NEW ISSUE - BOOK-ENTRY ONLY

RATING: Moody's "Baa3"
(See "RATING" herein)

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "LEGAL MATTERS - Tax Matters" herein.

$20,275,000
SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT
(RIVERSIDE COUNTY, CALIFORNIA)
2020 GENERAL OBLIGATION REFUNDING BONDS

Dated: Date of Delivery **Due: August 1 as shown below**

The San Gorgonio Memorial Healthcare District (Riverside County, California) 2020 General Obligation Refunding Bonds in the principal amount of $20,275,000, (the "Bonds") are being issued by San Gorgonio Memorial Healthcare District (the "District"), a local health care district located in Riverside County, California (the "County"). The Bonds are issued pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and the provisions of a Resolution of the Board of Directors of the District adopted on August 4, 2020. Proceeds of the Bonds will be used to currently refund all outstanding San Gorgonio Memorial Healthcare District (Riverside County, California) 2013 General Obligation Refunding Bonds. See "THE BONDS – Authority for Issuance" and "REFINANCING PLAN" herein.

The Bonds are general obligations of the District, and the District has the power, is obligated and covenants to cause to be levied by the County *ad valorem* taxes upon all property within the District subject to taxation by the District, without limitation of rate or amount, for the payment when due of the principal of and interest on the Bonds. See "THE BONDS - Security for the Bonds" herein.

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Bonds purchased by them. Payments of the principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N. A., Dallas, Texas, as the paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry System" herein.

The Bonds will be dated the date of their delivery, and will accrue interest from such date, which interest is payable semiannually on each February 1 and August 1, commencing February 1, 2021. The Bonds are issuable in denominations of $5,000 or any integral multiple thereof.

The Bonds are subject to redemption prior to their respective maturity dates as described herein. See "THE BONDS - Redemption Provisions" herein.

The following firm served as financial advisor to the District on this financing:

G.L. Hicks Financial, LLC

MATURITY SCHEDULE

CUSIP† Prefix: 79781R

Maturity (August 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP† Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP† Suffix
2021	$ 735,000	4.000%	102.727	0.930%	FU8	2030	$1,330,000	4.000%	114.965	2.300%	GD5
2022	715,000	4.000	105.537	1.040	FV6	2031	1,430,000	4.000	113.732c	2.430	GE3
2023	785,000	4.000	107.792	1.250	FW4	2032	1,545,000	4.000	112.514c	2.560	GF0
2024	855,000	4.000	109.899	1.380	FX2	2033	1,660,000	4.000	111.772c	2.640	GG8
2025	930,000	4.000	111.353	1.580	FY0	2034	1,780,000	4.000	111.311c	2.690	GH6
2026	1,020,000	3.000	107.086	1.730	FZ7	2035	1,910,000	4.000	110.853c	2.740	GJ2
2027	1,090,000	4.000	113.647	1.880	GA1	2036	2,045,000	4.000	110.487c	2.780	GK9

$2,445,000 2.000% Term Bonds due August 1, 2029, Priced at 98.471% to Yield 2.190% CUSIP† 79781RGC7

[c] Priced to the August 1, 2030, par call date

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISKS TO OWNERS OF THE BONDS" herein.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel. Certain legal matters will be passed on for the District by its counsel, McDougal Love Boehmer Foley Lyon & Canlas, La Mesa, California, and by Jennings, Strouss & Salmon, PLC, Phoenix, Arizona, as Disclosure Counsel to the District. Certain legal matters will be passed on for the Underwriters by Wilson Law Group, San Diego, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about September 9, 2020.

Piper Sandler **HilltopSecurities**

The date of this Official Statement is August 20, 2020.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Intelligence. The CUSIP data is provided solely for the convenience of bondholders. The District and the Underwriters take no responsibility for the accuracy of such data.

SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT
RIVERSIDE COUNTY, CALIFORNIA

BOARD OF DIRECTORS

Dennis Tankersley, PA-C, Chair	Estelle Lewis, Vice Chair
Phillip Capobianco, Member	Lanny Swerdlow, Member

CORPORATION SENIOR MANAGEMENT

Steven Barron, Chief Executive Officer
Holly Yonemoto, Chief Financial Officer
Patricia Brown, Chief Nursing Officer

PROFESSIONAL SERVICES

Bond Counsel
Quint & Thimmig LLP
Larkspur, California

District Financial Advisor
G.L. Hicks Financial, LLC
Orem, Utah

District Legal Counsel
McDougal Love Boehmer Foley Lyon & Canlas
a professional corporation
La Mesa, California

Disclosure Counsel
Jennings, Strouss & Salmon, PLC
Phoenix, Arizona

Independent Auditors
JWT & Associates, LLP
Fresno, California

Registrar, Transfer and Paying Agent
The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

Underwriters
Piper Sandler & Co.
Hilltop Securities Inc.

Underwriters' Counsel
Wilson Law Group, PC
San Diego, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

The District has undertaken to provide continuing disclosure on certain matters, including annual financial information and specific enumerated events, as more fully described herein under "MISCELLANEOUS – Continuing Disclosure."

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District since the date hereof.

Involvement of the Underwriters. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Offer and Sale of Bonds. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds. None of the information on the District's website is incorporated in this Official Statement by reference or otherwise.

Resolution. Reference is made to the Resolution, copies of which are available upon request of the District.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY A FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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$20,275,000
SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT
(RIVERSIDE COUNTY, CALIFORNIA)
2020 GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTION

This Official Statement, including the cover page, the TABLE OF CONTENTS and the APPENDICES hereto (the "Official Statement"), is provided to furnish information with respect to the sale and delivery by San Gorgonio Memorial Healthcare District (the "District") of $20,275,000 aggregate principal amount of its 2020 General Obligation Refunding Bonds (the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and APPENDICES hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The District, a local health care district formed in 1947, is a political subdivision of the State of California organized pursuant to the Local Health Care District Law (formerly the Local Hospital District Law) as set forth in the California Health and Safety Code (the "District Law"). The geographic area that composes the District (and which includes the voting residents who elect the District's Board of Directors and passed the District's general obligation bond measure) encompasses approximately 340 square miles in the northwest portion of Riverside County (the "County") and includes the cities of Banning and Beaumont, a portion of the city of Calimesa as well as the neighboring unincorporated areas of Cabazon, Cherry Valley and Whitewater. The 2020 population of the cities of Banning and Beaumont and Riverside County has been estimated by the State of California, Department of Finance to be approximately 31,125, 51,475 and 2,442,304, respectively. The permanent resident population of the District is approximately 95,000. The District owns the San Gorgonio Memorial Hospital facility. See "THE DISTRICT" and "DISTRICT FINANCIAL MATTERS" herein.

Bond Issuance Authority

The Bonds are being issued pursuant to Article 9 of chapter 3 (commencing with section 53550 of the California Code) and a resolution of the Board of Directors of the District adopted on August 4, 2020 (the "Resolution"). See "THE BONDS – AUTHORITY FOR ISSUANCE" for additional information.

The Hospital

The San Gorgonio Memorial Hospital facility (the "Hospital") is a 79-bed licensed general acute care hospital located in Banning, California. It is owned by the District and operated by a nonprofit public benefit corporation also named San Gorgonio Memorial Hospital pursuant to a management services agreement effective as of July 1, 2020. See "THE HOSPITAL" herein.

The Corporation

The District's lease of the Hospital to San Gorgonio Memorial Hospital (the "Corporation") terminated as of June 30, 2020. The Corporation, a charitable 501(c)(3) organization formed by the District as a California nonprofit public benefit corporation, operates the Hospital pursuant to a management services agreement effective as of July 1, 2020. The Corporation employs all of the staff of the Hospital. See "THE CORPORATION" herein. Taken together, the District and the Corporation constitute the "System." See APPENDIX B – "Audited Combined Financial Statements of the System as of and for the Fiscal Years ended June 30, 2019 and June 30, 2018."

The Plan of Finance

Net proceeds of the Bonds will be used to refund on a current basis all outstanding 2013 General Obligation Refunding Bonds, (the "2013 Bonds") and to pay costs of issuing the Bonds. See "REFINANCING PLAN" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District, and the District has the power, is obligated and covenants to cause to be levied *ad valorem* taxes upon all property within the District subject to taxation by the District, without limitation of rate or amount, for the payment when due of the principal of and interest on the Bonds. See "THE BONDS - Security for the Bonds" and "THE DISTRICT" herein. In addition, pursuant to section 32127 of the District Law, the District is required to use moneys in its maintenance and operation fund whenever *ad valorem* taxes are insufficient to pay such principal and interest.

Although the County is obligated to levy, bill and collect the ad valorem taxes for payment of the Bonds, the Bonds are not a debt of the County.

Pursuant to California Government Code section 53515, general obligation bonds issued and sold by a local agency, including the District, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien shall automatically arise without the need for any action or authorization by the local agency or its governing body. See "THE BONDS – Security for the Bonds" herein.

Description of the Bonds

The Bonds will be dated the date of their delivery, will be in denominations of $5,000 each, or integral multiples thereof, and will bear interest at the rate or rates shown on the cover page hereof, with interest payable semiannually on each February 1 and August 1, commencing February 1, 2021 (each an "Interest Payment Date"), during the term of the Bonds.

The Bonds will be issued in fully registered form only and will be initially registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds (the "Beneficial Owners") under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein under "THE BONDS - Book-Entry System."

The Bonds are subject to optional and mandatory redemption. See "THE BONDS - Redemption Provisions" herein.

Revenue Based Debt Outstanding

As of June 30, 2020, the System had no outstanding capital lease obligations and no other outstanding long-term indebtedness that are repaid from revenues of the System. In addition, the System has a revolving working capital line of credit with a local commercial bank in the maximum amount of $12,000,000 secured by accounts receivable of the System. As of June 30, 2020, the balance on this line of credit was $6,000,000. The System also has an unsecured interest-free credit line with American Express that as of June 30, 2020, had been paid down to $40,440.

Tax Matters

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "LEGAL MATTERS—Tax Matters" herein.

Professionals Involved in the Offering

All proceedings in connection with the issuance of the Bonds are subject to the approval of Bond Counsel. Bond Counsel will supply a legal opinion approving the validity of the Bonds. See "LEGAL MATTERS - Approval of Legality" herein. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will act as paying agent and registrar for the Bonds (the "Paying Agent"). Wilson Law Group, PC, San Diego, California ("Underwriters' Counsel") will pass on certain matters for the Underwriters. Jennings, Strouss & Salmon, PLC, Phoenix, Arizona, will act as disclosure counsel ("Disclosure Counsel") to the District in connection with the Bonds. McDougal Love Boehmer Foley Lyon & Canlas, a professional corporation, La Mesa, California, will act as legal counsel to the District ("District Counsel") and G.L. Hicks Financial, LLC, Orem, Utah, will act as financial advisor ("Financial Advisor") to the District for the Bonds. All or a portion of the fees of these professionals are contingent on closing of the Bonds.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry only form will be available for delivery through the facilities of DTC.

Bondholders' Risks

The Bonds are general obligations of the District and the District has the power and is obligated to cause to be levied, billed and collected by the County annual *ad valorem* taxes for payment when due of the principal of and interest on the Bonds upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates) without limitation as to rate or amount. In the event *ad valorem* taxes are insufficient to pay principal and interest on the Bonds, the District is required to use moneys in its maintenance and operation fund to pay debt service on the Bonds. See "THE BONDS – Security for the Bonds" and "Certain Risks Related to *Ad Valorem* Taxation" herein for a discussion of the security supporting payment of the Bonds, including a discussion of California's statutory lien law, and certain risks associated with *ad valorem* taxes. For more complete information regarding the District's financial condition, taxation of property within the District and other risks associated with an investment in the Bonds, see "DISTRICT FINANCIAL MATTERS," "RISKS TO OWNERS OF THE BONDS" and APPENDIX B – "AUDITED COMBINED FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018."

Other Information; Continuing Disclosure

This Official Statement speaks only as of its date, and the information contained herein is subject to change. There follows in this Official Statement, descriptions of the Bonds, the Resolution (hereinafter defined) and the District. The descriptions and summaries herein do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally.

The District will undertake, pursuant to the Resolution and a continuing disclosure certificate, to provide certain financial information and notices of the occurrence of certain enumerated events. See "MISCELLANEOUS - Continuing Disclosure" herein.

