other	\$0	\$0	\$0	0.00%	\$0
Total Other Assets	14,286,619	14,290,867	(4,248)	-0.03%	12,419,080
TOTAL UNRESTRICTED ASSETS	116,664,027	115,798,744	865,283	0.75%	122,180,435
Restricted Assets	\$0	\$0	\$0	0.00%	\$0
TOTAL ASSETS	\$116,664,027	\$115,798,744	\$865,283	0.75%	\$122,180,435

Balance Sheet - Liabilities and Net Assets

SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT

BANNING, CALIFORNIA

10/31/20

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	Cur Month 10/31/2020	Prior Month 09/30/2020	Positive/ (Negative) Variance	Percentage Variance	Prior Year 06/30/2019
Current Liabilities					
Accounts Payable	\$369,195	\$133,002	\$236,193	177.59%	\$89,989
Notes and Loans Payable	\$0	\$0	\$0	0.00%	\$0
Accounts Payable- Construction	\$0	\$0	\$0	0.00%	\$0
Accrued Payroll Taxes	\$0	\$0	\$0	0.00%	\$0
Accrued Benefits	\$0	\$0	\$0	0.00%	\$0
Accrued Pension Expense (Current Portion)	\$0	\$0	\$0	0.00%	\$0
Other Accrued Expenses	\$0	\$0	\$0	0.00%	\$0
Accrued GO Bond Interest Payable	\$1,176,854	\$386,404	\$790,450	204.57%	\$2,049,304
Property Tax Payable	\$0	\$0	\$0	0.00%	\$0
Due to Third Party Payers	\$0	\$0	\$0	0.00%	\$0
Advances From Third Party Payers	\$0	\$0	\$0	0.00%	\$0
Current Portion of LTD (Bonds/Mortgages)	\$2,335,000	\$2,335,000	\$0	0.00%	\$2,095,000
Current Portion of LTD (Leases)	\$0	\$0	\$0	0.00%	\$0
Other Current Liabilities	\$0	\$0	\$0	0.00%	\$0
Total Current Liabilities	3,881,049	2,854,406	(1,026,643)	-35.97%	4,234,293
Long Term Debt					
Bonds/Mortgages Payable	\$10,436,292	\$105,847,317	(\$95,411,025)	-90.14%	\$110,761,547
Leases Payable	\$0	\$0	\$0	0.00%	\$0
Current Portion	\$0	\$0	\$0	0.00%	\$0
Total Long Term Debt	105,436,292	105,847,317	(95,411,025)	-90.14%	110,761,547
Other Long Term Liabilities					
Deferred Revenue	\$0	\$0	\$0	0.00%	\$0
Accrued Pension Expense (Net of Currer	\$0	\$0	\$0	0.00%	\$0
Other	\$0	\$0	\$0	0.00%	\$0
Total Other Long Term Liabilities	0	0	0	0.00%	0
TOTAL LIABILITIES	109,317,341	108,701,723	(615,618)	-0.57%	114,995,840
Net Assets:					
Unrestricted Fund Balance	\$7,419,742	\$7,191,807	\$227,935	3.17%	\$6,320,219
Temporarily Restricted Fund Balance	\$0	\$0	\$0	0.00%	\$0
Restricted Fund Balance	\$0	\$0	\$0	0.00%	\$0
Net Revenue/(Expenses)	(73,056)	(94,785)	21,729	-22.92%	864,375
TOTAL NET ASSETS	7,346,686	7,097,022	(249,664)	-3.52%	7,184,594
TOTAL LIABILITIES AND NET ASSETS	\$116,664,027	\$115,798,744	(\$865,283)	-0.75%	\$122,180,435
	\$0.00	\$0.00			\$0.00

TAB D

San Geronio Memorial Healthcare District

Measure A analysis of Project Funds Paid by General Category

10/31/2020

Measure A

Current Month-Measure A

District Funds

	<u>Project-to-Date</u>	<u>10/31/2020 UPDATE</u>	<u>10/31/2020 UPDATE</u>
Computer Equipment	\$ 5,311,028	\$ -	
Radiology Equipment	\$ 1,526,641	\$ -	
Legal/Regulatory/Bonds	\$ 3,143,910	\$ -	
Architectural (HDR)-ALL PHASE 1 PROJ	\$ 11,756,851	\$ -	
Construction Management-ALL PHASE 1	\$ 12,875,601	\$ -	
Contractors 1-A (HELIPAD/COOLING TOW	\$ 7,814,103	\$ -	
Other	\$ 3,021,460	\$ -	
Contractors 1-B (CENTRAL PLANT)	\$ 20,800,201	\$ -	
Contractors 1-C (ED/ICU)	\$ 28,157,355	\$ -	
Contractors 1-E Dietary Remodel	\$ 5,225,946	\$ -	
Contractors 1-Medley Project	\$ 4,796,620	\$ -	
 Previous Expenditures for Measure A-Phase 1	 \$ 104,429,717	 \$ -	
 Contractors, Architect, Mgmt - 2-A Patient Facility prior to	 \$ 7,015,575		
 Expenditures prior to 9/01/14 all phases	 \$ 111,445,293		
 Project expenditures using District Funds			
TCU Conversion 0001	\$0.00	\$0.00	\$ 108,612
Medical Records Conversion 0004	\$0.00	\$0.00	\$ 13,618
Pharmacy Conversion 0005	\$0.00	\$0.00	\$ 50,447
CIP Patient Care Facility-0008	\$0.00	\$0.00	\$ 2,100
Project Expenditures using Measure A funds			
TCU Conversion 0001	\$ 539,852.53	\$0.00	
Medical Records Conversion 0004	\$0.00	\$0.00	
Pharmacy Conversion 0005	\$0.00	\$0.00	
CIP Patient Care Facility-0008	\$1,338,416.28	\$8,880.00	\$0.00
OR Electrical Conversion	\$0.00	\$0.00	\$39,751.00
Other Construction Costs	\$150,247.92	\$0.00	
Other Non-Construction Costs	\$193,576.42	\$0.00	\$5,955.22
 Total Expenditures	 \$ 113,667,386	 \$ 8,880	 \$ 220,483

Measure A Project General Obligation Funds
Statement of Funds Flows

PROCEEDS SUMMARY:		
Initial Project Fund transfer from sale of General Obligation Bonds 2006 A to FSA		25,200,349
Initial Project Fund Transfer from sale of General Obligation Bonds 2006 B (08/08/		24,876,964.91
Initial Project Fund from sale of General Obligation Bonds 2006 C (08/14/2009)		57,800,000
Planholder Checks project to date and refunds for overpayments		24,072
HDR Returned payments		139,979
Initial Proceeds		108,041,365
Investment Income		
FSA Inc. (Series 2006 A)		1,762,060
BB&T GIC (Series 2008 B)		1,461,176
Bank of Hemet Series A		1,001
City National Money Market		81
GE Capital (Series 2009 C)		2,638,823
Security Bank Money Market		38,783
Interest Income SUBTOTAL		5,901,924
Total Proceeds Available for Measure A:	\$	113,943,289

Projected Interest by end of Project>		5,912,351
Total Projected Proceeds Available for Measure A:	\$	113,953,716

FUND FLOWS:		
Total Measure A Funds Initial Proceeds (from above)		108,041,364.81
Add:	<u>Rate</u>	<u>Interest Income</u>
FSA Inc. (Series 2006 A), FY 07	5.27%	1,030,536.43
FSA Inc. (Series 2006 A), FY 08	5.27%	635,706.73
FSA Inc. (Series 2006 A), FY 09	5.27%	95,817.32
BB&T GIC (Series 2008 B) FY 09	4.94%	680,384
BB&T GIC (Series 2008 B) FY 10	4.94%	648,151
BB&T GIC (Series 2008 B) FY 11	4.94%	132,640
GE Capital (Series 2009 C) FY 10	1.75%	688,722
GE Capital (Series 2009 C) FY 11	1.75%	956,529
GE Capital (Series 2009 C) FY 12	1.75%	591,104.24
GE Capital (Series 2009 C) FY 13	1.75%	293,402.39
GE Capital (Series 2009 C) FY 14	1.75%	109,065.59
Bank of Hemet Series A		1,001
City National Money Market		81
Security Bank Construction funds		1,126
Security Bank Construction Money Market		37,657
Total Interest Income earned	\$	5,901,924
Project Expenditures (from above)	\$	113,667,386
Total Consolidated Funds available:	\$	275,903.50
spent to date		100%

MEASURE A BALANCES:		
	Balances as of 10/31/2020	
Bank of Hemet Series A	4310	-
Security Bank of California Construction Ft	1812	5,990
Security Bank of California Money Market	2509	269,914
Total Balances		\$ 275,904
	VARIANCE	\$ (0.00)

TAB E

**AMENDED AND RESTATED BYLAWS
OF THE
SAN GORGONIO MEMORIAL
HEALTHCARE DISTRICT**

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AMENDED AND RESTATED BYLAWS
OF THE
SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT

ARTICLE I. PURPOSES

Section 1. Specific Purposes. The purposes of this healthcare district shall be:

- (a) To establish and maintain a hospital for the care of persons suffering from illnesses or disabilities which require that the patients receive hospital care.
- (b) To carry on any activities related to health services which, in the opinion of the Board of Directors, may be justified by the facilities, personnel, funds or other requirements that are or can be made available.
- (c) To promote and carry on scientific research related to the care of the sick and injured insofar as, in the opinion of the Board of Directors, such research and education can be carried on in, or in connection with, the hospital.
- (d) To participate, so far as circumstances may warrant, in any activity designed and carried on to promote the general health of the community.

Section 2. Public Body. This district is organized as a public body. No part of its earnings will inure to the benefit of any member, director, officer or individual.

ARTICLE II. ORGANIZATION

Section 1. Name. The name of this healthcare district shall be "San Gorgonio Memorial Healthcare District".