THE BONDS

Authority for Issuance

The Bonds are general obligation bonds issued pursuant to Chapter 4 of Division 23 (commencing with section 32300) of the California Health and Safety Code and the provisions of a Resolution of the Board of Directors of the District adopted on August 4, 2020 (the "Resolution"). District voters authorized the issuance of $108,000,000 of general obligation bonds by approximately 76% of the votes cast by eligible voters within the District on March 28, 2006. The District sold $25,000,000 in general obligation bonds on July 11, 2006, which bonds were delivered on August 3, 2006 (the "2006 Bonds"), sold $25,000,000 in general obligation bonds on July 24, 2008, which bonds were delivered on August 19, 2008 (the "2008 Bonds"), and sold $58,000,000 in general obligation bonds on July 22, 2009, which bonds were delivered on August 11, 2009 (the "2009 Bonds"). The District sold $25,015,000 in general obligation refunding bonds on February 26, 2013, which bonds were delivered on March 12, 2013 (the "2013 Bonds"),

which refunded the 2006 Bonds. The 2006 Bonds were fully redeemed on August 1, 2013. The District sold $64,425,000 in general obligation refunding bonds on June 11, 2014, which bonds were delivered on June 24, 2014 (the "2014 Bonds"). The 2014 Bonds were used to redeem the 2009 Bonds on August 1, 2017. The District sold $25,780,000 in general obligation refunding bonds on November 17, 2015, which bonds were delivered on December 8, 2015 (the "2015 Bonds"). The 2015 Bonds were used to redeem the 2008 Bonds on August 1, 2016. Proceeds from the Bonds will be used to first defease then redeem the 2013 Bonds on or about September 18, 2020. The 2006 Bonds, the 2008 Bonds and the 2009 Bonds are no longer outstanding.

Description of the Bonds

Interest on the Bonds accrues from the date of delivery and is payable on each Interest Payment Date. The Bonds are issuable in denominations of $5,000 or any integral multiple thereof.

Principal on the Bonds is payable in lawful money of the United States of America upon surrender of the Bonds at the principal corporate trust office of the Paying Agent. Interest on the Bonds will be paid by check of the Paying Agent mailed to the person registered as the owner thereof as of the 15th day of the month preceding each Interest Payment Date to the address listed on the registration books of the District maintained by the Paying Agent for such purpose. See the Maturity Schedule on the cover and "THE BONDS - Debt Service Schedule."

Purpose of the Issue

Proceeds of the Bonds will be used to refund on a current basis all outstanding 2013 Bonds. See "THE REFINANCING PLAN" herein.

Book-Entry System

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity, and will be deposited with DTC. See APPENDIX D – "BOOK-ENTRY SYSTEM" for a more complete discussion of DTC and the Book-Entry System.

Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds relating to the Bonds, the defeasance escrow and to pay for costs associated with issuance of the Bonds.

Estimated Sources of Funds:	
Principal Amount of Bonds	$20,275,000.00
Net Original Issue Premium	1,901,910.85
Total Sources of Funds	$22,176,910.85
Estimated Uses of Funds:	
Deposit to Escrow Fund	$21,886,688.33
Deposit to Costs of Issuance Fund [(1)]	182,500.00
Underwriters' Discount	107,237.50
Balance of Proceeds	485.02
Total Uses of Funds	$22,176,910.85

[(1)] Includes legal, verification agent, financial advisory, consulting and Paying Agent fees, printing and other costs of issuance.

Redemption Provisions

Optional Redemption. Bonds maturing on or before August 1, 2030 are not subject to redemption. The Bonds maturing on or after August 1, 2031 are subject to redemption prior to their respective stated maturities, at the option of

the District, in whole or in part on any date on or after August 1, 2030, at redemption prices equal to the principal amount of Bonds redeemed, plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption of Bonds. The Bonds maturing on August 1, 2029, are subject to mandatory sinking fund redemption on August 1 in each year, in the amounts specified in the following table.

Mandatory Sinking Account Redemption Date (August 1)	Sinking Fund Redemption Amount
2028	$1,185,000
2029	1,260,000[†]

[†]Maturity

General. In the event of any redemption, the Paying Agent will give notice thereof by mailing a copy of the redemption notice by registered mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address shown on the registration books of the District maintained by the Paying Agent, as registrar, not less than thirty (30) nor more than sixty (60) calendar days prior to the redemption date; provided, however, that failure of any owner to receive such notice, or any defect therein, shall not affect the validity of the proceedings for redemption of any Bond.

Defeasance

If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Beneficial Owners of all outstanding Bonds all of the principal of and interest on the Bonds at the times and in the manner provided in the Resolution, or monies and securities are deposited in advance with the Paying Agent sufficient to pay or redeem all outstanding Bonds at a date certain, then such owners shall cease to be entitled to the obligation of the District to cause Riverside County (the "County") to levy and collect taxes on behalf of the District, and such obligation and all agreements and covenants of the District and of the County to such owners under the Bonds shall thereupon be satisfied and discharged and shall terminate, except only that in the event of the advance deposit of monies and securities the District shall remain liable for payment of all principal, interest and premium, if any, on the Bonds, but only out of monies or securities on deposit with the Paying Agent.

Debt Service Schedule

The following table summarizes the annual debt service requirements for the Bonds alone, the 2014 Bonds and the 2015 Bonds together and the aggregate debt service for all three bond issues to be outstanding.

Year Ending (August 1,)	The Bonds Principal Payment	The Bonds Interest Payment	The Bonds Total Debt Service	2014 Bonds and 2015 Bonds Total Debt Service	Aggregate Debt Service on the Bonds, 2014 Bonds and 2015 Bonds
2021	$ 735,000	$ 672,533	$ 1,407,533	$ 5,810,038	$ 7,217,570
2022	715,000	722,500	1,437,500	5,930,088	7,367,588
2023	785,000	693,900	1,478,900	6,049,338	7,528,238
2024	855,000	662,500	1,517,500	6,172,338	7,689,838
2025	930,000	628,300	1,558,300	6,293,338	7,851,638
2026	1,020,000	591,100	1,611,100	6,408,038	8,019,138
2027	1,090,000	560,500	1,650,500	6,527,413	8,177,913
2028	1,185,000	516,900	1,701,900	6,652,938	8,354,838
2029	1,260,000	493,200	1,753,200	6,778,313	8,531,513
2030	1,330,000	468,000	1,798,000	6,907,725	8,705,725
2031	1,430,000	414,800	1,844,800	7,034,825	8,879,625
2032	1,545,000	357,600	1,902,600	7,170,688	9,073,288
2033	1,660,000	295,800	1,955,800	7,299,000	9,254,800
2034	1,780,000	229,400	2,009,400	7,431,900	9,441,300
2035	1,910,000	158,200	2,068,200	7,572,050	9,640,250
2036	2,045,000	81,800	2,126,800	7,698,300	9,825,100
2037	0	0	0	7,830,400	7,830,400
2038	0	0	0	7,957,200	7,957,200
2039	0	0	0	5,628,000	5,628,000
	$20,275,000	$7,547,033	$27,822,033	$129,151,925	$156,973,958

* Mandatory sinking fund payment.

Registration

The Bonds are to be issued as fully registered Bonds payable to the registered owners thereof. Transfer of ownership of a fully registered Bond or Bonds shall be made by exchanging the same for a new registered Bond or Bonds of the same maturity and in the same aggregate principal amount. All of such exchanges shall be made in such manner and upon such reasonable terms as may from time to time be determined and prescribed by the District. While the Bonds are in book-entry form, the Bonds will be registered in the name of Cede & Co. as nominee for DTC or in the name of any successor securities depository. See "THE BONDS - Book-Entry System" herein.

Security for the Bonds

The Bonds are general obligation bonds of the District. The District has the power and is obligated to cause to be levied and collected by the County annual *ad valorem* taxes for payment when due of the principal of and interest on the Bonds upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates) without limitation as to rate or amount. Once the County has collected such taxes, it is required to transfer those funds to the District who makes payment to the Paying Agent for payment of the Bonds. Such funds can be used for no other purpose.

Pursuant to California Government Code section 53515, general obligation bonds issued and sold by a local agency, including the District, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien shall automatically arise without the need for any action or authorization by the local agency or its governing body, and that the lien shall be valid and binding from the time the bonds are executed and delivered. The section further provides that the lien shall be effective, binding and enforceable against the local agency, its successors, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act.

See "INTRODUCTION – Source of Payment for the Bonds" herein.

Certain Risks Related to *Ad Valorem* Property Taxation

A reduction in the assessed valuation of taxable property located in the District, such as may be caused by deflation of property values, economic recession, pandemic or other economic crises, a relocation out of the District by one or more major property owners or employers, or the complete or partial destruction of such property caused by,

among other events, an earthquake, wildfire, flood, drought or other natural disaster, could cause a reduction in the assessed value of the District's tax roll and necessitate an unanticipated increase in the annual tax levy necessary to pay debt service on its general obligation bonds, including the Bonds. A reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State or local agencies and property used for qualified educational, hospital, charitable or religious purposes) could cause a reduction in the assessed value of the District's tax roll and necessitate an unanticipated increase in the annual tax levy necessary to pay debt service on its general obligation bonds. A significant decrease in assessed valuation, an unanticipated increase in the rate of tax delinquencies, or a declaration of bankruptcy by the District, could delay the payment of debt service on the District's general obligation bonds.

The District calculates the tax rate on an annual basis. Historically, the District has calculated the tax rate to provide for anticipated delinquencies. In addition, the District holds excess funds collected as a reserve in case of unanticipated delinquencies. These excess funds can only be used to pay debt service in the District's general obligation bonds. If in any given fiscal year there are not sufficient funds on deposit with the District or the Paying Agent to pay debt service on the Bonds for such fiscal year, the District, pursuant to section 32127 of the District Law, is required to provide funds from its reserves to make up any deficiencies to provide for payment of the Bonds. The District anticipates that *ad valorem* taxes will be sufficient to pay the Bonds when due. Issuance of additional general obligation bonds by the District, approved by voters of the District, in the future might cause the tax rate to increase. While the levy of *ad valorem* taxes to pay debt service on the Bonds and other general obligation bonds of the District is not limited as to rate or amount, the risks discussed in this section could affect a taxpayer's willingness or ability to pay *ad valorem* taxes.

In the past, particularly beginning in about 2009, California real estate experienced an increased rate of mortgage delinquencies and foreclosures, and there was a slowdown in new home construction. In fiscal year 2009-10 there was a reversal of the trend of year-over-year increasing assessed valuation for the District. The assessed valuation for the District has more than recovered its pre-recession high experienced in fiscal year 2008-09. Notably, the tax delinquencies in payment of *ad valorem* taxes for the District have decreased from a high of 6.18% in fiscal year 2009-10 to 1.97% in fiscal year 2018-19, with the last five consecutive years below 2.0%. In addition, the District's assessed value of taxable property located within the District has increased by approximately 64% since its low point after the 2009-10 recession.

The District does not participate in the County "Teeter Plan." Under the Teeter Plan each participating taxing entity essentially receives its apportionment of *ad valorem* taxes from the County based on taxes billed without deduction for delinquencies. See "DISTRICT FINANCIAL MATTERS – Assessed Valuations" and "– Tax Levies and Delinquencies" herein. The District cannot predict whether recession or other conditions in the future may cause similar or worse declines in the District's assessed valuation or an increase in tax delinquencies putting payment of the Bonds at risk.

Pursuant to section 32127 of the District Law, the District is required to use moneys in its maintenance and operation fund whenever *ad valorem* taxes are insufficient to pay the principal of and interest on the Bonds. Prospective investors should not expect that such moneys will be a substantial source of repayment for the Bonds.

See also "RISKS TO OWNERS OF THE BONDS – Severe Economic Conditions and COVID-19" herein for additional information about these risks.

REFINANCING PLAN

A portion of the proceeds from the sale of the Bonds will be deposited into an escrow fund (the "Escrow Fund") to be created and maintained by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"). The moneys so deposited will be held as uninvested cash and will be in an amount sufficient to redeem the outstanding 2013 Bonds in full on September 19, 2020, at a redemption price equal to 100% of the principal amount of and accrued interest on the 2013 Bonds.

RISKS TO OWNERS OF THE BONDS

The following section describes certain special considerations and risk factors affecting the potential for nonpayment, timely payment, and the security for, and the market price of, the Bonds. The following discussion is not meant to be an exhaustive or definitive description of the risks associated with a purchase of any Bond and does not

necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors regarding the Bonds, together with all other information in this Official Statement, in particular, "THE BONDS – Certain Risks Related to Ad Valorem Property Taxes," in order to make an informed investment decision with respect to the Bonds. There can be no assurance that other risk factors are not or will not become material in the future.

Bankruptcy

In the event the District were to file a bankruptcy petition under the United States Bankruptcy Code (the "Bankruptcy Code"), the rights and remedies of the Owners of the Bonds could be impacted by various provisions of the Bankruptcy Code. Given the status of the District as a governmental entity, such a petition would be eligible to be filed only under chapter 9 of the Bankruptcy Code.

Automatic Stay and Special Revenues. If the District were to become a debtor under the Bankruptcy Code after the date of delivery of the Bonds, sections 362 and 922 of the Bankruptcy Code would impose an "automatic stay" that operates as an injunction against, among other things, (i) the commencement or continuation of any judicial or other proceedings against the District and its property, (ii) all acts to recover on preexisting claims against the District, (iii) acts to enforce a lien or otherwise obtain possession of, or exercise control over, property of the District, or (iv) setoff of any obligations against preexisting claims held by the District. In the event that the court should determine that the *ad valorem* tax revenues pledged for payment of the Bonds constitute "special revenues" as defined in section 902 of the Bankruptcy Code, then pursuant to section 928 all *ad valorem* taxes collected post-petition would remain subject to the lien securing payment of the Bonds, and pursuant to section 922, the automatic stay discussed above would not prevent application of collected taxes to payment of the Bonds. Even in the event of such a determination, however, the District as a bankruptcy debtor may be able to temporarily prevent the District or the County from remitting *ad valorem* taxes to the Paying Agent, or prevent the Paying Agent from making payments on the Bonds with funds in its possession or received from the District or the County, and thus there may be a delay in payments on the Bonds.

Debtor In Possession Financing. In bankruptcy, the District may be able to borrow additional money that is secured by a lien on *ad valorem* taxes, which lien could have priority over the lien provided by the Lien Statute as long as the bankruptcy court determines that the rights of the holders of the Bonds will be adequately protected within the meaning of the Bankruptcy Code.

Potential Modification of Terms. The District may be able, without the consent and over the objection of the Paying Agent and the holders of the Bonds, to alter the priority, interest rate, payment terms and amount, maturity dates, payment sources, covenants and other terms or provisions of the Bonds, the Resolution or any other agreement relating to the Bonds, as long as the alterations are fair and equitable as determined by the bankruptcy court.

Other Matters. There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on, or other losses with respect to, the Bonds. Regardless of any specific adverse determinations in a bankruptcy proceeding, the fact of a bankruptcy proceeding by the District could have an adverse effect on the liquidity and value of the Bonds.

Severe Economic Conditions and COVID-19

In the event of a severe economic crisis in the U.S. economy at large or one that particularly affects the District and its population, residents, and commercial and industrial property owners in the District may choose not to or be unable to pay their property taxes. In a catastrophic situation, owners may abandon their property and others would not have an interest in purchasing those properties. As a result, a wholesale failure in *ad valorem* tax collections could occur and the Bond debt service payments might not be made to holders of the Bonds.

The coronavirus disease (COVID-19) which has surfaced and spread globally in 2020 has affected the United States generally and the State of California specifically. Both a State of California emergency and a national emergency were declared concerning the virus, and the health crisis, including deaths, it has created. Substantial temporary shutdowns of businesses and slowing economic activity have and are occurring in an attempt to mitigate the spread of this disease among residents of the United States and the State of California. Some predictions for the United States and the State of California economies in the near term and beyond are dire with the possibility of permanent business closures and bankruptcies as well as severe economic hardships for individuals and families. This could precipitate the type of wholesale failure in *ad valorem* tax collections noted immediately above that would materially and adversely

affect the payment of debt service on the Bonds. Additionally, County government operations may be so interrupted by this health emergency that *ad valorem* tax collections and disbursements to recipients such as the District may be significantly affected and delayed. At present the District is not able to predict with any assurance or accuracy the full effects of COVID-19 on the District or the payment of the Bonds.

No Assurance of Secondary Market for the Bonds

It is the present practice of each Underwriter to make a secondary market in the issues that it underwrites. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon their prevailing circumstances. Such prices could be substantially lower than the original purchase price. There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Accordingly, purchasers of the Bonds should be prepared to have their funds committed until their Bonds mature.

Impact of Market Turmoil

The domestic and international financial crisis experienced beginning about 2008 has had and may continue to have negative repercussions upon the national and global economies, including a scarcity of credit, lack of confidence in the financial sector, extreme volatility in the financial markets, potential increase in interest rates, reduced business activity, increased consumer bankruptcies and increased business failures and bankruptcies.

The financial crisis had a particularly acute impact upon the financial sector and credit markets, and caused many banks and other financial institutions to seek additional capital, to merge, and in some cases, to fail. One of the results of this financial crisis was increased volatility in the municipal bond marketplace. Additionally, from time-to-time substantial amounts have been withdrawn from mutual funds and from hedge funds, traditionally some of the largest purchasers of municipal bonds. There can be no assurance that renewed turmoil in the financial and bond markets will not negatively impact the marketability of the Bonds in the primary or secondary markets.

Factors That Could Affect the Enforceability of the Bonds

The legal right and practical ability to enforce rights and remedies against the District under the Resolution, the Bonds and related documents may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. In addition, the ability to enforce such terms will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or may be limited.

Risks of Healthcare Operations

Generally, only in the unexpected event that the District would be required to pay debt service from operating funds because *ad valorem* taxes are not sufficient to pay principal or interest, would the healthcare operations of the District and the many uncertainties thereof become a consideration.

The District is subject to a wide variety of federal and state regulatory actions and legislative and policy changes by those governmental and private agencies and entities that administer Medicare, Medi-Cal and other payors and is subject to actions by, among others, the National Labor Relations Board, The Joint Commission, the Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services, the State of California, the State Attorney General, and other federal, State and local government agencies. The future financial condition of the District could be adversely affected by, among other things, changes in the method, timing and amount of payments to the District by governmental and nongovernmental payors, the financial viability of these payors, increased competition from other healthcare entities, the costs associated with responding to governmental audits, inquiries and investigations, demand for healthcare, other forms of care or treatment, changes in the methods by which employers purchase healthcare for employees, capability of management, changes in the structure of how healthcare is delivered and paid for, future changes in the economy, demographic changes, availability of physicians, nurses and other healthcare professionals, malpractice claims and other litigation.

In addition, future economic and other conditions, including inflation, demand for hospital services, the ability of the District to provide the services required or requested by patients, physicians' confidence in the District's Hospital and management, economic developments in the service area served by the District, employee relations and unionization, competition, rates, increased costs, availability of professional liability insurance, hazard losses, third-party reimbursement, changes in governmental regulations and even pandemics such as the coronavirus pandemic may materially adversely affect District operations.

These factors and others may adversely affect the District's revenues. There can be no assurance given that revenues realized by the District, or utilization of the Hospital will not decrease. As a result of the COVID-19 pandemic, the District's patient volumes initially decreased. July 2020, admissions have improved to pre-COVID-19 levels. However, the long-term impact of COVID-19 on the healthcare operations of the District are liable to be significant. In such case, the District may not be in a position to pay debt service on the Bonds should *ad valorem* taxes be insufficient or otherwise negatively affected. See 'THE BONDS – Certain Risks Related to *Ad Valorem* Taxes" and "RISKS TO OWNERS OF THE BONDS – Severe Economic Conditions and COVID-19" herein.

With respect to the financial condition of the District, see the audited combined financial statements of the System attached to the Official Statement as APPENDIX B. For more information on the District's healthcare operations, see "THE HOSPITAL" herein.

STATE CONSTITUTIONAL LIMITATIONS ON DISTRICT REVENUES AND EXPENDITURES

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof (see "THE BONDS – Security for the Bonds" herein). Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy ad valorem taxes for payment of the Bonds. The ad valorem tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution, adopted and known as Proposition 13, limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA requires a vote of two-thirds of the qualified electorate of a city, county, special district (such as the District) or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax securing the Bonds falls within the exception described in (b) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the affected county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property, which is considered part of a utility system with components located in many taxing jurisdictions. The State Constitution provides that the State Board of Equalization (the "SBE"), rather than counties, assess certain property owned or used by regulated utilities. Such property is grouped and assessed by the SBE as "going concern" operating units, which may cross local tax jurisdiction boundaries, rather than as individual parcels of real or personal property separately assessed. Such utility property is known as "unitary property." The SBE assesses property at "fair market value," determined by various methods and formulae depending on the nature of the property, except that assessed value of certain railroad property is limited to a percentage of the fair market value determined by the SBE, in conformity with federal law. The SBE assesses values as of January 1 prior to the tax year of the related tax levy. Property tax on SBE-assessed property is then levied and collected by each county in the same manner as county assessed property, but at special county-wide tax rates, and distributed to each taxing agency within that county generally according to the approximate percentages as allocated to each taxing agency in the prior year.

Changes in the California electric utility industry structure and in the way in which components of that industry are regulated and owned, including the sale or electric generation assets to largely unregulated, non-utility companies, may convert the status of such assets from SBE-assessed unitary property to locally assessed property or otherwise affect how those assets are assessed in the future and which local taxing agencies are to receive the property taxes on such assets. The District cannot predict whether any changes that may occur will affect the unitary property within its boundaries or the tax revenues relating to such property.

Article XIIIB of the California Constitution

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriation limit" imposed by Article XIIIB of the State Constitution which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, as subsequently amended by Propositions 98 and 111, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

The State and each local government entity have their own appropriation limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another governmental entity of financial responsibility for providing the services.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as hospital districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds percent vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds percent vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does receive a portion of the basic one percent *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution.

Proposition 8

In November 1978 California voters passed Proposition 8, which provides that property owners are entitled to an assessment based on the lower of the fair market value of their property as of the lien date (January 1), or the assessed value as determined at the time of the purchase or construction, and increased by no more than 2% annually. The assessor may also adjust valuations independently, without a taxpayer appeal. See "DISTRICT FINANCIAL MATTERS – Appeals to Assessed Values" herein.

Future Initiatives

Article XIIIA, Article XIIIB, Proposition 218 and Proposition 8 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

THE DISTRICT

The District is a political subdivision of the State of California, created in 1947 by vote of the registered voters of the then proposed District. The District was organized to finance the cost of constructing, remodeling and expanding the Hospital and operates under The Local Health Care District Law of the State of California, constituting Division 23 of the California Health and Safety Code. The District's lease of the Hospital to the Corporation expired effective June 30, 2020. In place of the lease, the District and the Corporation entered into a renewable five-year management services agreement for the Hospital. The District covers an area of approximately 340 square miles and is located in the northwest portion of Riverside County. The permanent resident population of the District is approximately 95,000.

Cities and communities located within the District's boundaries includes the cities of Banning and Beaumont, portions of the city of Calimesa as well as the neighboring unincorporated areas of Cabazon, Cherry Valley and Whitewater. The District is a political agency and collects operating ad valorem property tax revenues annually based upon the assessed value of taxable real property located within the District's boundaries. The District is able to use its operating tax revenues for general operating purposes, although they are not pledged to the Paying Agent for repayment of the Bonds. The District also collects parcel tax revenues that are available for general operating purposes of the District, as approved by voters. Parcel taxes are also not pledged to the Paying Agent for repayment of the Bonds.

Board of Directors

The District is governed by a Board of Directors (the "Board") which consists of five members, (unless a member of the Board resigns, as recently occurred, until another member is appointed by the Board to fill the resigning member's remaining term), each elected to four-year staggered terms. One Board member, Ms. Lynn Baldi, recently resigned her seat on the Board effective August 1, 2020. The Board intends to soon appoint a new member to the Board for the remainder of Ms. Baldi's term through December of 2022. The Board has ultimate responsibility for District policies, strategic planning, as well as fiduciary responsibility for protecting and enhancing the District's assets. Regular Board meetings are held monthly and are open to the public pursuant to California's Brown Act. All Board members are elected or appointed at large within the District. The current members of the Board, including their titles, occupations, dates on which their current terms expire and total years as Board members, are set forth in the following table:

Name and Title	Occupation	Term in Office Expires	Board Member Since
James Dennis Tankersley, PA, Chair	Physician Assistant	12/2020	2016
Estelle Lewis, Vice Chair	Retired Teacher	12/2020	2013
Lanny Swerdlow, Member	Retired Registered Nurse	12/2022	2018
Phillip A. Capobianco, Member	Retired	12/2022	2018

Source: District records.

THE CORPORATION

The Corporation, a California nonprofit public benefit corporation exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code, manages the Hospital pursuant to a management services agreement effective July 1, 2020. On July 1, 1990, upon formation of the Corporation, for the purpose of operating the Hospital and providing a broader community involvement to its governing body, the District entered into a 30-year lease of the Hospital with the Corporation through June 30, 2020. The lease was not renewed or extended on June 30, 2020. As of July 1, 2020, the District entered into a management services agreement with the Corporation for their continued operation of the Hospital.

The Corporation's governing body is a board of directors comprised of the five elected Board members of the District, indicated above, plus four additional members appointed at large from the surrounding community. The Corporation's board of directors hires a Chief Executive Officer to manage the Hospital's operations and appoints physicians to an organized medical staff. The current members of the board of directors of the Corporation, including their titles, occupations, dates on which their current terms expire and total years as a member of the board of directors, are set forth in the following table:

Name and Title	Occupation	Term in Office Expires	Board Member Since
Susan DiBiasi, Chair	Retired Healthcare/IT Executive	6/2024	2017
Ehren Ngo, Vice Chair	Emergency Operations Manager	6/2021	2018
Estelle Lewis, Secretary [(1)]	Retired Teacher	12/2020	2010
Phillip A. Capobianco [(1)]	Retired	12/2022	2018
Lanny Swerdlow [(1)]	Registered Nurse	12/2022	2018
Dennis Tankersley, PA [(1)]	Physician Assistant	12/2020	2016
Ron Rader	Retired Grocery Manager	6/2024	2014
Steve Rutledge	Retired Hospital Compliance Officer	6/2022	2018

Source: Corporation records.