Section 2. Principal Office. The function and governance of this District shall be conducted at the principal office of the San Gorgonio Memorial Hospital, which is located at the southeastern corner of Highland Springs Avenue and West Wilson Street in the City of Banning, in the County of Riverside, State of California or such other place or places in the District as the Board of Directors may from time to time designate.

Section 3. Board of Directors. The administrative powers of this District shall be vested in a Board of Directors of five members who have charge, control and management of the property, affairs and funds of the District and who have the power and authority to perform all acts and functions not inconsistent with these bylaws or with the Healthcare District Laws of the State of California.

Section 4. Seal. The District shall have a seal which shall be circular in form and have in the perimeter thereof the following inscription:

San Gorgonio Memorial Healthcare District

Organized October 9, 1947

California

Section 5. District Service Area. The District is entirely located in Riverside County and the State of California. Communities serviced are as follows: CALIMESA - CHERRY VALLEY - BANNING - BEAUMONT - CABAZON - WHITEWATER. The present boundary of San Gorgonio Memorial HealthCare District is as shown on attached map.

ARTICLE III. BOARD OF DIRECTORS

Section 1. Number and Qualification. There shall be five (5) directors of this District, each of whom shall be a registered voter residing in this District.

Section 2. Term. The term of each Director shall be four (4) years. These terms shall be staggered. In each year divisible by four, two (2) Directors shall be elected for four (4) year terms. In the other even years, three (3) Directors shall be elected for four (4) years.

Section 3. Electorate. Directors shall be elected by the qualified electors of the District. All registered voters residing in the District are qualified electors.

Section 4. Successors. Directors shall go out of office upon the election and qualification of their successors after each healthcare district general election in even numbered years, as provide by California Health and Safety Code Section 32100.

Section 5. Vacancies. A vacancy upon the Board can occur upon the happening of any of the events set forth in Government Code Section 1770. Any vacancy shall be filled in accordance with Section 1780 of the Government Code and in accordance with other applicable statutes. Any person appointed to fill such vacancy shall hold office for the unexpired term.

Section 6. Quorum. A quorum for the transaction of business at regular or special meetings shall consist of a majority of the members of the Board of Directors.

Section 7. Agenda. The agenda at any meeting of the Board of Directors shall be as required from time to time by the Local Healthcare District Law.

Section 8. Regular Meetings. The Board of Directors shall hold regular meetings at such times as may be prescribed from time to time by resolution of the Board of Directors, but not less than ten times annually. Such meetings shall be held on the campus of the San Gorgonio Memorial Hospital or at such other place within the boundaries of the District as may be designated from time to time by the Healthcare District Board of Directors.

Section 9. Organizational Meeting.

- (a) At the first meeting following a regular hospital election, the Board of Directors shall meet for the purpose of organization, including election of officers, committee assignments and the transaction of other necessary business.
- (b) At the regular meeting in January, the Board of Directors shall meet for the purpose of reviewing the Bylaws and updating them as necessary.

Section 10. Special Meetings. Special meetings of the Board may be called by the Chair, or shall be called at the written request of three members of the Board. Written notice of special meetings shall be mailed from a point within the District to each member of the Board at least forty-eight hours before the date of such special meeting. This notice shall state the business to be conducted and no business other than that stated in the notice shall be conducted at such special meeting.

Section 11. Management. . Subject to the limitations of the Local Healthcare District Law, or as the same may hereafter be amended, and subject to the duties of Directors as prescribed by these bylaws, it is the responsibility of the Board of Directors to ensure that any hospital operated by the District is properly managed in accordance with the Health and Safety Code and applicable regulations promulgated thereunder, and to establish policy, maintain quality patient care, and provide for institutional management and planning. The Board of Directors may provide for the management and operation of its hospital

by an independent management company ("Manager") which shall assist the Board of Directors in its duties and responsibilities.

Section 12. Sessions of Board Open to Public. All of the sessions of the Board of Directors, whether regular or special, shall be open to the public, except as authorized by Government Codes 54950 et seq., Health and Safety Code Sections 32106 and 32155, and such additional statutory authority as may exist from time to time relating to public meetings of local health care districts.

Section 13. Adjournment. A quorum of the Directors may adjourn any Directors meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum those present at any directors meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 14. Notice of Adjournment. Notice of the time and place of holding an adjourned meeting shall be given to absent directors.

Section 15. Compensation and Expenses. The members of the District Board of Directors are entitled to receive amounts per meeting as provided by California Administrative Codes. Such amounts shall not be mandatory and Board Members choosing not to accept compensation may do so. Additionally, each Board member is also entitled to receive reimbursement for expenses incurred in conjunction with educational seminars.

Section 16. Duties. The Board of Directors has the responsibility to establish policy for San Gorgonio Memorial Hospital (the "Hospital") and its business, including, but not limited, to all matters pertaining to the quality of care rendered within the Hospital. The Board of Directors shall exercise this authority in conformity with applicable laws, regulations, and accreditation requirements. In furtherance of the foregoing, the role of the Board of Directors shall be as follows:

- (a) Establish policy for the operation, maintenance and development of the Hospital and its business, including, but not limited to assuring the quality of care within the Hospital.
- (b) Provide for the appointment of a competent and experienced Chief Executive Officer who shall be its direct representative in the management of the Hospital.
- (c) On an annual basis, review the performance of the Chief Executive Officer, unless such Chief Executive Officer is an employee of a Manager for the Hospital, in which case it will review the performance of the Manager.
- (d) Approve an annual operating budget and capital expenditures.
- (e) Approve the strategic plan on an annual basis.
- (f) Review and approve periodic financial statements and other financial matters of the Hospital.
- (g) Assure that adequate revenues are retained by the Hospital and spent appropriately.
- (h) Review and act on financing arrangements recommended by the Chief Executive Officer for the Hospital.
- (i) Review these Bylaws, the Medical Staff Bylaws, and all committees as needed, and approve needed changes.
- (j) Review and, when appropriate, approve policies and procedures to promote care, treatment, and rehabilitation of patients.
- (k) Review and revise, as appropriate, all department and service policies and procedures when warranted and ensure that the Medical Staff participates, as appropriate.
- (l) Act as the final decision-making authority with respect to all matters pertaining to credentialing and privileges. Upon the recommendation and advice of the Medical Staff, the Board shall appoint members of

the Medical Staff and grant such privileges as may, in their judgment, be warranted by the experience and training of the applicant.

ARTICLE IV. OFFICERS

Section 1. Officers. The officers of the Board of Directors shall be a Chair, a Vice Chair, a Secretary, a Treasurer and such other officers as the Board of Directors may authorize. They shall hold office for a period of one year or until their successor shall have been duly elected and qualified. All officers, agents and employees shall be bonded in such amounts as may be determined from time to time by the District Board of Directors.

Section 2. Duties of Officers.

- (a) **Chair.** The Chair shall call and preside at all meetings and shall be ex-officio, a member of all committees.
- (b) **Vice Chair.** The Vice Chair shall act as Chair, in the absence of the Chair and when so acting shall have all the power and authority of the Chair.
- (c) **Treasurer.** The Treasurer's duties shall correspond with those delineated in Section 32127 of the Health and Safety Code of the State of California or as the same may hereafter be amended.
- (d) **Secretary.** The Secretary shall: (i) act as or cause to be provided a Secretary of the Board, (ii) act as or cause to be provided a custodian of all records and reports of the District and of the Board (iii) be responsible for or cause to be maintained the keeping and reporting of adequate records of all transactions and of the minutes of all meetings of the Board of Directors. The Secretary shall also be responsible for causing the copying and forwarding to the County Clerk of the disclosure forms required to be filed with the Secretary under the California Political Reform Act.

ARTICLE V. MISCELLANEOUS

Section 1. Contracts and How Executed. Except as otherwise provided by these bylaws, the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the District, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors no officer, agent or employee shall have any power or authority to bind the District by any contract or engagement or to pledge its credit or render it liable for any purpose or to any amount.

Section 2. Checks, Drafts, etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the District, shall be signed or endorsed by such person or persons and in the manner as, from time to time, shall be determined by resolution of the Board of Directors.

Section 3. Conflict of Interest and Employment Restriction.

(a) **Prohibited Conflict of Interest.** Members of the Board of Directors shall not have a prohibited conflict of interest and may not make, participate in making, or in any way use or attempt to use his or her official position to influence a District decision when he or she knows or has reason to know he or she has a disqualifying financial interest. A disqualifying conflict of interest arises when a Director, or his or her immediate family, can reasonably foresee a direct and material monetary gain or suffer any direct and material monetary loss as a result of his or her official activity or on any financial interest described by Title 2 of the California Code of Regulations §18700. A disqualifying conflict does not exist if, as a member of a business profession, occupation or group, a Director accrues no greater of a benefit or detriment than any other Director. As may be permitted by Government Code Sections 1091-1091.5, if a member of the Board of Directors has a disqualifying conflict of interest with certain matters before the Board, such Member shall recuse himself/herself from any discussion on the matter as well as any vote on the matter.

(b) **No Employment with District or Hospital.** An employee of the District or the Hospital shall not be sworn into office as an elected or appointed member of the Board unless the elected or appointed member resigns as an employee. If

the elected or appointed member does not resign, the employment shall be deemed automatically terminated upon his or her being sworn into office.

(c) **No Significant Financial Interest in Transaction or Contract.** An elected or appointed member of the Board of Directors shall not be sworn into office as long as the member has a significant financial interest in a pending transaction or existing contractual arrangement with the District or the Hospital. A significant financial interest exists where the Director, or his or her immediate family, has a direct and material monetary gain or would suffer direct and material monetary loss as a result of the transaction or contractual arrangement with the District, including any financial interest described by Title 2 of the California Code of Regulations §18700.