(1) Serves on the board of directors of the Corporation as a member of the Board of the District.

The Corporation has committed to operate the Hospital for the benefit of the communities served by the District, and to maintain the Hospital as a community-based hospital.

THE HOSPITAL

The District began construction of the Hospital in 1949. The Hospital was completed and dedicated on March 4, 1951. The Hospital is a 79-bed general acute care hospital (approximately 86,000 square feet) licensed by the State of California Department of Public Health and located in the city of Banning, just adjacent to the Beaumont city limit, approximately one-quarter mile north of Interstate 10. This location is approximately 80 miles east of the city of Los Angeles and approximately 25 miles west of the city of Palm Springs. The Corporation is licensed by the State of California Department of Public Health to operate the Hospital. The Hospital is a community-based hospital dedicated to providing acute primary care services to residents of the San Gorgonio Pass area (the District's boundaries and neighboring area). The Hospital has been designated by the State of California as a rural hospital and presently qualifies for disproportionate share provider status with respect to Medi-Cal and Medicare reimbursement, with the nearest acute care hospital located approximately 20 miles west of the Hospital in the city of Moreno Valley, California. The present complement of licensed beds constitutes the only licensed acute care beds available in the District's primary service area.

The Hospital was managed from 1990 to October 31, 2010, by Brim Healthcare, Inc. and from November 1, 2010 to August 1, 2017, was managed by EPIC Management L.P., a California Limited Partnership. The Corporation engages the services of a Chief Executive Officer to manage the Hospital's operations. The Corporation is responsible for the day-to-day operations of the Hospital and will continue to do so now that it has entered into a management services agreement with the District. The Corporation now provides and intends to provide in the future various management support services in the discharge of its obligations to manage the Hospital.

Hospital Senior Management

The day-to-day operations and long-term management of the Hospital are coordinated by the following key administrative officers who are employees of the Corporation:

Steven R. Barron, MBA, FACHE, FHFMA, Chief Executive Officer. Mr. Barron has been employed by the Corporation as Chief Executive Officer since September, 2017. Mr. Barron was employed by Dignity Health for a total of 29 years prior to his employment by the Corporation. He served in various executive positions at Dignity Health, most recently as a Senior Vice President of Operations for Southern California. In all, Mr. Barron has had over 40 years of management and financial experience in progressively more responsible positions in the healthcare industry. He is a Fellow of the American College of Healthcare Executives and of the Healthcare Financial Management Association and a Paul Harris Fellow of Rotary International. Mr. Barron earned his Bachelor of Science degree in Business Administration with an emphasis in Accounting from Eastern Washington State University, Cheney, Washington, in 1975 and his Masters of Business Administration also from Pepperdine University in 1987. Mr. Barron has held membership and leadership roles in numerous healthcare associations, including Chair Elect of the Hospital Association of Southern California and sat on the Executive Committee of the California Hospital Association. He is actively engaged in various civic and community programs and organizations.

Holly Yonemoto, MBA, Chief Financial Officer, Chief Information Officer & Health Care District Administrator and Chief Business Development Officer. Ms. Yonemoto has served as the Chief Information Officer & Health Care District Administrator since 2017 and was named the Chief Financial Officer on July 12, 2020. Prior to her employment with the Corporation she served as Chief Executive Officer for Priority Healthcare Consulting, providing financial and operational consulting to Dignity Health and the Hospital in various capacities. She also served as the Chief Financial Officer and Chief Operating Officer at SAC Health System a multi-site Federally Qualified Health System located in San Bernardino, California, from 2010 to 2014. Ms. Yonemoto also served as Fiscal Services Administrative Director from 2001 to 2010 and as Administrative Director of Decision Support Services, among other capacities, from 1995 to 2001 for Loma Linda University Health, an academic medical center operating a total of six hospitals, among other healthcare facilities located in and around Loma Linda, California. Ms. Yonemoto earned a Bachelor of Arts degree in Business Administration with an emphasis in Finance and a Master of Business Administration degree in Finance from California State University, San Bernardino, California. She also has served as an instructor of Finance in the Healthcare Administration Program at the University of California, Riverside, California. In her spare time, Ms. Yonemoto serves as President & CEO of Urban Mission, LLC, which agency provides clothing, food, healthcare and medications for the homeless.

Patricia Brown, Chief Nursing Officer. Ms. Brown has served in her present capacity for the Corporation since 2011 and previously served as Manager and/or Director of Obstetrics, Respiratory Care, the Emergency Department, Performance Improvement, Case Management and the Intensive Care Unit, among others at the Hospital. Prior to her employment with the Corporation, Ms. Brown held management positions in several hospitals including 10 years with Western Medical Center in Orange County, California. She received her nursing education from St. Mary's College, Moraga, California and Donnelly College, Kansas City, Missouri. Ms. Brown is an active member of Soroptimist of Beaumont/Banning and the Pass Area Relay for Life.

Hospital Employees

As of July 1, 2020, the Corporation employed 466 full time equivalent employees. Included in this group are registered nurses, licensed vocational nurses, technicians, specialists, environment and food service personnel, and various management, supervisory and clerical personnel. None of the Corporation's employees are covered by collective bargaining agreements. Management is not aware of any pending union activity at the Hospital and believes that relations with its employees are good.

Medical Staff

As of July 1, 2020, the Hospital's medical staff consisted of 150 physicians (includes 82 active staff). Approximately 74% of the active medical staff are board certified. The medical staff also includes 68 physicians who are provisional staff, emergency, associate, courtesy or consulting staff members. Active medical staff members are the primary admitters to the Hospital. The medical staff has an average tenure of approximately 8.6 years.

Affiliates

San Gorgonio Memorial Hospital Foundation. The San Gorgonio Memorial Hospital Foundation (the "Foundation") is an independent California nonprofit 501(c)(3) public benefit corporation organized for the charitable purpose of promoting and supporting the Hospital. The Foundation was organized in 1982 and in late 1995 embarked on a capital campaign to contribute approximately $3.1 million in community wide contributions towards the construction and equipping a new Women's Center at the Hospital. The Foundation's general funds, which represent the Foundation's unrestricted resources, are distributed to the District and/or the Corporation in amounts and in periods determined by the Foundation's board of trustees, who may also restrict the use of the general funds for Hospital plant replacement or expansion or other specific purposes. The Foundation has over 1,200 donors and an advisory board of approximately 16 trustees. The Foundation has raised over $9.8 million for the Hospital since 1996. The Foundation is not liable for repayment of the Bonds.

San Gorgonio Memorial Hospital Auxiliary. The San Gorgonio Memorial Hospital Auxiliary (the "Auxiliary") was formed in 1951 and has been an active supporter of the Hospital since that time. The Auxiliary provides volunteer support to the Hospital in several areas, including fundraising, office staff assistance, operating the Hospital's gift shop, operating the Hospital's Thrift Shop, staffing of health fairs, staffing the Hospital's lobby and assisting patients, among other services. Auxiliary volunteers provide in excess of 22,000 hours annually in support of the Hospital and its patients. All monetary proceeds generated by the Auxiliary are, in turn, donated to the Foundation to support the Hospital. The Auxiliary is not liable for repayment of the Bonds.

Service Area and Competition

The Hospital is the only acute care hospital located within its primary service area. The Hospital's primary service area consists of approximately the same geographic area as the District, which is comprised of the northwestern one-third of Riverside County and includes the communities of Banning, Beaumont, Calimesa, Cabazon, Cherry Valley and Whitewater. The Hospital serves a semi-rural population with approximately 90% of its discharges coming from within its primary service area. Riverside County is located in southern California and has an estimated population as of January 1, 2020, of approximately 2,442,000.

The Hospital's primary competitors include Redlands Community Hospital, located in Redlands, California approximately 23 miles west of the Hospital, Loma Linda University Medical Center, located in Loma Linda, California approximately 30 miles west of the Hospital and Desert Regional Medical Center located in Palm Springs, California approximately 30 miles east of the Hospital. The Corporation refers patients primarily to Loma Linda University Medical Center and Desert Regional Medical Center for services which are not provided at the Hospital. Services not

provided at the Hospital include high-risk obstetric and pediatric cases, invasive cardiology, stroke care, neurosurgery and oncology.

Services

The Hospital presently offers a range of basic medical, surgical and obstetrical services in addition to its general and administrative services. Medical and surgical services currently include the following:

Medical Services		
Behavioral Health	Intensive Care	Obstetrics
Cardiac Rehabilitation	Internal Medicine	Pain Management
CT/MRI Scanning	Laboratory, Clinical	Pharmacy
Diagnostic Radiology	Laboratory, Pathology	Physical Therapy
EEG & EMG	Mammography	Pulmonary Testing
Emergency Services	Nephrology	Respiratory Therapy
General (FP/GP)	Neurology	Telemetry
Gynecology	Newborn Nursery	Ultrasound
Hematology	Nuclear Medicine	Urgent Care
Surgical Services		
Anesthesiology	Gynecology	Urology
Gastro Intestinal	Orthopedics	Vascular
General	Otolaryngology	

Source: Hospital records.

In addition, the Hospital provides 24-hour emergency medical care with a licensed physician on duty at all times. The Hospital also provides outpatient psychiatric care and transitional care services.

Accreditations, Memberships and Designations

The Hospital has been fully accredited since it was opened in 1951. Its most recent three-year accreditation from the Center for Improvement in Healthcare Quality is generally valid for a three-year period or until May of 2021. At this time, management of the Hospital does not anticipate any difficulty in renewing its accreditation.

The Hospital is an eligible provider under Medicare, Medi-Cal, Blue Cross and other commercial insurance programs and is a member of the American Hospital Association, the California Hospital Association and the District Hospital Leadership Forum. The Hospital is a disproportionate share provider for Medicare purposes and is designated as a remote rural hospital for Medi-Cal reimbursement purposes.

Bed Complement

The Hospital has a current licensed capacity of 79 beds classified by service type as follows.

Service	**Current Licensed Beds**
Unspecified General Acute (Medical/Surgical)	48
Intensive Care	16
Perinatal (Obstetrics)	15
Total	79

Source: State of California, Department of Public Health License.

Certain Financial Information

The following summaries of the combined statements of operations and changes in net assets of San Gorgonio Health Care System (the "System"), comprised of the combined operations of the District and the Corporation, are qualified by reference to and should be read in conjunction with the audited financial statements as of and for the fiscal years ended June 30, 2018 and 2019, included as APPENDIX B, including the notes thereto, and "Management's Analysis of Financial Performance" below. Collectively the District and the Corporation combined to function as the System. The statement of operations and changes in net assets as of and for the fiscal year ended June 30, 2017, are derived from audited combined financial statements of the System not included herein. Beginning with the fiscal year ended June 30, 2021, the Corporation's financial statements are not expected to be combined with the financial statements of the District.

The summary of the statement of operations and changes in net assets for the twelve-month period ended June 30, 2020, is unaudited and has been obtained from internally prepared financial statements of the System. These financial statements have been prepared in accordance with generally accepted accounting principles on a basis consistent with the accounting policies reflected in the audited combined financial statements of the System included in Appendix B. They do not, however, include all the information required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited financial statements reflect all significant adjustments (which are of a normal, recurring nature) necessary for a fair presentation of the results for the period presented.

	Fiscal Year Ended June 30			
(000's omitted)	**2017** (audited)	**2018** (audited)	**2019** (audited)	**2020** (unaudited)
Net patient service revenue	$70,361	$64,937	$65,262	$63,750
EHR incentive payment	58	0	0	0
Grant revenue	378	481	319	0
District taxes for operations	3,643	3,565	3,938	3,872
Other operating income	1,802	1,841	2,148	9,628
Total revenues	76,242	70,824	71,667	77,250
Total expenses	83,738	83,885	79,632	87,681
Net operating income (loss)	(7,496)	(13,061)	(7,965)	(10,431)
District taxes non-operating	7,089	7,830	8,309	7,998
Capital Contributions and Other Changes in Net Assets	153	172	93	0
Change in Net Assets	(254)	(5,059)	437	(2,433)
Beginning Net Assets	16,366	16,112	11,053	11,490
Ending Net Assets	$16,112	$11,053	$11,490	$9,057

Source: Audited and unaudited financial statements of the System, as indicated above. For the fiscal years ended June 30, 2017 through June 30, 2019, the System's interest in the Foundation's net assets is recorded in the System's audited financial statements.

Unrestricted Funds and Days Cash on Hand

The following table provides total unrestricted funds and days cash on hand for the System as of June 30 in the years 2017 through 2020. Marketable securities are carried at market value.

(000's omitted)	As of June 30 2017 (audited)	2018 (audited)	2019 (audited)	2020 (unaudited)
Cash and Short-Term Investments [1]	$2,988	$6,309	$4,175	$12,264
Board Designated Funds	0	0	0	0
Total Unrestricted Funds	$2,988	$6,309	$4,175	$12,264
Daily Expenses	$ 213	$ 216	$ 204	$ 220
Days Cash on Hand [2]	14	29	20	56

Source: Audited and unaudited financial statements of the System, as indicated above.

[1] Cash includes amounts drawn down by the District pursuant to its bank line of credit. For 2020 it also includes cash of approximately $2.5 million in advanced Medicare reimbursements permitted under federal legislation passed in response to the COVID-19 pandemic and related economic crisis.

[2] Determined by adding cash and cash equivalents plus board designated funds for capital replacement; and dividing that sum by total operating expenses minus depreciation and amortization divided by 365 (daily expenses).

Management's Analysis of Financial Performance

The District had a positive fiscal year ended June 30, 2020, providing an optimistic outlook given external factors, related to growth in the area, and internal initiatives being accomplished. The COVID-19 pandemic did have a financial impact on the District, but due to State, federal and local funding the impact was mitigated and the unaudited earnings before interest, depreciation and amortization ("EBIDA") for the fiscal year ended June 30, 2020, resulted in a positive variance from budget. The District continues to seek all funding to offset revenue reduction and COVID-19 related expenses in the current fiscal year as well.

The external factors that support management's positive outlook are related to local construction and the related increases in population and assessed property value within the District. Continued population growth should be seen soon from a significant number of housing permits issued for both Banning and Beaumont areas. New construction brings growth in assessed values available for *ad valorem* taxation. Immediately adjacent to the Hospital there is swift progress being made in the construction of thousands of planned single family and senior housing units. In the midst of these unprecedented times, construction continues as there is high demand for reasonably priced homes in the Southern California region, with the current low interest rates increasing that demand. The availability of affordable land has also attracted industrial and commercial development within the District's boundaries. The impact of all the construction and development increases the taxpayer base and related *ad valorem* tax revenue.

This expected population growth in the Banning/Beaumont area that is located in the center of the District is not unexpected or new to this area. Over the past 20 years, the population of these two cities has grown by 136% (from 34,946 in 2000 to 82,600 in 2020) on a combined basis. Over this same period, the total assessed value of taxable property located within the District has grown from approximately $2.0 billion to almost $9.5 billion, a growth of 380% or an average annual growth rate of approximately 8.2%. This occurred even after considering the economic recession that took place in the middle of this period beginning with the 2009-10 fiscal year when assessed values actually declined for two consecutive years. Since the fiscal year 2009-10, when the tax delinquency rate peaked at 6.16%, the District has experienced a gradual improvement of its taxpayer delinquency rate with its last five years (from the fiscal year 2014-15 to 2018-19) dropping below a 2.0% delinquency rate in each of those years. In addition, over the past 10 years, the District's annual tax rate per $100,000 of assessed value has declined from a high in the fiscal year 2013-14 of $118.96 to $69.90 in the fiscal year 2019-20, with the expectation that it will again drop in the current fiscal year to approximately $67.16 per $100,000.

The internal factors that give management a positive outlook are related to the improved physician coverage at the Hospital and the many specialties recruited to the area. Expanded physician specialties at the Hospital directly reduces the number of patients required to be transferred to neighboring hospitals from the Hospital's emergency room, due to lack of specialist physician coverage. During the last fiscal year many new specialists were contracted with and now are providing much needed expertise and coverage. Currently, the Hospital has 24/7 emergency department and inpatient coverage for urology, neurology (via telehealth), and orthopedic surgery from the largest, highly respected orthopedic physician practice in the region. Additionally, the emergency department is covered by a well-known national physician organization with additional resources for continued coverage. The inpatient care that includes

hospitalists (acute care) and intensivists (for higher ICU care) is provided by one of the most respected and well-known local physician organizations, which is highly regarded for its quality physicians and care. The District's relationships with all physician organizations is positive, with an outlook of continued growth and commitment to caring for patients at the Hospital in the future. The additional neurology coverage was part of an initiative to increase the ability to care for the non-operative stroke patients at the Hospital and to support the stroke program accreditation process. An unexpected benefit of the favorable recognition of healthcare workers locally and nationally during the COVID-19 crisis has been the heightened awareness for the need and support of local hospitals such as the Hospital, and the quality care provided.

The key external and internal factors highlighted above bring management to a positive financial and operational outlook for the current and subsequent fiscal years, knowing that COVID- 19 may continue to impact results in the near term. The commitment that has been shown by the county, State and federal government and State and federal healthcare insurers to the Hospital and other hospitals has been consistent, with programs continuing to provide for revenue and expense mitigation.

The District's unaudited EBIDA for the fiscal year ended June 30, 2020, was approximately $813,645 which is approximately $2.2 million below the EBIDA for the fiscal year ended June 30, 2019. Over the past five years the District's EBIDA has averaged approximately $2 million per annum. The District's fiscal year 2021 operating budget targets for a $1.1 million EBIDA. The District maintained an improved liquidity position with a day's cash on hand of 56 days as of June 30, 2020, based on unaudited results. Even after adjusting for its balance of $6.0 million in the District's outstanding line of credit, the day's cash on hand still would be at 29 days. The District also maintains a very favorable leverage position as it has no long-term revenue secured debt (revenue bonds, equipment leases, bank loans, etc.) outstanding as of June 30, 2020. Very few, if any, California healthcare districts can boast that they have absolutely no long-term debt outstanding secured by revenues.

Recently, the District was notified that California's Department of Health Care Services ("DHCS") calculated the District's 2019 fiscal year's disproportionate share payment inaccurately. Other California district hospitals were similarly affected. The District received calculations from DHCS stating the District's repayment liability would be approximately $1,128,339. The calculations are expected to be refined with input to DHCS from the District Hospital Leadership Forum ("DHLF"). Also under discussion is repayment timing. DHLF is advocating for repayment to be made after COVID-19's impact has alleviated or in late 2021.

In the calculation worksheet sent to California district hospitals DHCS also indicated there would be additional funding to district hospitals under the Affordable Care Act ("ACA") as an offset to this repayment. In the District's case, approximately $452,343 was presented as the expected offset, with this sum expected to be paid to the District within 30 days. The amount owed by the District, net of the ACA funding, would be approximately $675,996, assuming all calculations are confirmed. DHLF and DHCS continue to discuss postponing repayment but no final decision on the timing of the repayment has been identified. Additionally, DHCS and DHLF have notified district hospitals of a 6.2% increase to the federal portion of intergovernmental transfer ("IGT") funding made to district hospitals for certain prior years. More details on such funding is expected within 30 days along with payment.

The District has posted to Electronic Municipal Market Access ("EMMA") its unaudited financial statements for its fiscal year ended June 30, 2020. A summary of such results is also included above. Any review of those financials should take into account the above description of disproportionate share repayment, ACA offset and potential additional IGT funding.

Hospital Utilization

The table below presents selected statistical indicators of inpatient and outpatient activity for the Hospital during the four fiscal years ended June 30, 2017 through 2020.

	Fiscal Year Ended June 30			
	2017	2018	2019	2020
Average Licensed Beds	79	79	79	79
Acute Patient Days	13,697	11,632	9,991	9,205
Acute Discharges	3,312	3,039	2,857	2,689
Acute Average Length of Stay (Days)	4.1	3.8	3.5	3.4
Total Patient Days	13,985	11,887	10,259	9,205
Total Occupancy Percentage	48%	40%	35%	32%
Inpatient Surgeries	549	423	422	466
Emergency Room Visits	44,152	44,567	43,687	39,293
Outpatient Visits [(1)]	52,549	52,714	51,355	46,112
Outpatient Surgeries	1,014	840	740	397

Source: Hospital records.
[(1)] Exclusive of emergency, outpatient surgery visits and home health visits.

Sources of Patient Service Revenue

The Hospital participates in the Medicare and Medi-Cal programs. The percentage of gross patient revenues derived from Medicare, Medi-Cal, insurance and all other sources for each of the four fiscal years ended June 30, 2017 through 2020, as set forth below. Because of varying contractual allowances to third-party payors, net patient revenues do not correspond directly to gross patient revenues.

	Fiscal Year Ended June 30			
	2017	2018	2019	2020
Medicare	44%	42%	42%	45%
Medi-Cal	34	35	36	33
Insurance	18	18	17	19
All Other	4	5	5	3
Total	100%	100%	100%	100%

Source: Hospital records.

Medicare is a federal program, administered by the Centers for Medicare and Medicaid Services, available to individuals age 65 or over and certain disabled persons. Medicaid is a federal and state jointly funded program, known as Medi-Cal in California, under which the Hospital furnishes services to program eligible persons. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge diagnosis. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are paid based on a prospective payment system subject to various limitations and formulas. Traditional Medi-Cal inpatient services are reimbursed upon a per-diem basis based on a contract with the State Department of Health Services. Traditional outpatient services rendered are reimbursed on a State of California fee schedule. The Hospital has no capitated arrangement with any health plans to treat Medi-Cal patients.

The System receives supplemental Medicaid funds through intergovernmental transfers ("IGT"), where funds are put up by the District to be matched by the federal government. As a result of these IGT programs, the System has recorded revenue in the past two audited fiscal years of approximately $34.6 million for funds relating to the fiscal years ended June 30, 2018 and 2019. Supplemental funding is also received from the Public Hospital Redesign and Incentives in Medi-Cal Program ("PRIME"), which is a successor program within the Medi-Cal waiver. Activities supported by the PRIME program are designed to accelerate efforts by participating PRIME entities to change the delivery of care to maximize health care value and strengthen their ability to successfully perform under risk-based alternative payment models in the long term consistent with Medicare and Medi-Cal goals. As a result of the District's participating in PRIME, it has recorded revenue over the past two audited fiscal years of over $2.1 million. This PRIME program requires a qualitative assessment of certain metrics and is subject to future audits by CMS.

The System has contracts with approximately 20 commercial insurance plans which comprise approximately 25% of its net patient revenues. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established rates and prospectively determined daily rates.

The Hospital is a disproportionate share provider and serves a medically underserved population. The System receives more favorable reimbursement for Medi-Cal and Medicare beneficiaries who are treated at their facilities as a

result of the disproportionate share and distinct part designations. The Hospital is also designated a Remote Rural facility for DRG reimbursement purposes from Medi-Cal.

Public and Professional Liability Insurance

The Hospital's operations are currently covered by comprehensive liability insurance through a pooled self-insurance program insuring the Hospital and its employees, while acting within the scope of their duties, against professional and general liability risks with limits of $20,000,000 per claim and $30,000,000 of annual aggregate limitation under a claims-made policy. The current healthcare entity comprehensive liability contract is in continuous effect until July 1, 2021. The Corporation and the District contract for such coverage through a joint-powers authority (the "BETA Healthcare Group Risk Management Authority") under California law authorizing governmental agencies, such as local health care districts and nonprofit healthcare entities, to join together for insurance purposes. Currently, approximately 152 members representing health care districts, nonprofit entities, city, and county hospitals participate in the BETA Healthcare Group Risk Management Authority. While actions have been brought against the District or the Corporation with respect to personal injuries alleged to have occurred at the Hospital (not involving malpractice), management believes that no such pending actions will exceed the applicable liability insurance limits.

The BETA Healthcare Group Risk Management Authority is funded by contributions paid by members participating in the BETA Healthcare Group Risk Management Authority. The contributions are used to fund a reserve for expected losses to be paid by BETA Healthcare Group Risk Management Authority on a pooled, self-insured basis. The amount of the monthly contribution to be paid by members take into account factors such as, among others, total number of beds, outpatient and inpatient visits, surgeries, deductible and loss experience of the member. The reserve for claims and claims expenses has been determined using the developed loss and loss expense method. For the fiscal year ended June 30, 2020, the District paid $932,178 in net contributions to BETA Healthcare Group Risk Management Authority.

As of June 30, 2020, BETA Healthcare Group Risk Management Authority had a reserve for claims and claims expenses relating to the District of $35,000. For the fiscal year ended June 30, 2020, BETA Healthcare Group Risk Management Authority did not pay for any claims and claims expenses on behalf of the District.

Management is unaware of any claim paid on its behalf which was not covered by insurance. There are no material malpractice or professional liability claims or lawsuits now pending against the Corporation or the District which exceed insurance coverage. Neither the Hospital nor the District currently have pending any malpractice or professional liability claims or lawsuits for compensatory damages not covered by insurance. In California, district health care entities like the District are not subject to punitive damage awards.

Property damage liability is covered by Alliant Insurance Services with a $250,000,000 coverage limit. The District does not carry either earthquake or flood insurance.