(d) **One Year Restriction.** A former member of the Board of Directors may not be hired by the District in the capacity of an employee, or have a significant financial interest in any transaction or contractual arrangement with the District for one (1) year after the former member has ceased to be a Director. This prohibition shall not apply to any Director who was at the inception of his or her term of office an employee, or had a significant financial interest with the District and terminated such employment status or such significant financial interest upon the commencement of his or her term.

(e) **Compliance with District's Conflict of Interest Code.** Members of the Board of Directors shall comply with the District's Conflict of Interest Code, as it may be amended or supplemented from time to time, applicable provisions of the Political Reform Act, Government Code Section 81000, et seq. Government Code Section 1090 et seq. and other policies adopted by the Board, including but not limited to confidentiality and conflict of interest policies. As required by the foregoing laws, Board members shall file an FPPC Form 700 with the District within 30 days of taking office, annually, and within 30 days of leaving office.

ARTICLE VI. COMMITTEES

The Committees of the Board shall be standing or special. The Chair of each Committee must be a member of the Board of Directors. All Committee appointments shall be made by the Chair of the Board of Directors.

All Standing Committees shall meet annually, unless the specific description of a Standing Committee specifies a different frequency of meeting, or except as a different frequency of meeting is set by the Board of Directors.

Ad hoc committees may be appointed by the Chair with the concurrence of the majority of the Board and in such numbers and for such special tasks as circumstances warrant. Such special Committees shall limit their activities to the accomplishment of the task for which created and appointed, and shall have no power to act except such as is specifically conferred by action of the Board. Upon completion of the tasks for which appointed, each such special committee shall stand discharged.

All appointments to committees shall terminate with the reorganization of the Board of Directors at the organizational meeting held following regular district elections or upon the special election or appointment of any new Board member(s).

ARTICLE VII. CHIEF EXECUTIVE OFFICER

The Board of Directors may employ or arrange as part of the services provided by a Manager an experienced Chief Executive Officer ("CEO") approved by the Board of Directors. The CEO shall be the direct executive representative in the management of the Hospital and shall supervise, direct, and control the activities, affairs, and officers of the Hospital. This CEO shall have the necessary authority and shall be held responsible for the administration of the Hospital in all its activities and departments, subject only to such policies as may be adopted, and such orders as may be issued by the Board of Directors or by any of its officers or committees to which it has delegated power for such action. The CEO shall act as the duly authorized administrative representative of the Board of Directors in all matters concerning the Hospital and shall have such other powers and duties as the Board of Directors of these Bylaws may prescribe.

ARTICLE VIII. MEDICAL STAFF

Section 1. Medical Staff Organization. The Board of Directors shall serve as the Governing Body of San Gorgonio Memorial Hospital, and shall cause to be created a self-governing medical staff, to be known as the Medical Staff of San Gorgonio Memorial Hospital. The Medical Staff shall be comprised of all duly licensed physicians and surgeons, podiatrists, dentists, and clinical psychologists who are privileged to attend patients at the Hospital. Membership in this Medical Staff shall be a prerequisite to the exercise of clinical privileges in the Hospital, except as otherwise specifically provided in the San Gorgonio Memorial Hospital Medical Staff Bylaws.

Section 2. Allied Health Professionals. Allied Health Professionals shall not be eligible for Medical Staff membership but may be granted appropriate practice privileges if they meet the eligibility criteria adopted by the Medical Staff and approved by the Board of Directors, as may be set forth in the San Gorgonio Memorial Hospital Medical Staff Bylaws or other Medical Staff or Hospital documents.

Section 3. Nondiscrimination. No applicant to the Medical Staff shall be denied Medical Staff membership on the basis of sex, race, creed, color or national origin, or on the basis of any other criterion lacking professional justification. The Hospital shall not discriminate with respect to staff privileges or the provision of professional services against a licensed clinical psychologist within the scope of his/her licensure, or against a licensed physician and surgeon or podiatrist on the basis of whether the physician and surgeon or podiatrist holds an M.D., D.O. or D.P.M. degree.

Section 4. Medical Staff Bylaws. The Medical Staff shall propose and adopt bylaws, rules, and regulations, which shall be known as the San Gorgonio Memorial Hospital Medical Staff Bylaws ("Medical Staff Bylaws"), and which shall be effective when approved by the Board of Directors. Approval shall not be unreasonably withheld. The Medical Staff Bylaws shall include provisions required by law and regulation, including as required by California Health & Safety Code section 32128, and shall state the purposes, functions and policies by which the Medical Staff exercises its responsibilities. The Medical Staff shall be organized in accordance with the Medical Staff Bylaws, and shall govern its own affairs, elect its own officers, and conduct meetings in accordance with the Medical Staff Bylaws.

The Medical Staff shall have the initial responsibility to formulate, adopt and recommend Medical Staff Bylaws to the Board of Directors, and amendments thereto as necessary from time to time. The Board of Directors may request that the Medical Staff adopt specific amendments to the Medical Staff Bylaws, but may not unilaterally amend the Medical Staff Bylaws.

Section 5. Delegation of Authority. The Board of Directors hereby delegates to the Medical Staff the responsibility and authority to investigate and evaluate all matters relating to Medical Staff membership status, clinical privileges, and corrective action, and shall require that the Medical Staff adopt and forward to it specific written recommendations with appropriate supporting documentation that will allow the Board of Directors to take informed action on Medical Staff matters.

If the Medical Staff fails to investigate or take disciplinary action contrary to the weight of evidence, the Board of Directors may, in a manner provided by the Medical Staff Bylaws, direct the Medical Staff to initiate investigation or disciplinary action, but only after consultation with the Medical Staff. The Board of Directors' request for Medical Staff action shall be in writing and shall set forth the basis for the request. If the Medical Staff fails to take action in response to the Board of Directors' directive, the Board of Directors may take corrective action, provided it has first given written notice to the Medical Staff and provided the Board of Directors' action is in accord with the Medical Staff Bylaws.

When no person authorized under the Medical Staff Bylaws is available to summarily suspend or restrict clinical privileges, the Board of Directors, or its designee, may immediately suspend a practitioner's clinical privileges if a failure to summarily suspend those privileges is likely to result in imminent danger to the health of any individual, provided the Board of Directors has, before the suspension, made reasonable attempts to contact the persons authorized by the Medical Staff Bylaws to suspend or restrict privileges. A suspension by the Board of Directors which has not been ratified by the Medical Staff within two working days, excluding weekends and holidays, after the suspension shall terminate automatically.

Section 6. Medical Staff Appointment and Reappointment. The Medical Staff Bylaws shall establish controls to ensure the achievement and maintenance of high standards of professional ethical practices including a provision that all members of the Medical Staff be required to demonstrate their ability to perform surgical and/or other procedures competently

and to the satisfaction of an appropriate committee or committees of the Medical Staff, at the time of original application for appointment to the staff and at least every two years thereafter.

The Medical Staff Bylaws shall specify eligibility for Medical Staff membership and the procedure by which establishment of professional privileges is determined. Medical Staff members shall be appointed initially and reappointed for no more than two years per appointment term. At a minimum, applications for membership shall include complete information regarding the applicant's education, licensure, practice, previous hospital experience, and any unfavorable history regarding licensure or privileges. This information shall be verified by the appropriate individual on behalf of the Medical Staff. The applicant shall agree in writing to follow the Medical Staff Bylaws, and these Bylaws as applicable, and all other policies of the Hospital, upon appointment.

The Medical Staff Bylaws shall provide that all applications be reviewed by the Medical Staff, or a committee or committees thereof, and that the Medical Staff study the qualifications of all applicants in the establishment of professional privileges. Selection shall be based on individual character, competence, training, experience, and judgment. Applications for appointments to the Medical Staff shall be considered in a timely and good faith manner. The Medical Staff shall submit to the Board of Directors recommendations regarding each application.

Final action on all matters relating to Medical Staff membership status, clinical privileges, and corrective action shall be taken by the Board of Directors after considering Medical Staff recommendations, or as otherwise provided in the Medical Staff Bylaws. Medical Staff recommendations shall be considered by the Board, but shall not be binding upon the Board.

Section 7. Corrective Action, Hearings and Appeals. When an appointment is denied or not renewed or when privileges have been proposed to be reduced, altered, suspended, or terminated, the applicant or Medical Staff member shall have the procedural rights, if applicable, set forth in the Medical Staff Bylaws. With respect to hearings and appeals, inasmuch as Article IX of the Medical Staff Bylaws provides for procedure for hearing and appeals, Article IX of the Medical Staff Bylaws is hereby adopted and by reference incorporated herein as though fully set forth, including any amendments to Article IX as may be made from time to time.

Section 8. Medical Staff Communication. Communication between the Medical Staff and the Board of Directors is facilitated by the attendance of the Chief of the Medical Staff, or his/her designee, at the regular monthly meetings of the Board of Directors. A member of the Medical Staff who is an elected member of the Board shall not represent the Medical Staff. Communication between the Board of Directors and the Chief of the Medical Staff, or his/her designee, shall include discussion of matters related to the quality of medical care provided to patients of the Hospital, and shall allow for the Chief of the Medical Staff, or his/her designee, on behalf of the Medical Staff, to participate in the development of Hospital policy.

Section 9. Medical Staff Membership and Clinical Privileges. Each member of the Medical Staff shall have the authority and responsibility for the care of his/her patients, subject to such limitations as contained in these Bylaws, the Medical Staff Bylaws, Rules, policies and procedures, and other Medical Staff documents, and as attached to his/her appointment. Each member of the Medical Staff shall be required to obtain and maintain malpractice insurance as specified in the Medical Staff Bylaws.

Section 10. Medical Records. All members of the Medical Staff shall be responsible for accurate and complete documentation of the care they provide, so that accurate and complete medical records are prepared and maintained for all patients.

ARTICLE VIIIa. QUALITY OF PROFESSIONAL SERVICES

Section 1. Accountability. The Board of Directors is legally responsible for the conduct of the Hospital, and the Medical Staff shall be accountable to the Board of Directors for the quality of professional services provided to patients. To fulfill its responsibilities, the Board of Directors assures:

(a) Every patient is under the care of a duly licensed doctor of medicine or osteopathy, doctor of podiatric medicine, doctor of dental surgery or dental medicine, or clinical psychologist; provided, however, that a doctor of medicine or osteopathy is responsible for the care of each patient with respect to any medical or psychiatric problem that is not specifically within the scope of practice of a doctor of dental surgery, dental medicine, podiatric medicine, or clinical psychologist.

(b) Patients are admitted to the Hospital only on the recommendation of a licensed practitioner permitted by the State to admit patients to a hospital.

(c) Services performed under a contract are provided in a safe and effective manner.

(d) Financial oversight and provision of management and administrative assistance, as well as appropriate physical resources and personnel, to meet the needs of patients and support and facilitate the ongoing operations of the Hospital.

(e) It participates in planning to meet the health needs of the community.

(f) All reasonable steps are taken to conform to all applicable federal, state and local laws and regulations, including those relating to licensure, fire inspection and other safety measures.

(g) Such other support as the Board of Directors deems necessary for the preservation and improvement of the quality, safety, and efficiency of patient care.

Section 2. Professional Services. The Medical Staff shall be self-governing with respect to the professional work performed in the Hospital, and the Medical Staff or one or more committees thereof shall meet periodically to review and analyze at regular intervals the clinical experience of the members of the Medical Staff. Patient medical records shall be the basis for such review and analysis. The Medical Staff shall provide periodic reports to the Board of Directors regarding its review and evaluation of the care provided at the Hospital, including documentation necessary for the Board of Directors to take informed action as appropriate.

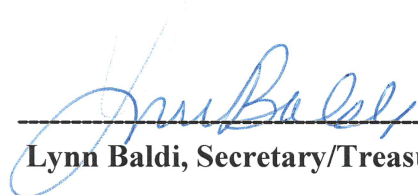
ARTICLE IX. AMENDMENTS

The Bylaws may be amended at a regular or special meeting by affirmative vote of a majority of all members of the District Board of Directors.

ARTICLE X. CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting Secretary of SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT, and that the above Amended and Restated Bylaws, consisting of 9 pages, including this page, are the Bylaws of the San Gorgonio Memorial Healthcare District as adopted by the Healthcare District's Board of Directors on June 22, 2020 and that they have not been amended or modified since that date.

Executed on July 6, 2020 at Banning, California.



Lynn Baldi, Secretary/Treasurer

TAB F

November 25, 2020

Board of Directors
San Geronio Healthcare District
600 North Highland Springs Avenue
Banning, CA 92220

Dear Directors:

We have audited the financial statements of San Geronio Healthcare District (the “District”) for the year ended June 30, 2020 and have issued our report thereon dated November 25, 2020. Professional standards require that we provide you with the following information related to our audit:

Our Responsibility Under Auditing Standards Generally Accepted in the United States

As stated in our engagement letter dated February, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

Supplementary Information Accompanying Audited Financial Statements

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, 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.

Other Information in Documents Containing Audited Financial Statements

The auditor’s responsibility for other information in documents containing audited financial statements does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. We have not been asked to devote attention to documents containing or referencing our audit reports.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to your representative, Holly Yonemoto, in our meeting about planning matters on July 20, 2020, in addition to our engagement letter dated February 25, 2020, accepted by David Recupero.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020, except for the District's policy to expense original bond issue costs in the period incurred, consistent with GASB Statement No. 65. The change in accounting principle resulted in a reduction of net position in the amount of \$690,287. 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 adequacy of the allowance for accounts receivable is one of the most subjective estimates affecting the financial statements. The allowance for accounts receivable is maintained at a level that management believes is adequate to provide for possible write-offs. Management periodically evaluates the adequacy of the allowance using the District's past bad debt experience, known and inherent risks in accounts receivable, current economic conditions, and other relevant factors. We evaluated the key factors and assumptions used to develop the allowance for accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.
- The estimated final settlements on the Medicare cost reports are based on audits conducted by the fiscal intermediary. Management periodically evaluates the adequacy of the balance using the District's experience, known and inherent risks in the preparation of these cost reports, and risks associated with doing business in the healthcare industry. We reviewed the estimated settlements recorded for each open year to determine the reasonableness of the estimates based on the results of previous audits by the fiscal intermediary.
- The portion of Provider Relief Funds, allocated by the CARES Act and administered by the Department of Health and Human Services (HHS), recognized in revenue. The estimated amount recorded as revenue is based on the most current guidance for the recognition of lost revenues provided by HHS at November 25, 2020.

The disclosures in the financial statements are neutral, consistent, and clear

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

We proposed and the District recorded a number of adjusting journal entries. The attached schedule summarizes adjusting journal entries and their effect on the financial statements

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 November 25, 2020, a copy of which accompanies this letter.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. To our knowledge, management has not obtained any opinions from other independent accountants on the application of accounting principles generally accepted in the United States that would affect the District's financial statements or on the type of opinion that may be rendered on the financial statements.

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 District's auditors for the preceding year. However, these discussions occurred in the normal course of our professional relationship, and our responses were not, in our judgment, a condition of our retention.

We appreciate the opportunity to be of service to San Gorgonio Healthcare District.

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

Sincerely,

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Enc.

Year End: June 30, 2020

AJE

Date: 7/1/2019 To 6/30/2020

AJE

Started	Completed by	Reviewed by
Reviewed by	Reviewed by	

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
3	6/30/2020	INTERCOMPANY TRANSFER	1090-0000	S LEAD	1.00			
3	6/30/2020	TRADE PAYABLES	2020-0000	S LEAD		1.00		
		TO BALANCE INTERCOMPANY, REMOVE ROUNDING ERROR OF \$1						
4	6/30/2020	2013 BOND ISSUANCE COST	D-1360-0004	N LEAD		265,903.00		
4	6/30/2020	2014 BOND COST OF ISSUANCE	D-1360-0006	N LEAD		430,495.00		
4	6/30/2020	2009 BOND COST OF ISSUANCE SERIES C	D-1360-0009	N LEAD	6,111.00			
4	6/30/2020	WIPFLI CREATED - PRIOR-PERIOD ADJUSTM	D-WIPFLI-3PPA	N LEAD	690,287.00			
		PRIOR PERIOD ADJUSTMENT TO RECORD BOND ISSUE COST CONSISTENT WITH GASB 65						
6	6/30/2020	CIP - PATIENT CARE BUILDING	D-1250-0003	P. 7		6,973,717.00		
6	6/30/2020	CIP-PATIENT CARE BLD PHASE 2	D-1255-0008	P. 7		1,301,169.00		
6	6/30/2020	Fixed Asset Impairment Losses	D-WIPFLI-99IMPAIR	P. 7	8,274,886.00			
		To record impairment loss related to defunct tower project						
7	6/30/2020	2013 BOND DISCOUNT	D-2251-0007	AA. 1	52.00			
7	6/30/2020	2014 BOND ISSUE PREMIUM	D-2251-0011	AA. 1		4,245.00		
7	6/30/2020	2015 BONDS PREMIUM	D-2251-0013	AA. 1	25,169.00			
7	6/30/2020	AMORTZ BOND 98 ISSUANCE	D-8890-0003	AA. 1		20,976.00		
		Minor true-up entry to correct unamortized						
8	6/30/2020	LAND IMPROVMENTS	D-1210-0000	P. 1		1,856,174.00		
8	6/30/2020	HELIPAD	D-1211-0000	P. 1		2,489.00		
8	6/30/2020	BUILDING & IMPROVEMENTS	D-1220-0000	P. 1	1,812,087.00			
8	6/30/2020	Building Phase 1A	D-1221-0000	P. 1	2,490.00			
8	6/30/2020	Building Improvements Phase 1A	D-1221-0001	P. 1	43,614.00			
8	6/30/2020	FIXED EQUIPMENT PHASE 1C	D-1221-0009	P. 1		5,252.00		
8	6/30/2020	MEDLEY PROJECT-OFFICES/MAT MGMT	D-1221-0013	P. 1	29,334.00			
8	6/30/2020	FIXED EQUIPMENT	D-1225-0000	P. 1		426.00		
8	6/30/2020	ACCUMULATED DEPRECIATION	D-1260-0000	P. 1	7,789.00			
8	6/30/2020	INTEREST - SERIES B GO BOND	D-8870-0003	P. 1		30,973.00		
		To reconcile trivial variances between GL and the fixed asset ledger						
9	6/30/2020	UNRESTRICTED FUND BALANCE	2310-0000	SS. 2		646,319.00		
9	6/30/2020	OTHER MISC INCOME	9040-0000	SS. 2	150,212.00			
9	6/30/2020	Beneficial Interest in Net Assets of Foundation	WIPFLI-1900	SS. 2	496,107.00			
		To record beneficial interest in the net assets of the foundation						
10	6/30/2020	UNRESTRICTED FUND BALANCE	2310-0000	WTB-HOS	16,181.00			
10	6/30/2020	UNASSIGNED - Misc	8890-0008	WTB-HOS		16,181.00		
10	6/30/2020	UNRESTRICTED FUND BALANCE	D-2310-0000	WTB-HOS		16,061.00		
10	6/30/2020	EXPENSES	D-8460-0089	WTB-HOS	16,061.00			
		Trivial adjustment to agree net assets for Hospital						
11	6/30/2020	IEHP Stim AR	1069-0001	D.504	41,609.00			
11	6/30/2020	OTHER REVN - Supplemental Funding Revenue	5780-0004	D.504		41,609.00		
		Record immaterial true up to account based on subsequent receipts						
12	6/30/2020	Supplemental Funding Revenue Receivable	1069-0000	D.506		1,468,219.00		
12	6/30/2020	OTHER REVN - Supplemental Funding Revenue	5780-0004	D.506	1,468,219.00			
		To adjust IGT receivable balance to agree with support						
13	6/30/2020	Due From Medicare Settlement	1051-0000	MM.2018 AND		375,000.00		

11/24/2020

10:03 AM

Year End: June 30, 2020

AJE

Date: 7/1/2019 To 6/30/2020

AJE-1

Started	Completed by	Reviewed by
Reviewed by	Reviewed by	

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
13	6/30/2020	MEDICARE IP CONT ADJ	5810-0001	MM.2018 AND	375,000.00			
		To record final settled 2018 MCR and the amount which 2019 is expected to be settled						
14	6/30/2020	DSH ACCRUAL	1052-0005	MM. 3		1,806,957.00		
14	6/30/2020	OTHER REVN - DSH REVENUE	5780-0003	MM. 3	1,806,957.00			
		To record DSH overpayment accrual						
17	6/30/2020	ACCRUED TAX REVENUE-GENERAL PURPO	D-1064-0001	D.501	324,157.00			
17	6/30/2020	ACCRUED TAX REVENUE-Measure D	D-1064-0006	D.501		36,120.00		
17	6/30/2020	ACCRUED TAX REVENUE DEBT SERVICE	D-1064-0008	D.501	49,199.00			
17	6/30/2020	TAX REVENUE M.A. - OTHER INCOME	D-9172-0000	D.501		337,236.00		
		To true up taxes receivable based on remits.						
PBC AJE1	6/30/2020	Accrued Payables	2020-0002	PBC AJE1		319,457.00		
PBC AJE1	6/30/2020	MEDICAL SUPPLIES	7540-0041	PBC AJE1	20,655.00			
PBC AJE1	6/30/2020	SERVICE AGREEMENTS	7630-0067	PBC AJE1	5,592.00			
PBC AJE1	6/30/2020	DRUGS	7710-0038	PBC AJE1	96,482.00			
PBC AJE1	6/30/2020	BEHAVIOR HEALTH - ELECTRICITY	7900-0077	PBC AJE1	4,174.00			
PBC AJE1	6/30/2020	PURCHASING-OTHER EXPENSE	8400-0090	PBC AJE1	6,607.00			
PBC AJE1	6/30/2020	LEGAL EXPENSE	8620-0023	PBC AJE1	18,973.00			
PBC AJE1	6/30/2020	OTHER BENEFITS	8880-0007	PBC AJE1	166,974.00			
		Post Close JE 1						
PBC AJE2	6/30/2020	CITY NATIONAL BANK - ACCT 403	1001-0001	PBC AJE2		656,071.00		
PBC AJE2	6/30/2020	BANK OF AMERICA - CAFETERIA RECEIPTS	1001-0002	PBC AJE2		1,982.00		
PBC AJE2	6/30/2020	BANK OF HEMET GENERAL CASH	1001-0003	PBC AJE2		21.00		
PBC AJE2	6/30/2020	SECURITY BANK GENERAL CHECKING	1001-0020	PBC AJE2	1,908,012.00			
PBC AJE2	6/30/2020	SECURITY BANK PAYROLL	1001-0021	PBC AJE2		624,802.00		
PBC AJE2	6/30/2020	FLEXABLE SPENDING ACCOUNT	1001-0027	PBC AJE2		1,608.00		
PBC AJE2	6/30/2020	LOCAL AGENCY INVESTMENT FUND	1007-0001	PBC AJE2	111.00			
PBC AJE2	6/30/2020	ALLOW - SELF PAY/PRIVATE PAY	1041-0000	PBC AJE2		308,371.00		
PBC AJE2	6/30/2020	FICA/MEDICARE TAX WITHHELD	2036-0000	PBC AJE2	5.00			
PBC AJE2	6/30/2020	TSA AM GEN/AM REP	2039-0007	PBC AJE2	24,797.00			
PBC AJE2	6/30/2020	OTHER REVN - Supplemental Funding Revenue	5780-0004	PBC AJE2		339,838.00		
PBC AJE2	6/30/2020	ADMINISTRATION-OTHER EXPENSE	8610-0090	PBC AJE2		122.00		
PBC AJE2	6/30/2020	OTHER MISC INCOME	9060-0000	PBC AJE2		110.00		
		Post-close entry #2 - See PBC AJE2						
PBC AJE3	6/30/2020	BANK OF HEMET-UNRESTRICTED	D-1001-0011	PBC AJE3	3.00			
PBC AJE3	6/30/2020	BANK OF HEMET - ACCT # 6212	D-1001-0012	PBC AJE3	168,209.00			
PBC AJE3	6/30/2020	IMPACT FEE DEPOSIT ACCOUNT	D-1001-0028	PBC AJE3				
PBC AJE3	6/30/2020	ACCRUED TAX REVENUE-GENERAL PURPO	D-1064-0001	PBC AJE3		18,341.00		
PBC AJE3	6/30/2020	ACCRUED TAX REVENUE DEBT SERVICE	D-1064-0008	PBC AJE3		143,127.00		
PBC AJE3	6/30/2020	Accrued Payables	D-2021-0001	PBC AJE3		6,049.00		
PBC AJE3	6/30/2020	OTHER NON MEDICAL SU - LEGAL FEES	D-8620-0023	PBC AJE3		692.00		
PBC AJE3	6/30/2020	INTEREST INCOME	D-9060-0003	PBC AJE3		3.00		
		Post-close entry #3						
PBC AJE4	6/30/2020	ACCRD BLDG LEASE REVENUE	D-1066-0002	PBC AJE4		5,143.00		
PBC AJE4	6/30/2020	PREPAID DUES	D-1108-0002	PBC AJE4		55.00		
PBC AJE4	6/30/2020	2013 ACCRUED INTEREST EXPENSE	D-2041-0006	PBC AJE4	5,979.00			
PBC AJE4	6/30/2020	2015 ACCRUED INTEREST EXPENSE	D-2041-0010	PBC AJE4		5,979.00		
PBC AJE4	6/30/2020	UNASSIGNED - SALES TAX	D-8890-0001	PBC AJE4	55.00			
PBC AJE4	6/30/2020	RENT INCOME	D-9260-0000	PBC AJE4	5,143.00			
		PBC AJE						
					18,067,293.00	18,067,293.00		

Year End: June 30, 2020
AJE
Date: 7/1/2019 To 6/30/2020

AJE-2

Started	Completed by	Reviewed by
Reviewed by	Reviewed by	

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
Net Income (Loss)			(14,061,487.00)					

November 25, 2020

Wipfli LLP
505 Fourteenth Street, Fifth Floor
Oakland, CA 94612

This representation letter is provided in connection with your audit of the financial statements of San Geronio Healthcare District (the District) and its blended component unit, which comprise the statement of net position as of June 30, 2020, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief as of date of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 25, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP.
2. The financial statements referred to above are fairly presented in conformity with GAAP.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of GAAP.

7. All events subsequent to the date of the financial statements and for which GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We agree with the adjusting journal entries proposed by you and which are given effect to in the financial statements.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with GAAP.
10. Material concentrations have been properly disclosed in accordance with GAAP.
11. Guarantees, whether written or oral, under which the District is contingently liable, have been properly recorded or disclosed in accordance with GAAP.
12. We acknowledge our responsibility as it relates to the following nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.
 - a. Prepared the draft financial statements and related notes. We have reviewed, approved, and accepted responsibility for the financial statements and related notes.
 - b. Tax return preparation services for the San Geronio Memorial Hospital
 - c. General reimbursement consulting services
 - d. Rural health clinic MediCal PPS reconciliation services
 - e. Preparation and assistance with the following reports:
 - i. AB-915 Supplemental Payment Report
 - ii. California OSHPD Report
 - iii. MediCal and Medicare cost reports
 - iv. S-10 Report
 - v. T-18 Cost Report

Information Provided

13. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District from who you determined it necessary to obtain audit evidence.
14. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

15. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
16. We have no knowledge of any fraud or suspected fraud affecting the District involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
17. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, grantors, regulators, or others.
18. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements applicable to us whose effects should be considered when preparing financial statements. Specifically:
 - a. There are no violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Medicare and Medicaid Anti-Kickback Statute, Limitations on Certain Physician Referrals (the Stark law), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements.
 - b. Billings to third-party payors comply in all material respects with applicable coding guidelines (for example, ICD-10-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse), and billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
 - c. There have been no communications (oral or written) from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction (including those related to the Medicare and Medicaid antifraud and abuse statutes), deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
19. We have disclosed to you all known actual or possible litigation, asserted and unasserted claims, and assessments whose effects should be considered when preparing the financial statements. Adequate and reasonable provision has been made for losses related to asserted and unasserted malpractice, health insurance, worker's compensation, and any other claims or assessments.

20. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.
21. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any material asset been pledged, except as disclosed in the notes to the financial statements.
22. Receivables recorded in the financial statements represent valid claims for charges arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value as follows:
 - a. Adequate consideration has been given to, and appropriate provision made for, estimated adjustments to revenue, such as for denied claims and changes to prospective payment system assignments.
 - b. Recorded valuation allowances are necessary, appropriate, and properly supported.
 - c. All peer review organizations, fiscal intermediary, and third-party payor reports and information have been made available to you.
23. Provision has been made, when material, for estimated retroactive adjustments by third-party payors under reimbursement agreements. In regards to cost reports filed with third-parties:
 - a. All required Medicare, Medicaid, and similar reports have been properly filed on a timely basis.
 - b. Management is responsible for the accuracy and propriety of all cost reports filed.
 - c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payors.
 - d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
 - e. Adequate consideration has been given to, and appropriate provision made for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.
 - f. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
 - g. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

24. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded the adjustment.
25. We have fully disclosed to you all terms of contracts with customers that affect the amount and timing of revenue recognized in the financial statements, including delivery terms, rights of return or price adjustments, side adjustments, implicit provisions, unstated business conventions, and all warranty provisions.
26. The District has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and I we believe the estimates are reasonable in the circumstances.
27. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the District vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
28. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions and complying with terms of bond and debt agreements.
29. Inventories fairly represent the value of inventories at the lower of cost on the first-in, first-out method, or net realizable value.
30. We acknowledge our responsibility for presenting the combining statement of net position and the combining statement of revenues, expenses and changes in net position in accordance with GAAP, and we believe the combining statement of net position and the combining statement of revenues, expenses and changes in net position, including its form and content, are fairly presented in accordance with GAAP. The methods of measurement and presentation of the combining statement of net position and the combining statement of revenues, expenses and changes in net position have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
31. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
32. Components of net position: net investment in capital assets, restricted, and unrestricted, are properly classified and, if applicable, approved.

33. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position was properly recognized under the policy.
34. We are responsible for the management's discussion and analysis and have chosen not to present it, which will require modification to the auditor's opinion.
35. We have a process to track the status of audit findings and recommendations.
36. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
37. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

Sincerely,

San Geronio Healthcare District



Holly Yonemoto, CFO & CIO



Steven Barron, CEO

San Geronio Healthcare District

Financial Statements and Supplementary
Information

Year Ended June 30, 2020

An abstract geometric graphic in the bottom left corner, composed of several overlapping, semi-transparent, light gray triangular and polygonal shapes that create a sense of depth and movement.

WIPFLI

San Geronio Healthcare District

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Independent Auditor's Report

Board of Directors
San Geronio Healthcare District
Banning, CA

Report on the Financial Statements

We have audited the accompanying financial statements of San Geronio Healthcare District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of San Geronio Healthcare District, as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

November 25, 2020
Oakland, California

San Gorgonio Healthcare District

Statement of Net Position

June 30, 2020

Current assets:

Cash and cash equivalents:

Unrestricted \$ 11,938,600

Restricted, available for current debt service 955,807

Receivables:

Patient accounts - Net 7,142,879

Other accounts receivable 13,630,773

Inventories 1,789,075

Prepaid expenses and other 288,583

Total current assets 35,745,717

Noncurrent assets:

Capital assets - Nondepreciable 998,204

Capital assets - Net of accumulated depreciation 82,436,721

Cash and cash equivalents - Restricted, net of amount available for current debt service 8,880,833

Cash and cash equivalents - Board designated 424,176

Beneficial interest in the net assets of San Gorgonio Hospital Foundation 496,107

Total noncurrent assets 93,236,041

Deferred outflows of resources - Loss on bond refunding 759,389

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 129,741,147

San Geronio Healthcare District

Statement of Net Position (Continued)

June 30, 2020

Current liabilities:

Current portion of long-term debt	\$ 2,335,000
Accounts payable	5,316,508
Accrued salary, payroll taxes, and benefits	4,124,703
Third-party payor settlements	2,435,348
Current portion of refundable advance	322,211
Line of credit	6,000,000
Accrued interest	2,020,229

Total current liabilities	22,553,999
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Noncurrent liabilities:

Long-term debt, less current portion	108,192,847
Refundable advance, less current portion	2,255,479

Total noncurrent liabilities	110,448,326
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Total liabilities	133,002,325
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Net position:

Net investment in capital assets	(27,092,922)
Restricted	9,836,640
Unrestricted	13,995,104

Total net position	(3,261,178)
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TOTAL LIABILITIES AND NET POSITION	\$ 129,741,147
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San Geronio Healthcare District

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2020

Operating revenue:	
Net patient service revenue	\$ 59,357,335
Other operating income	1,762,890
Total operating revenue	61,120,225
Operating expenses:	
Salaries and wages	37,250,689
Employee benefits	9,032,491
Legal and professional fees	4,851,019
Contract labor	714,190
Supplies	9,012,301
Utilities	968,157
Purchased service	5,596,307
Building and equipment rent	950,799
Depreciation	6,077,964
Other operating expense	6,837,922
Total operating expenses	81,291,839
Loss from operations	(20,171,614)
Nonoperating revenue (expenses):	
Taxes	11,874,709
Grants, contributions, and other nonoperating revenue	7,523,322
Interest expense	(5,065,130)
Total nonoperating revenue - Net	14,332,901
Deficit in revenue over expenses	(5,838,713)
Impairment loss on capital assets	(8,274,886)
Capital grants and contributions	52,112
Decrease in net position	(14,061,487)
Net position - Beginning of year, as previously reported	11,490,596
Restatement - Change in accounting principle	(690,287)
Net position - End of year	\$ (3,261,178)

San Gorgonio Healthcare District

Statement of Cash Flows

Year Ended June 30, 2020

Cash flows from operating activities:

Receipts from and on behalf of patients	\$ 62,921,582
Receipts from other operating revenue	2,937,922
Payments to employees	(45,210,146)
Payments to suppliers, contractors, and others	(28,727,118)

Net cash used in operating activities (8,077,760)

Cash flows from noncapital financing activities:

Taxation for debt service	11,874,709
Cash received from grants and stimulus funding	7,523,322
Beneficial interest in San Gorgonio Hospital Foundation	150,092

Net cash provided by noncapital financing activities 19,548,123

Cash flows from capital and related financing activities:

Proceeds from line of credit	12,000,000
Payments on line of credit	(6,000,000)
Principal payments on debt	(2,306,366)
Interest paid on debt	(5,075,723)
Purchase of capital assets	(787,310)
Cash received from capital grants and contributions	52,112

Net cash used in capital and related financing activities (2,117,287)

Net increase in cash and cash equivalents 9,353,076

Cash and cash equivalents - Beginning of year 12,846,340

Cash and cash equivalents - End of year \$ 22,199,416

San Geronio Healthcare District

Statement of Cash Flows (Continued)

Year Ended June 30, 2020

Reconciliation of loss from operations to net cash used in operating activities:

Loss from operations	\$ (20,171,614)
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Adjustments to reconcile loss from operations to net cash used in operating activities:

Depreciation	6,077,964
Provision for bad debt	8,534,560
Change in assets and liabilities:	
Patient accounts receivable	(7,227,501)
Other accounts receivable	(1,402,658)
Third-party payor settlements	2,257,188
Inventories	(120,219)
Prepaid expenses and other	64,664
Accounts payable	259,132
Accrued salary, payroll taxes, and benefits	1,073,034
Refundable advance	2,577,690

Total adjustments	12,093,854
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Net cash used in operating activities	\$ (8,077,760)
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San Gorgonio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

San Gorgonio Healthcare District (the "District") was organized in 1944 under the terms of the Local Health Care District Law and is operated and governed by five elected directors. The District includes a 79-bed acute care facility that provides inpatient, outpatient, primary care clinic, and emergency care services in Banning, California, and its surrounding area.

San Gorgonio Memorial Hospital (the "Hospital") is a nonprofit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Hospital provides healthcare services primarily to individuals who reside in the geographic boundaries of the District under a lease agreement with the District. The Hospital is governed by a nine-member Board of Directors. All of the District board members are also members of the Hospital board. For this reason, the Hospital is a blended component unit of the District.

Basis of Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in the United States for establishing governmental accounting and financial reporting principles. The District's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when the liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements have been met. Unbilled hospital services receivable are recorded at year-end.

Use of Estimates

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The District considers significant accounting estimates to be those which require significant judgments and include the valuation of patient accounts receivable, including contractual adjustments and allowance for uncollectible accounts, and estimated third-party payors' settlements.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturity dates of three months or less. Cash and cash equivalents are carried at cost, which approximates fair value.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The District bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement.

Patient accounts receivable are recorded in the accompanying statements of net position, net of contractual adjustments and allowances for doubtful accounts, which reflect management's estimate of the amounts that won't be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of net patient revenue and a credit to a contractual allowance. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a reduction of net patient revenue and a credit to a valuation allowance.

In evaluating the collectibility of patient accounts receivable, the District analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The District received approximately 17.30% of its financial support from property taxes in the year ended June 30, 2020.

Property taxes are levied by the District and collected by the Riverside County Treasurer for operations and for debt service obligations. Taxes estimated to be collectible are recorded as revenue in the year of the levy. No allowance for doubtful taxes receivable is considered necessary. Taxes levied are recorded as nonoperating revenue. The taxes are levied on July 1 each year and are intended to finance the District's activities of the same fiscal year. Amounts levied are based on assessed property values as of September 30 each year.

The funds used to support operations and for debt service were \$8,003,588 and \$3,871,121, respectively, for the year ended June 30, 2020.

Inventories

Inventories are valued at the lower of cost, determined on the first-in, first-out method, or net realizable value. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the District.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents includes certain cash and other assets whose use is limited under debt instruments, by donors, and by grant and service contracts.

Capital Assets and Depreciation

Capital asset acquisitions exceeding \$5,000 are capitalized and recorded at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Land improvements	15 to 20 years
Buildings and building improvements	5 to 40 years
Equipment, computers, and furniture	3 to 20 years

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction is capitalized as a component of the cost of acquiring those assets.

San Geronio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense) until then. The District has only one item that qualifies for reporting in this category, the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Compensated Absences

The District's employees earn paid time off (PTO) benefits at varying rates depending on years of service and the number of hours worked. PTO benefits can accumulate up to specified maximum levels. Employees are paid for PTO accumulated benefits upon separation.

The District considers compensated absence liabilities to be a current liability of the District. These obligations are expected to be liquidated with current assets.

Net Position

Net position is reported in three categories:

Net investment in capital assets - This category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build, acquire, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the construction, acquisition, or improvement of those assets or the related debt are also included in this category.

Restricted - This category consists of noncapital assets whose use is restricted, reduced by liabilities and deferred inflows of resources related to those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, donors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category consists of the remaining net position that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first.

San Geronio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Operating Revenue and Expenses

The District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services—the District's principal activity. Nonexchange revenue, including grants, property taxes, and contributions received for purposes other than capital asset acquisition, is reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amount from patients, governmental programs, health maintenance, and preferred provider organizations and insurance contracts under applicable laws, regulations, and program instructions. Net realizable amounts are generally less than the District's established rates. Final determination of certain amounts payable is subject to audit by appropriate third-party representatives. Subsequent adjustments, if any, arising from such audits are recorded in the year the final settlement becomes known.

Charity Care

The District provides care to patients who meet certain criteria under its charity care (financial assistance) policy without charge or according to a sliding scale based on income. The District maintains records to identify and monitor the level of charity care provided.

Grants and Contributions

From time to time, the District receives grants from the federal government and the State of California as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue in the year received.

Gifts, grants, and bequests restricted by donors for specific purposes are recorded as restricted net position and transferred to unrestricted net position when amounts are expended for their restricted purpose. When restricted funds are used for operations, these amounts are reflected in the statement of revenues, expenses, and changes in net position as other operating revenue.

San Geronio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed as incurred.

Subsequent Events

Subsequent events have been evaluated through November 25, 2020, which is the date the financial statements were available to be issued.

Note 2: Cash and Cash Equivalents

The District maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. Depository accounts are insured by the FDIC up to \$250,000 for demand deposits and an additional \$250,000 for time deposits per insured institution.

Credit risk - The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of credit risk - The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer).

Interest rate risk - The possibility that an interest rate change could adversely affect an investment's fair value.

Custodial credit risk - The risk that in an event of a bank failure the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

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 market 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 public deposits by pledging first deed of mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

At June 30, 2020, the District had a bank balance of \$22,831,104. Of this balance, \$1,500,000 was covered by federal deposit insurance, and \$12,826,260 was collateralized (i.e., with securities held by the pledging financial institutions of at least 110% of the District's cash deposits, in accordance with the California Government Code).

San Geronio Healthcare District

Notes to Financial Statements

Note 2: Cash and Cash Equivalents (Continued)

Cash and cash equivalents consisted of the following:

June 30, 2020

Demand deposits	\$ 22,190,140
Cash on hand	4,448
Local government investment pool	4,828
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Total cash and cash equivalents	\$ 22,199,416
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The composition of cash and cash equivalents consisted of the following:

June 30, 2020

Current:	
Unrestricted cash and cash equivalents	\$ 11,938,600
Restricted for debt service	955,807
Noncurrent:	
Restricted for debt service, net of amount currently available for debt service	8,880,833
Unrestricted board designated	424,176
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Total	\$ 22,199,416
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Restricted for Debt Service

County deposits held in trust for debt service payments.

Board Designated Held for Capital Projects and Equipment

Capital project funds are funded with bond proceeds and consist of assets restricted to fund future construction of capital assets.

San Geronio Healthcare District

Notes to Financial Statements

Note 3: Patient Accounts Receivable - Net

Patient accounts receivable - net consisted of the following:

June 30, 2020

Patient receivables:

Medicare	\$ 17,665,666
Medicaid	9,165,985
Commercial and other	12,183,351
Self-pay	5,221,847

Total patient receivable	44,236,849
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Less:

Contractual adjustments	32,262,162
Allowance for uncollectible amounts	4,831,808

Patient accounts receivable - Net	\$ 7,142,879
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San Gorgonio Healthcare District

Notes to Financial Statements

Note 4: Capital Assets

Capital assets consisted of the following:

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Nondepreciable capital assets:					
Land	\$ 874,391	\$ 7,369	\$ -	\$ -	\$ 881,760
Construction in progress	8,390,250	1,080	(8,274,886)	-	116,444
Total nondepreciable capital assets	9,264,641	8,449	(8,274,886)	-	998,204
Depreciable capital assets:					
Land improvements	2,773,975	141	-	-	2,774,116
Buildings and improvements	122,338,069	5,397	(7,790)	-	122,335,676
Equipment	33,704,995	773,323	-	-	34,478,318
Total depreciable capital assets	158,817,039	778,861	(7,790)	-	159,588,110
Total capital assets before depreciation	168,081,680	787,310	(8,282,676)	-	160,586,314
Less accumulated depreciation	(71,081,215)	(6,077,964)	7,790	-	(77,151,389)
Capital assets - Net	\$ 97,000,465	\$ (5,290,654)	\$ (8,274,886)	\$ -	\$ 83,434,925

The District recorded an impairment loss for the year ended June 30, 2020 for \$8,274,886 related to the write-off of a defunct tower project. This impairment loss is also recorded in the statement of revenues, expenses, and changes in net position.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 5: Long-Term Debt Obligations

Long-term debt obligations consisted of the following:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Long-term debt:					
Direct borrowings and direct placements:					
GO Refunding Bonds 2013	\$ 22,955,000	\$ -	\$ (560,000)	\$ 22,395,000	\$ 620,000
GO Refunding Bonds 2014	61,275,000	-	(1,125,000)	60,150,000	1,245,000
GO Refunding Bonds 2015	24,430,000	-	(410,000)	24,020,000	470,000
Premium - 2013 Series	246,341	-	(14,420)	231,921	-
Premium - 2014 Series	3,403,898	-	(169,489)	3,234,409	-
Premium - 2014 Series	523,974	-	(27,457)	496,517	-
Total long-term debt	\$ 112,834,213	\$ -	\$ (2,306,366)	\$ 110,527,847	\$ 2,335,000

The terms of the District's long-term obligations are as follows:

- General Obligation Refunding Bonds, Series 2013; principal due each August 1 at various amounts through August 1, 2036; interest is variable at 3%-5%, due semiannually each August 1 and February 1; collateralized by property tax revenue.
- General Obligation Refunding Bonds, Series 2014; principal due each August 1 at various amounts through August 1, 2038; interest is variable at 3%-5%, due semiannually each August 1 and February 1; collateralized by property tax revenue.
- General Obligation Refunding Bonds, Series 2015; principal due each August 1 at various amounts through August 1, 2038; interest is variable at 3%-5%, due semiannually each August 1 and February 1; collateralized by property tax revenue.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 5: Long-Term Debt Obligations (Continued)

Scheduled principal and interest payments on long-term obligation are as follows:

<i>Years Ending June 30,</i>	Bonds and Notes Payable		
	Principal	Interest	Total
2021	\$ 2,335,000	\$ 7,130,625	\$ 9,465,625
2022	2,590,000	7,270,600	9,860,600
2023	2,875,000	7,421,625	10,296,625
2024	3,180,000	7,575,250	10,755,250
2025	3,500,000	7,738,250	11,238,250
2026-2030	22,725,000	32,510,141	55,235,141
2031-2035	33,035,000	52,721,147	85,756,147
2036-2040	36,325,000	40,133,619	76,458,619
Totals	\$ 106,565,000	\$ 162,501,257	\$ 269,066,257

Bond premium amortization in the amount of \$211,366 was recognized for the year ended June 30, 2020. The annual amortization of the bond premium will result in reductions in interest expense as follows:

<i>Years Ending June 30,</i>	
2021	\$ 211,366
2022	211,366
2023	211,366
2024	211,366
2025	211,366
2026-2030	1,056,830
2031-2035	1,056,830
2036-2040	792,357
Total	\$ 3,962,847

Note 6: Line of Credit

The District maintains a line of credit with Pacific Premier Bank in the amount of \$6,000,000 with interest at 4.25%. The line of credit matures February 1, 2022. The line of credit is collateralized by receivables and capital assets.

San Geronio Healthcare District

Notes to Financial Statements

Note 7: Patient Service Revenue

Patient service revenue consisted of the following:

June 30, 2020

Gross patient service revenue:	
Inpatient	\$ 88,815,381
Outpatient	181,689,365
Total	270,504,746
Less:	
Contractual adjustments	202,612,851
Provision for bad debts	8,534,560
Net patient service revenue	\$ 59,357,335

Included within contractual adjustments above is a DSH overpayment resulting in a contractual adjustment of \$1,806,957.

The following table reflects the percentage of gross patient service revenue by payor source:

Year Ended June 30, 2020

Medicare	12 %
Medicaid	40 %
Blue Cross	5 %
Other third-party payors	41 %
Self-pay	2 %
Total	100 %

San Geronio Healthcare District

Notes to Financial Statements

Note 8: Intergovernmental Transfer Program

The District participates in the intergovernmental transfer (IGT) program and other related supplemental programs sponsored by the State of California for the state's local healthcare districts. These programs are an integral part of the overall Quality Assurance Fee programs, supported by funding from the federal government. IGT and related program revenue, net of related expenses, for the year ended June 30, 2020, was \$12,574,110 and is recorded as a reduction to contractual adjustments in the statement of revenues, expenses, and changes in net position.

Note 9: Charity Care

The District provides healthcare services and other financial support through various programs that are designed to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the District, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the District's charity care policy. The District maintains records to identify and monitor the level of charity care it provides.

Gross charges related to patients under the District's charity care policy was \$1,038,200 during the year ended June 30, 2020.

Note 10: Retirement Plan

The District offers a tax-sheltered annuity (TSA) program covering substantially all employees with at least 90 days of service. Matching contributions are made at the discretion of the District's management and are based on a percentage of gross salary. District contributions to the TSA program were \$1,125,639 during the year ended June 30, 2020.

Note 11: Risk Management

Liability Insurance

The District has its professional liability insurance coverage with Beta Risk Management Authority ("Beta"). The policy provides protection on a "claims made" basis whereby malpractice claims related to services provided in the current year are covered by the current policy.

Coverage is provided a policy with limits of \$20,000,000 for each medical incident and a \$30,000,000 annual aggregate limit.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 11: Risk Management (Continued)

Liability Insurance (Continued)

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the District. The District does not believe potential claims are significant and, accordingly, has not provided a reserve for potential claims from services provided to patients through June 30, 2020, that have not yet been asserted.

The District is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

Contingent Liabilities

The District is a defendant in a legal matter wherein the plaintiff is seeking \$1,000,000 in damages for breach of contract. The District does not have an estimate for the likelihood of an outcome as of November 25, 2020.

Note 12: Concentration of Credit Risk

Financial instruments that potentially subject the District to credit risk consist principally of patient and resident accounts receivable. Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for healthcare provided to the patients.

The mix of receivables from patients, residents, and third-party payors consisted of the following:

June 30, 2020

Medicare	10 %
Medicaid	21 %
Blue Cross	4 %
Other third-party payors	54 %
Self-pay	11 %
<hr/>	
Total	100 %

San Gorgonio Healthcare District

Notes to Financial Statements

Note 13: Beneficial Interest in Assets Held by San Gorgonio Hospital Foundation

San Gorgonio Hospital Foundation, Inc. (the "Foundation") was established to solicit contributions for the District and to support healthcare services in the geographical area of Banning and Beaumont, California. The Foundation has a separate board of directors from the District but exists primarily to support the District. The Foundation contributed \$331,846 during the year ended June 30, 2020.

The District records its interest in the net assets of the Foundation, assets that have been collected by the Foundation but not yet distributed to the District as of the end of each fiscal year. At June 30, 2020, the District recorded \$496,107 as interest in the net assets of the Foundation in the statement of net position.

Note 14: COVID-19 Relief Funds and Grant Revenue

During 2020, the District received \$6,299,026 in grant funding from the HHS Provider Relief Fund (PRF), which was established as a result of the CARES Act. Based on the terms and conditions of the grant, the District earns the grant by incurring healthcare-related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse, or by incurring lost revenues, defined as a negative change in year-over-year net patient service revenue. During 2020, the District recognized \$6,299,026 in revenue related to this program, which reflects management's estimate of the amount of the grant earned, including consideration for uncertainties related to reporting guidance still developing as of the date the financial statements were available to be issued.

Note 15: Medicare Refundable Advance

As a result of the COVID-19 pandemic, CMS offered an accelerated and advance payment program which gave healthcare providers the opportunity to receive an advance on future Medicare payments. The District received a non-interest-bearing Medicare Refundable Advance of \$2,577,690 in 2020. Repayment of the Medicare Refundable Advance is expected to begin 12 months after receipt of the advance. The District has a Medicare Refundable Advance liability totaling \$2,577,690 at June 30, 2020.

Note 16: Change in Accounting Principle

During 2020, the District implemented GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 was adopted on a retrospective basis resulting in a reduction in assets and net position at July 1, 2019 of \$690,287, which represents unamortized bond issue costs previously reported as an asset.

Supplementary Information

San Gorgonio Healthcare District

Combining Statement of Net Position

<i>June 30, 2020</i>	Hospital	District	Eliminations	Total
Current assets:				
Cash and cash equivalents:				
Unrestricted	\$ 9,393,778	\$ 2,544,822	\$ -	\$ 11,938,600
Restricted, available for current debt service	-	955,807	-	955,807
Receivables:				
Patient accounts - net	7,088,594	54,285	-	7,142,879
Other accounts receivable	12,109,078	14,371,121	(12,849,426)	13,630,773
Inventories	1,789,075	-	-	1,789,075
Prepaid expenses and other	215,763	72,820	-	288,583
Total current assets	30,596,288	17,998,855	(12,849,426)	35,745,717
Noncurrent assets:				
Capital assets - Nondepreciable	-	998,204	-	998,204
Capital assets - Net of accumulated depreciation	-	82,436,721	-	82,436,721
Cash and cash equivalents - Restricted, net of amount available for current debt service	-	8,880,833	-	8,880,833
Cash and cash equivalents - Board designated	-	424,176	-	424,176
Beneficial interest in the net assets of San Gorgonio Hospital Foundation	496,107	-	-	496,107
Total noncurrent assets	496,107	92,739,934	-	93,236,041
Deferred outflows of resources - Loss on bond refunding	-	759,389	-	759,389
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 31,092,395	\$ 111,498,178	\$ (12,849,426)	\$ 129,741,147

San Gorgonio Healthcare District

Combining Statement of Net Position (Continued)

<i>June 30, 2020</i>	Hospital	District	Eliminations	Total
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 2,335,000	\$ -	\$ 2,335,000
Accounts payable	17,827,147	338,787	(12,849,426)	5,316,508
Accrued salary, payroll taxes, and benefits	4,124,703	-	-	4,124,703
Third-party payor settlements	2,435,348	-	-	2,435,348
Current portion of refundable advance	322,211	-	-	322,211
Line of credit	6,000,000	-	-	6,000,000
Accrued interest	-	2,020,229	-	2,020,229
Total current liabilities	30,709,409	4,694,016	(12,849,426)	22,553,999
Noncurrent liabilities:				
Long-term debt, less current portion	-	108,192,847	-	108,192,847
Refundable advance, less current portion	2,255,479	-	-	2,255,479
Total noncurrent liabilities	2,255,479	108,192,847	-	110,448,326
Total liabilities	32,964,888	112,886,863	(12,849,426)	133,002,325
Net position:				
Net investment in capital assets	-	(27,092,922)	-	(27,092,922)
Restricted	-	9,836,640	-	9,836,640
Unrestricted	(1,872,493)	15,867,597	-	13,995,104
Total net position	(1,872,493)	(1,388,685)	-	(3,261,178)
TOTAL LIABILITIES AND NET POSITION	\$ 31,092,395	\$ 111,498,178	\$ (12,849,426)	\$ 129,741,147

San Gorgonio Healthcare District

Combining Statement of Revenues, Expenses, and Changes in Net Position

<i>Year Ended June 30, 2020</i>	Hospital	District	Eliminations	Total
Operating revenue:				
Net patient service revenue	\$ 59,200,817	\$ 156,518	\$ -	\$ 59,357,335
Other operating revenue	1,725,445	37,445	-	1,762,890
Total operating revenue	60,926,262	193,963	-	61,120,225
Operating expenses:				
Salaries and wages	37,250,689	-	-	37,250,689
Employee benefits	9,032,491	-	-	9,032,491
Legal and professional fees	3,716,749	1,134,270	-	4,851,019
Contract labor	714,190	-	-	714,190
Supplies	9,011,747	554	-	9,012,301
Utilities	968,157	-	-	968,157
Purchased services	5,504,338	91,969	-	5,596,307
Building and equipment rent	950,799	-	-	950,799
Depreciation	-	6,077,964	-	6,077,964
Other operating expense	6,726,031	111,891	-	6,837,922
Total operating expenses	73,875,191	7,416,648	-	81,291,839
Loss from operations	(12,948,929)	(7,222,685)	-	(20,171,614)
Non operating revenue (expense):				
Taxes	-	11,874,709	-	11,874,709
Grants, contributions, and other nonoperating revenue	7,242,323	280,999	-	7,523,322
Interest expense	(342,836)	(4,722,294)	-	(5,065,130)
Total nonoperating revenue - Net	6,899,487	7,433,414	-	14,332,901
Deficit in revenue over expenses	(6,049,442)	210,729	-	(5,838,713)
Impairment loss on capital assets	-	(8,274,886)	-	(8,274,886)
Capital grants and contributions	-	52,112	-	52,112
Decrease in net position	(6,049,442)	(8,012,045)	-	(14,061,487)
Net position - Beginning of year, as previously reported	4,176,949	7,313,647	-	11,490,596
Restatement - Change in accounting principle	-	(690,287)	-	(690,287)
Net position - End of year	\$ (1,872,493)	\$ (1,388,685)	\$ -	\$ (3,261,178)

Other Reporting Required by Government Auditing Standards

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*

Board of Directors
San Geronio Healthcare District
Banning, CA

We have audited, in accordance with auditing standards generally accepted in the United States 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 San Geronio Healthcare District (the "District"), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of 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 deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and responses as finding 2020.001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 financial statements. 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*.

Responses to Finding

The District's responses to the finding identified in our audit are described in the accompanying schedule of findings and responses. The District's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid.

Wipfli LLP

November 25, 2020
Oakland, California

Schedule of Findings and Responses

Year Ended June 30, 2020

Finding 2020.001 – Internal Control Over Account Reconciliation Process

Condition: The District's internal control over preparation of the financial statements includes review and approval of key account reconciliations, including cash deposits. It is the responsibility of management to design procedures to ensure timely and meaningful approvals of account reconciliations. Because there were instances where reconciliations were not being approved, or approvals were not being documented, a significant deficiency exists in the District's internal controls.

Criteria: Government Auditing Standards considers the lack of evidence of account reconciliations, including sufficient reviews and approvals, to be a significant deficiency in internal controls.

Cause: As with many organizations, the turnover experienced in key accounting positions, and existing resources being limited, creates an environment where internal control deficiencies can exist.

Effect: The accuracy of the cash balances on the financial statements and related disclosures and the accuracy of the overall financial presentation can be negatively impacted, since there is a level of review missing for the cash cycle.

Recommendations: We recommend management and those charged with governance continue to evaluate the degree of risk associated with this condition and implement a review process which includes meaningful review of each cash account reconciliation.

Views of Responsible Officials and Planned Corrective Actions: Management has indicated an approach to correcting this deficiency which involves bringing in additional staff to the process as well as retaining outside consultants for the purposes of staff training and to improve the control environment.

TAB G



2020 SLATE OF OFFICERS

<u>POSITION</u>	<u>NAME</u>
Chair	Dennis Tankersley
Vice Chair	Estelle Lewis
Secretary/Treasurer	Lanny Swerdlow