In addition, the Corporation and the District maintain directors & officers liability coverage, automobile liability coverage, boiler & machinery coverage, cyber liability coverage, crime & fiduciary coverage, healthcare and pollution liability coverage in amounts it deems prudent for its operations.

The District places their Workers' Compensation coverage through BETA Risk Management Authority on a Guaranteed Cost basis with statutory limits. BETA Risk Management Authority holds a Certificate of Consent to Self-Insure by the State of California, Department of Industrial Relations. The District's Workers' Compensation paid expenses for the fiscal year ended June 30, 2019, were $789,841 and for the fiscal year ended June 30, 2020 paid expenses are $665,460, pending final audit. The District does not have any assessment liability through their placement of coverage with BETA Risk Management Authority.

Employees' Retirement Plan

The Corporation offers a tax-sheltered annuity (TSA) program covering substantially all employees with at least 90 days of service. The Corporation makes contributions on a matching basis to individual TSA accounts based on a percentage of each employee's gross salary. Expense under the TSA program totaled approximately $1,141,000 and $1,166,000 for the fiscal years ended June 30 2018 and 2019, respectively.

City of Banning, City of Beaumont and Riverside County

During the past 30 years the populations of Riverside County, the city of Beaumont and the city of Banning have increased 109%, 431% and 51%, respectively, while the population of the State of California increased just 34% over the same period. Population figures as reported for the 1990, 2000 and 2010 census reports and estimates for 2020 for the city of Banning, the city of Beaumont, Riverside County and the State of California are as follows:

	1990	2000	2010	2020	Percent Increase
City of Banning	20,570	23,562	29,603	31,125	51%
City of Beaumont	9,685	11,384	36,877	51,475	431%
Riverside County	1,170,413	1,545,387	2,189,641	2,442,304	109%
California	29,760,021	33,871,648	37,253,956	39,782,870	34%

Source: California State Department of Finance. The 1990, 2000 and 2010 figures are census figures reported as of April 1, in each of those years. The 2020 figures are estimates reported by the Department of Finance as of January 1, 2020. Population estimates for 2020 from the 2020 census are not yet available.

Although the area served by the Hospital is known primarily for agriculture, other industries such as government, retail and manufacturing industries play a more significant role in the local economy than in prior years. Unemployment in the city of Banning and Riverside County during May 2020 was 19.7% and 15.8%, respectively, while unemployment for the State of California for the same period was 15.9%.

	City of Banning	Riverside County	State of California
Civilian Labor Force	11,500	1,089,100	18,405,800
Employed	9,300	917,200	15,484,600
Unemployed	2,200	171,900	2,921,200
Percentage Unemployment	19.1%	15.8%	15.9%

Source: State Employment Development Department, May 2020.

Capital Expenditures

Total capital expenditures of approximately $4,550,000 are expected to occur over the next three years, beginning with fiscal year ending June 30, 2021. The $4,550,000 of planned capital expenditures over the next three years represent regular annual expenditures made in connection with the normal routine maintenance of equipment and equipment replacements for the Hospital. These annual recurring capital expenditures are planned to be funded from the proceeds of equipment leases, cash reserves and community-based contributions.

DISTRICT FINANCIAL MATTERS

The Riverside County Assessor's Office assesses all real property in the District for tax purposes except public utility property which is assessed countywide by the State Board of Equalization. The Board of Equalization's Utility Roll is comprised of State assessed properties of regulated public utilities and companies such as telephone and gas companies.

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state-assessed public utilities' property and locally assessed property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax placed on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured properties are entered separately on the assessment roll

maintained by the County assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sent to collection on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and is then subject to sale by the County tax collector. The exclusive means of enforcing the payment of delinquent taxes in respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Generally, property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. California Revenue and Tax Code Sections 75.10 *et seq.*, however, provide for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect to property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency of record in the County recorder's office, in order to obtain a lien on certain property of the taxpayer and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Unitary Taxation for Utility Property

Revenue and Taxation Code Section 100 requires the establishment in each county of one county-wide tax rate area with the assessed value of all unitary and operating non-unitary property being assigned to this tax rate area. The result is a single assessed valuation figure for most utility property (nonoperating, non-unitary property is still broken down by district) owned by each utility within the County without any breakdown for individual taxing jurisdictions.

Assessed Valuations

California law exempts $7,000 of the assessed valuation of an owner-occupied dwelling and 100% of the value of business inventories from taxation. State law also provides for reimbursements to local agencies based on their share of the revenues derived from the application of the maximum tax rate applied to business inventories, with adjustments to reflect increases in population and the consumer price index. Revenue estimates to be lost to local taxing agencies due to such exemptions is reimbursed from State sources. Such reimbursements are based upon total taxes due upon such exempt values and are not reduced by any amount for estimated delinquencies.

The District has a 2019-20 assessed valuation of $9,482,256,303, which accounts for approximately 3.1% of the County's assessed valuation of $301,528,883,809, as of the same period. Assessed values of property within the District have increased by approximately 385% from 1999-00 to 2019-20, while assessed values for the County have increased by approximately 271% over the same period. The summary below shows a twenty-one year history of the total secured, utility and unsecured assessed property valuations for the District and total assessed valuations for the County.

Assessed Valuations [1]

Fiscal Year	Local Secured [1]	Utility	Unsecured	District Assessed Valuations	County Assessed Valuations
1999-00	$1,764,980,259	$2,520,940	$188,245,139	$1,955,746,338	$81,367,642,126
2000-01	1,839,452,985	2,320,093	165,533,700	2,007,306,778	89,655,344,299
2001-02	1,996,419,174	2,478,881	171,312,145	2,170,210,200	99,049,269,825
2002-03	2,181,170,151	2,411,179	175,137,421	2,358,718,751	110,020,472,952
2003-04	2,532,512,790	2,972,849	352,605,237	2,888,090,876	122,844,382,408
2004-05	3,092,351,106	3,498,584	416,676,112	3,512,525,802	140,852,260,063
2005-06	3,882,089,888	3,330,770	467,875,256	4,353,295,914	167,993,839,105
2006-07	5,341,232,036	3,369,405	419,087,478	5,763,688,919	205,744,450,510
2007-08	6,770,508,457	1,425,365	453,067,050	7,225,000,872	239,495,914,020
2008-09	6,856,353,527	1,425,365	474,366,177	7,332,145,069	243,093,830,193
2009-10	6,030,443,796	1,425,365	455,983,841	6,487,853,002	217,161,424,754
2010-11	5,567,613,824	1,425,365	467,129,831	6,036,169,020	207,831,314,499
2011-12	5,370,803,102	828,589	425,669,452	5,797,301,143	205,754,734,033
2012-13	5,516,985,013	422,003	375,208,041	5,892,615,057	205,136,768,340
2013-14	5,636,156,687	422,003	358,066,966	5,994,645,656	209,592,286,852
2014-15	6,364,851,008	422,003	351,592,412	6,716,865,423	230,400,099,289
2015-16	6,872,266,310	422,003	336,509,234	7,209,197,547	243,024,479,047
2016-17	7,279,339,558	422,003	316,736,078	7,596,497,639	255,866,488,676
2017-18	7,814,187,862	422,003	321,460,535	8,136,070,400	268,996,541,058
2018-19	8,412,172,737	445,178	374,926,319	8,787,544,234	285,788,852,235
2019-20	9,106,424,407	428,616	375,403,280	9,482,256,303	301,528,883,809

Source: California Municipal Statistics, Inc.
[1] Based on 100% of full cash value before redevelopment increment.

Appeals to Assessed Valuation

Pursuant to State law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a "Proposition 8" appeal). Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), a county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor's determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, State law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated.

Assessment appeals granted typically result in refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Timing is an important consideration with respect to the property valuation process. Values are set for the current year with a valuation date as of the preceding January 1. Changes in market value subsequent to the January 1 valuation date are not reflected until the subsequent year. Therefore, there is an inherent lag in the process.

Tax Levies and Delinquencies

Taxes are collected by the Riverside County Tax Collector for property falling within the District's taxing boundaries. Taxes and assessments on the secured roll are payable in two installments on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. Taxes on unsecured property are assessed and payable as of the January lien date and become delinquent the following August 31.

The following tables show a ten-year history (ending with the fiscal year 2018-19) of the secured tax charge, the tax amount delinquent and percentage of taxes delinquent each year as of June 30, for the District. Similar information was not available for the District for the fiscal year 2019-20.

Secured Tax Charges and Delinquencies of the District

Fiscal Year	Secured Tax Charge [(1)]	Delinquent as of June 30 Amount	Percent
2009-10	$6,558,305.25	$405,479.14	6.18%
2010-11	5,368,626.23	278,420.31	5.19
2011-12	5,427,595.92	210,910.40	3.89
2012-13	6,239,531.45	316,989.40	5.08
2013-14	6,548,244.42	132,111.29	2.02
2014-15	7,065,165.29	135,326.34	1.92
2015-16	5,492,107.68	96,228.88	1.75
2016-17	5,994,999.21	99,779.19	1.66
2017-18	7,003,082.68	109,812.73	1.57
2018-19	7,249,211.58	142,776.67	1.97

Source: California Municipal Statistics, Inc.
(1) District's general obligation bond debt service levy.

Tax Rates

The base tax rate for all taxing entities within a particular tax code area is $1 per $100 (1%) of assessed valuation in accordance with the State Constitution. To this may be added whatever tax rates are necessary to meet debt service on indebtedness approved by the voters. The Board of the District annually conveys in August to the County Tax Collector the rate to be levied for the debt service on the District's general obligation bonds. The table below provides the total tax rates for the Tax Rate Area 1-007, a tax rate area within the District, for the ten fiscal years ending with the fiscal year 2019-20.

Typical Total Tax Rates

Fiscal Year	General	Beaumont Unified School District	Mount San Jacinto Comm. College District	San Gorgonio Memorial HCD	San Gorgonio Pass Water Agency	Total
2010-11	1.00000	0.04980	0	0.09914	0.17000	1.31894
2011-12	1.00000	0.07841	0	0.10365	0.18500	1.36706
2012-13	1.00000	0.08486	0	0.11572	0.18500	1.38558
2013-14	1.00000	0.09000	0	0.11896	0.18500	1.39396
2014-15	1.00000	0.08169	0	0.11296	0.18500	1.37965
2015-16	1.00000	0.07106	0.01320	0.08143	0.18500	1.35143
2016-17	1.00000	0.07193	0.01320	0.08357	0.18500	1.35370
2017-18	1.00000	0.07677	0.01320	0.09052	0.18250	1.36299
2018-19	1.00000	0.07432	0.01320	0.08692	0.18250	1.35694
2019-20	1.00000	0.07438	0.01320	0.06990	0.17750	1.33498

Source: California Municipal Statistics, Inc.

Largest Taxpayers

The twenty largest taxpayers in the District as shown on the 2019-20 secured tax roll, and the approximate amounts of their aggregate level for all taxing jurisdictions within the District are shown below. These twenty largest taxpayers had a total tax levy value of $814,988,303 or 8.95% of the District's 2019-20 total secured assessed value.

SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT
Largest 2019-20 Local Secured Taxpayers

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	Percent of Total [(1)]
1.	Chelsea GCA Realty Partnership	Outlet Stores	$248,054,139	2.72%
2.	USEF Crossroads I & II	Industrial	89,178,085	0.98
3.	Nestle Waters North America Inc.	Industrial	66,557,169	0.73
4.	Pardee Homes	Residential Development	48,108,112	0.53
5.	Frederick J. Hanshaw	Shopping Center	44,248,078	0.49
6.	CJ Foods Manufacturing	Industrial	32,640,000	0.36
7.	Ambest Real Estate	Industrial	32,321,741	0.35
8.	Mesa Verde RE Ventures	Vacant	25,501,536	0.28
9.	San Gorgonio Land	Vacant	23,339,914	0.26
10.	Wal Mart Real Estate Business Trust	Commercial	22,669,728	0.25
11.	Lennar Homes of California	Residential Development	22,138,032	0.24
12.	MLD Banning Investors	Assisted Living Facility	21,339,001	0.23
13.	SDC Fairway Canyon	Residential Development	21,110,508	0.23
14.	Project Royal	Residential Development	19,921,673	0.22
15.	Lowes HIW Inc.	Commercial	18,420,217	0.20
16.	Lassen Development Partners	Vacant Commercial	17,294,610	0.19
17.	Thrifty Payless Inc.	Commercial	17,261,224	0.19
18.	Trinity Partners	Vacant Commercial	15,956,272	0.18
19.	Kohl's Department Stores Inc.	Commercial	14,493,000	0.16
20.	Highland Springs Conference Center	Resort	14,435,264	0.16
			$814,988,303	8.95%

Source: California Municipal Statutes, Inc.
[(1)] 2019-20 Local Secured Assessed Valuation: $9,106,424,407

Direct and Overlapping Bonded Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., and dated July 20, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations are generally not payable from future revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT

2019-20 Assessed Valuation: $9,482,256,303

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 8/1/20	
Desert and San Bernardino Valley Joint Community College Districts	0.016 & 0.047%	$ 394,843	
Mount San Jacinto Community College District	9.798	15,456,345	
Banning Unified School District	99.951	58,804,315	
Beaumont Unified School District	97.311	88,852,228	
Palm Springs Unified School District	0.043	151,468	
Riverside County Flood Control and Water Conservation District Promissory Notes	0.053	6,641	
San Gorgonio Healthcare District	**100.**	**104,230,000**	(1)
City of Beaumont Community Facilities District No. 93-1	100.	218,706,424	
City of Beaumont Community Facilities District Nos. 2016-1, 2016-4	100.	12,975,000	
1915 Act Bonds	100.	11,989,874	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$511,567,138	
OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	3.204%	$24,344,246	
Riverside County Pension Obligation Bonds	3.204	30,079,953	
Banning Unified School District Certificates of Participation	99.951	9,045,566	
Beaumont Unified School District Certificates of Participation	97.311	7,539,365	
Yucaipa-Calimesa Joint Unified School District Certificates of Participation	0.623	42,115	
City of Banning Certificates of Participation	100.	212,276	
Other Cities General Fund and Pension Obligations	Various	53,488	
TOTAL OVERLAPPING GENERAL FUND DEBT		$71,317,009	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):			
Banning Redevelopment Agency	100. %	$28,755,000	
Riverside County Redevelopment Agency	2.980 – 49.308	16,723,535	
TOTAL OVERLAPPING TAX INCREMENT DEBT		$45,478,535	
COMBINED TOTAL DEBT		$628,362,682	(2)

(1) Excludes general obligation bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2019-20 Assessed Valuation:

Direct Debt ($104,230,000)	**1.10%**
Total Direct and Overlapping Tax and Assessment Debt	5.39%
Combined Total Debt	6.33%

Ratios to Redevelopment Incremental Value ($1,475,881,016):

Total Overlapping Tax Increment Debt	3.08%

Source: California Municipal Statistics, Inc.

District Budget

The fiscal year of the System begins on July 1 and ends on June 30 of the following year. The District and the Corporation have prepared and adopted a final budget on or before June 30 for each fiscal year. Operating and capital budgets are adopted each year to reflect estimated revenues, expenditures and planned capital investments. At the close of each fiscal year, the District and the Corporation have engaged certified public accountants to audit the System's combined financial statements and the District will do the same in future years.

Largest Employers

Riverside County enjoys a diverse labor pool as a result of its role as a regional manufacturing, service and retail center. Riverside County's agricultural employment distribution affects the County's job market and unemployment rates. Because of the need to retrain workers as the economy evolves, the various cities and the County utilize a network of job training providers to ensure the maintenance of an abundant and qualified work force. The County is a growing regional manufacturing center that provides ample land zoned for industrial use that is governed by an industrial development policy that promotes growth in industrial expansion and employment opportunities. The following table summarizes the ten largest employers in Riverside County.

RIVERSIDE COUNTY
Largest Employers

Company	Product/Service	Employees
County of Riverside	County Government	21,672
Amazon	E-Commerce	10,500
University of California Riverside	University	9,770
March Air Reserve Base	Government/Military Reserve Base	9,600
Stater Brothers Markets	Grocery Retailer	8,304
Kaiser Permanente Riverside	Healthcare	5,700
Pechanga Resort & Casino	Resort Casino	5,078
Wal-Mart	Retail Store	4,931
Corona-Norco Unified School District	Education	4,903
Hemet Unified School District	Education	4,046

Source: Riverside County Economic Development Agency, 2019

Commercial Activity

The city of Banning is the retail center for the District and experienced a 31% increase in retail sales from 2016 to 2018, and Riverside County experienced a 13% increase in retail sales over the same period. The following table summarizes the total number of sales tax permits and total taxable sales in the city of Banning and Riverside County for the calendar years 2016 through 2018. Information is not yet available for the full year of 2019.

	2016	2017	2018
City of Banning			
Sales Tax Permits	469	507	519
Taxable Sales	$192,448,599	$226,169,705	$251,422,362
Riverside County			
Sales Tax Permits	57,742	58,969	61,433
Taxable Sales	$34,483,693,543	$36,407,460,100	$38,837,736,203

Source: Department of Tax and Fee Administration

Agriculture

The Riverside County region is agriculturally diverse and productive. Nursery stock, milk, table grapes, lemons, bell peppers, dates, eggs, hay, grapefruit and avocado are a few of the top agricultural products grown in the region which form the basis of Riverside County's economy. Riverside County grows over 100 commercial crops and ranks as the fourteenth most productive agricultural county in California. Riverside County is one of the leading growers of nursery products and producers of milk and creamery products in the United States. Estimated agricultural production for Riverside County increased by approximately 1.8% from 2016 to 2018. The following table summarizes historical agricultural production in total valuation within Riverside County for the years 2016 through 2018.

	2016	2017	2018
(In thousands)			
Citrus	$ 200,101	$ 177,055	$ 170,775
Tree & Vine	227,444	228,315	249,150
Vegetables, Melons, Misc.	365,157	331,986	371,570
Field & Seed	97,184	96,063	93,282
Nursery	150,426	153,749	165,758
Apiculture	5,082	5,415	5,473
Aquaculture	4,624	4,764	4,732
Livestock & Poultry	225,758	221,175	238,468
Totals	$1,275,776	$1,218,522	$1,299,208

Source: Riverside County Agricultural Commissioner.

LEGAL MATTERS

Material Litigation

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued. Neither the creation, organization nor existence of the District is being contested.

From time to time, the District and its healthcare operations are the subject of litigation and regulatory action including, among others, actions for malpractice, breach of contract, business disputes, claims against the District regarding Medi-Cal and Medicare reimbursements and related claims. Some, but not all, of these actions and claims are covered by the District's insurance. Those that are not insured may have a material adverse effect on the District if the determination is against the District.

One such case was filed in 2020 against the District's healthcare operations alleging a breach of contract, among other claims, and seeking liquidated damages in excess of $1 million as well as other damages, including punitive damages. The District and a key administrative officer were also named as defendants. The District and its healthcare operations deny any wrongdoing and are vigorously defending themselves against all claims. This legal action and any corresponding liability are not expected to be covered by insurance. While the District does not anticipate it, an adverse decision in this proceeding, depending on the amount of damages awarded, may have a material adverse effect on the financial results of the District's healthcare operations. However, none of the District's *ad valorem* taxes collected by the County can be used to satisfy any judgment against the defendants, and they remain available solely for the purposes of paying debt service on the Bonds.

Legality for Investment in California

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in California.

Tax Matters

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, interest on the Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals, and (iii) is not taken into account in computing "adjusted current earnings" as described below.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within their respective knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Bonds subsequent to the initial public offering, should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Internal Revenue Code of 1986, as amended (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "IRS") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS may treat the Issuer as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX A—"FORM OF FINAL OPINION OF BOND COUNSEL."

Approval of Legality

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Quint & Thimmig LLP, Larkspur, California, as Bond Counsel.

RATING

Moody's has assigned the rating of "Baa3" (negative outlook) to the Bonds based upon the District's own credit and the source of payment for the Bonds. No application was made by the District to any other rating agency for the purpose of obtaining additional ratings on the Bonds.

Such rating reflects only the views of Moody's, and any explanation of the significance of such rating may only be obtained from Moody's. Generally, rating agencies base their ratings on information and materials furnished to them and on investigations, studies and assumptions by the rating agencies. The District furnished to Moody's certain information and materials that have not been included in this Official Statement.

There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that the rating might not be lowered or withdrawn entirely by Moody's, if in its judgment circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of the ratings or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the ratings might have an adverse effect on the market price or marketability of the Bonds affected.

MISCELLANEOUS

Underwriting

The Bonds are being purchased by the underwriters listed on the cover of this Official Statement (the "Underwriters") at a purchase price of $22,069,673.35 (representing the par amount of the Bonds of $20,275,000.00, plus a net original issue premium of $1,901,910.85 and less an Underwriters' discount of $107,237.50).

The bond purchase contract for the Bonds provides that the Underwriters will purchase all of the Bonds, if any are purchased, and contain the agreement of the District to indemnify the Underwriters against certain liabilities to the extent permitted by law. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the bond purchase contract.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices or yields different from the prices or yields stated on the cover to this Official Statement. The offering prices or yields may be changed from time to time without notice by the Underwriter.

Piper Sandler & Co., one of the Underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper Sandler at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Continuing Disclosure

The District has covenanted for the benefit of bondholders and Beneficial Owners of the Bonds to disseminate certain financial information and operating data relating to the District, and to provide notices of the occurrence of certain enumerated events. See "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission. For the last five years, the District has had continuing disclosure obligations with respect to the 2008 Bonds, the 2013 Bonds, the 2014 Bonds and the 2015 Bonds.

The District has determined that its continuing disclosure submissions to Electronic Municipal Market Access ("EMMA") over the last five years with respect to its 2013 Bonds, 2014 Bonds and 2015 Bonds pertaining to annual

disclosure of financial information and operating data have not fully complied with its continuing disclosure obligations.

Moreover, the rating affecting some or all of the District's general obligation bonds was downgraded by Moody's on August 6, 2018, and notice thereof was posted on August 27, 2018, about 5 days late.

Set forth below in table form is information outlining separately the required Annual Report and operating data disclosures pertaining to the 2013 Bonds, the 2014 Bonds and the 2015 Bonds (namely, the annual audit and operating data as contained in the applicable official statement) that were posted late. The table shows the date each filing was required and the number of days it was posted late. In almost no cases involving a late filing was a notice of failure to timely file the required continuing disclosure posted to EMMA by the dissemination agent or the District. Recently, however, an event notice filing was made containing the information on the following table and notice of the late filing of Moody's rating downgrade.

	Due Date	**Days Late**
2013 Bonds		
Audited Financials for FY 2015	March 31, 2016	1 day
Audited Financials for FY 2017	March 31, 2018	11 days
Operating Data [(1)] for FY 2015	March 31, 2016	1 day
Operating Data [(1)] for FY 2018	March 31, 2019	194 days
2014 Bonds		
Audited Financials for FY 2015	March 31, 2016	1 day
Audited Financials for FY 2017	March 31, 2018	11 days
Operating Data [(1)] for FY 2015	March 31, 2016	1 day
Operating Data [(1)] for FY 2018	March 31, 2019	194 days
2015 Bonds		
Audited Financials for FY 2017	March 31, 2018	11 days
Operating Data [(1)] for FY 2018	March 31, 2019	194 days

[(1)] Consists of assessed values in District, property tax levies, collections and delinquencies.

Financial Advisor

G.L. Hicks Financial, LLC has served as financial advisor to the District for purpose of assisting with the development and implementation of a bond structure in connection with the Bonds. G.L. Hicks Financial, LLC is an independent registered municipal advisor and is not engaged in the business of underwriting or distributing municipal securities or other public securities. G.L. Hicks Financial, LLC is a registered municipal advisor with the Municipal Securities Rulemaking Board and the Securities and Exchange Commission.

Additional Information

The summaries or descriptions of provisions of the Bonds, the Resolution and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The APPENDICES attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Resolution may be obtained during the offering period upon request to the Financial Advisor at (801) 225-0731 and thereafter upon request to the principal corporate trust office of the Paying Agent.

The District has authorized and consented to the execution and distribution of this Official Statement. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Bonds.

SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT

By: */s/ James Dennis Tankersley, PA-C*

Title: Board Chair

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APPENDIX A

FORM OF FINAL OPINION OF BOND COUNSEL

[Letterhead of Quint& Thimmig LLP]

[Closing Date}

Board of Directors of the
San Gorgonio Memorial Healthcare District
600 North Highland Springs Avenue
Banning, California 92220

OPINION: $20,275,000 San Gorgonio Memorial Healthcare District (Riverside County, California) 2020 General Obligation Refunding Bonds

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Members of the Board of Directors:

We have acted as bond counsel to the San Gorgonio Memorial Healthcare District (the "District") in connection with the issuance by the District of $20,275,000 principal amount of San Gorgonio Memorial Healthcare District (Riverside County, California) 2020 General Obligation Refunding Bonds (the "Bonds"), pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), and Resolution No. 220-05, adopted by the Board of Directors of the District on August 4, 2020 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a local health care district with the power to cause the Board to issue the Bonds and to perform its obligations under the Resolutions and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Board Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and the Bonds are valid and binding general obligations of the District. The Board is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax under the Internal Revenue Code of 1986, as amended. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX B

AUDITED COMBINED FINANCIAL STATEMENTS OF THE SYSTEM AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

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Audited Combined Financial Statements

SAN GORGONIO HEALTH CARE SYSTEM

June 30, 2019

JWT & Associates, LLP
Certified Public Accountants

Audited Combined Financial Statements

SAN GORGONIO HEALTH CARE SYSTEM

June 30, 2019

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JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership
1111 East Herndon Avenue, Suite 211, Fresno, California 93720
Voice: (559) 431-7708 Fax: (559) 431-7685 Email: rjctcpa@aol.com

Report of Independent Auditors

The Board of Directors
San Gorgonio Health Care System
Banning, California

We have audited the accompanying combined financial statements of the San Gorgonio Health Care System (the Hospital) which comprise the combined balance sheets as of June 30, 2019 and 2018, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the combined 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 Hospital'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Hospital at June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the Hospital has adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining balance sheet and the combining statement of operations and changes in net assets, the schedule of earnings before interest, depreciation and amortization, and the schedule of property tax receipts and disbursements are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

JWT & Associates, LLP

Fresno, California
October 30, 2019

Combined Balance Sheets

SAN GORGONIO HEALTH CARE SYSTEM

	June 30 2019	June 30 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 4,175,262	$ 6,308,962
Assets limited as to use available for current debt service	4,150,146	4,124,741
Patient accounts receivable, net of allowances	8,449,937	7,589,734
Other receivables	12,227,995	7,504,289
Estimated third party payor settlements	554,344	1,419,614
Inventories	1,668,855	1,603,696
Prepaid expenses and deposits	353,247	836,752
Total current assets	31,579,786	29,387,788
Assets limited as to use	4,520,934	2,940,956
Capital assets, net of accumulated depreciation	97,000,465	102,497,060
Interest in the net assets of the System foundation	646,319	636,346
Other assets	1,474,000	1,562,257
	$135,221,504	$137,024,407
Liabilities and Net Assets		
Current liabilities:		
Current maturities of debt borrowings	$ 2,095,000	$ 2,603,449
Accounts payable and accrued expenses	5,057,334	4,670,778
Accrued payroll and related liabilities	3,051,669	3,290,142
Estimated third party payor settlements	732,545	412,114
Accrued interest payable	2,055,146	2,084,354
Total current liabilities	12,991,694	13,060,837
Debt borrowings, net of current maturities	110,739,214	112,910,579
	123,730,908	125,971,416
Net Assets:		
Net assets without donor restrictions	11,251,512	10,825,347
Net assets with donor restrictions	239,084	227,644
Total net assets	11,490,596	11,052,991
	$135,221,504	$137,024,407

See accompanying notes and auditor's report

Combined Statements of Operations and Changes in Net Assets

SAN GORGONIO HEALTH CARE SYSTEM

	Year Ended June 30	
Unrestricted revenues, gains and other support	2019	2018
Net patient service revenue	$ 65,262,529	$ 64,937,087
Other operating revenues		
Grant revenues used for operations	319,282	481,417
District taxes used for operations	3,937,861	3,565,041
Other revenues	2,147,797	1,840,667
Total unrestricted revenues, gains and other support	71,667,469	70,824,212
Operating expenses		
Salaries and wages	35,294,707	36,005,815
Employee benefits	8,429,724	9,410,452
Professional fees	2,959,573	2,539,562
Contract labor	1,279,534	1,567,502
Supplies	8,226,210	8,390,006
Purchased services	6,166,280	6,974,869
Utilities	905,646	890,459
Building and equipment rent	913,805	690,087
Insurance	1,023,205	1,038,443
Interest	5,018,312	5,189,883
Depreciation and amortization	5,973,693	6,149,586
Intergovernmental transfer program	704,910	2,606,991
Other operating expenses	2,736,684	2,431,840
Total operating expenses	79,632,283	83,885,495
Operating income (loss)	(7,964,814)	(13,061,283)
Nonoperating revenues (expenses)		
District tax revenues	8,309,482	7,829,842
Capital contributions and other changes in net assets	92,937	172,250
Total nonoperating revenues (expenses)	8,402,419	8,002,092
Increase (decrease) in net assets	437,605	(5,059,191)
Net assets at beginning of the year	11,052,991	16,112,182
Net assets at end of the year	$ 11,490,596	$ 11,052,991

See accompanying notes and auditor's report

Combined Statements of Cash Flows

SAN GORGONIO HEALTH CARE SYSTEM

	Year Ended June 30	
	2019	2018
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	$ 65,588,027	$ 66,182,742
Cash received from operations, other than patient services	1,681,234	11,173,552
Cash payments to suppliers, contractors and other	(29,158,465)	(32,545,478)
Cash payments to employees and benefit programs	(43,962,904)	(44,928,047)
Net cash (used in) operating activities	(5,852,108)	(117,231)
Cash flows from capital and related financing activities:		
District tax used for debt service	8,309,482	7,829,842
Net purchases of capital assets, disposals and other	(517,242)	(367,999)
Proceeds from debt borrowings	8,000,000	
Payments on debt borrowings, accretions and loss on financing	(10,468,449)	(2,718,349)
Net cash provided by capital financing activities	5,323,791	4,743,494
Cash flows from investing activities:		
Net (purchase) or sale of investments and deferred outflows	(1,605,383)	(1,305,275)
Net cash (used in) investing activities	(1,605,383)	(1,305,275)
Net increase (decrease) in cash and cash equivalents	(2,133,700)	3,320,988
Cash and cash equivalents at beginning of year	6,308,962	2,987,974
Cash and cash equivalents at end of year	$ 4,175,262	$ 6,308,962
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ (7,964,814)	$(13,061,283)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,973,693	6,149,586
Provision for uncollectible accounts	10,296,276	9,672,028
Changes in operating assets and liabilities:		
Patient accounts receivables	(11,156,479)	(7,882,603)
Other receivables and estimated third party payor settlements	(3,538,005)	4,742,657
Inventories, prepaid expenses and other	418,346	(189,772)
Accounts payable and accrued expenses	357,348	(36,064)
Accrued payroll and related liabilities	(278,473)	488,220
Net cash (used in) operating activities	$ (5,852,108)	$ (117,231)

See accompanying notes and auditor's report

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The combined financial statements of the San Gorgonio Health Care System are comprised of the San Gorgonio Memorial Health Care District (the District) and the San Gorgonio Memorial Hospital (the Hospital). Collectively, the two entities combine to function as the San Gorgonio Health Care System (the System).

The District is a public entity healthcare district organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. It is governed by a five-member Board of Directors, elected from within the district boundaries to specified terms of office. The District is located in Banning, California and owns a 79-bed acute care hospital which it leases to the Hospital for healthcare operations.

The Hospital is a tax-exempt 501 (c) (3) California non-profit corporation and provides health care services primarily to individuals who reside in the local geographic area. The Hospital is governed by the five elected District Board members and by eight additional appointed Board members for a combined System Board (the Board). Combining statements of both the Hospital and the District are presented in the supplementary information to these combined financial statements. Significant inter-related transactions have been eliminated upon combination.

Basis of Accounting and Presentation: The accounting policies and financial statements of the Hospital generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants (AICPA). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses. Net assets of the Hospital are described below.

- ***Net assets without donor restrictions*** - Net assets without donor restrictions represent those resources of the Hospital that are not subject to donor-imposed stipulations. The only limits on these net assets are broad limits resulting from the nature of the Hospital and the purposes specified in its articles of incorporation and bylaws, if any.

- ***Net assets with donor restrictions*** - Net assets with donor restrictions represent contributions that are subject to donor-imposed restrictions that can be fulfilled by actions of the Hospital pursuant to those stipulations or by the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from donor restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as revenue without donor restrictions. Net assets with donor restrictions as of December 31, 2018 and 2017 relate to the Hospital's foundation fund raising activities to secure contributions for Hospital capital improvements and equipment.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates: The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The System considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and realized gains and losses on investments are included as investment income in operating revenues when earned.

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The System manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Inventories: Inventories are consistently reported from year to year at replacement cost, which approximates market value. Inventories consist of medical supplies sold to patients, pharmaceuticals sold to patients, and other minor supply and dietary items.

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 5 to 40 years for land improvements and buildings and building improvements, and 3 to 20 years for equipment.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets: As required by the Statement of Financial Accounting Standards (SFAS) no. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of,* the System reviews long-lived assets for impairment whenever the circumstances or events indicate that the carrying amount of the asset may not be fully recoverable. If the sum of the expected future cash flows (undiscounted and without interest charges) from an asset to be held and used in operations is less than the carrying value of the asset, an impairment loss is recognized. Based upon this analysis, there were no adjustments to the carrying value of long-lived assets in 2019 or 2018.

Other Assets: Other assets consist of capitalized debt borrowing issuance costs. Amortization of these costs is computed by the straight-line method over the life of the repayment agreements. The combined amortization expense of these costs was $88,256 and $91,734 for the years ended June 30, 2019 and 2018, respectively.

Compensated Absences: The System's employees earn paid-time-off (PTO) benefits at varying rates depending on years of service. PTO benefits can accumulate up to specified maximum levels. Employees are paid for PTO accumulated benefits if they leave either upon termination or separation. Accrued PTO liabilities as of June 30, 2019 and 2018 were $1,615,932 and $1,557,620, respectively.

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The System accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the System. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient revenues and then written off entirely as an adjustment to net patient service revenues.

Donor-Restricted Gifts and Contributions: Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are generally reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the amount originally set aside as a net assets with donor restrictions is transferred to the net assets without donor restrictions and recorded in the proper manner to reflect the donor's intention. In the absence of donor restrictions, contributions are considered to be available for unrestricted use. All revenue is recognized in the period when the contribution, pledge or unconditional promise to give is received. The Hospital considers contributions as non-operating revenues and are a component of the statement of operations.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant Revenues: From time to time, the System receives grants from various governmental agencies and private organizations and from individuals. Revenues from grants are recognized when all eligibility requirements, including time requirements are met. Grants may be restricted for either specific operating purposes or capital acquisitions. Operating grants, when recognized upon meeting all requirements, are reported as components of unrestricted revenues, gains and other support.

District Tax Revenues: The System receives substantial revenues of its financial support from property taxes. These funds are used to support operations and meet required debt service agreements. Taxes used for operations are classified under unrestricted revenues, gains and other support while taxes used to service debt borrowings are classified as non-operating revenue as the revenue is not directly linked to the operation of patient care. Property taxes are levied by the County on the System's behalf during the year, and are intended to help finance the System's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each due date.

Statements of Cash Flows: For purposes of the combined statements of cash flows, all highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Cash paid for interest expense during the year ended June 30, 2019 and 2018 was $5,188,291 and $5,050,780, respectively.

Income Taxes - The Hospital is a not-for-profit organization formed under the laws of the State of California. The Hospital has been determined to be exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code by the United States of America's Internal Revenue Service (IRS) and under similar codes by the State of California. Accordingly, no provision for income taxes is included in the accompanying financial statements. The tax years of 2016 through 2019 remain open and subject to examination by the appropriate government agencies of the United States and the State of California

Recently Adopted Accounting Pronouncement : In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 31, 2017. The pronouncement replaces three classes of net assets with two new classes, requires the reporting of expenses by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The Hospital has adopted this new pronouncement for the year ended June 30, 2019, and the prior year presentation is conformed except where not required. As a result of adopting this pronouncement, no material changes within the Hospital classifications have occurred.

Reclassifications: Certain reclassifications have been made in the 2018 combined financial statements in order to conform to the classifications used in the 2019 combined financial statements with no effect on the previously reported changes in net assets.

NOTE B - NET PATIENT SERVICE REVENUES

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for inpatient acute care services rendered to Medicare program beneficiaries are based on prospectively determined rates, which vary accordingly to the patient diagnostic classification system. Outpatient services are generally paid under an outpatient classification system subject to certain limitations. The System is, generally, no longer subject to cost reimbursement methodologies. Certain reimbursement matters are still subject to final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2019, cost reports through June 30, 2017 have been audited or otherwise final settled.

Medi-Cal: Payments for inpatient services rendered to Medi-Cal patients are made based on reasonable costs through December 31, 2013. Effective January 1, 2014, the State of California's Medi-Cal program changed inpatient reimbursement to state defined Diagnosis-Related Groups (DRG), similar to the Medicare inpatient payment methodology, as is, generally, no longer subject to cost reimbursement methodologies. Outpatient payments continue to be paid on pre-determined charge screens. The System, through December 31, 2013, is paid for cost-based inpatient services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. At June 30, 2019, cost reports through June 30, 2017, have been audited or otherwise final settled.

Other: Payments for services rendered to other than Medicare and Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates. The System has no capitated arrangements with any health plans as of June 30, 2019 and 2018.

Net patient service revenues summarized by payor are as follows:

	2019	2018
Inpatient services	$ 91,695,311	$103,346,483
Outpatient services	201,227,001	188,760,825
Gross patient service revenues	292,922,312	292,107,308
Less deductions from revenue	(227,659,783)	(227,170,221)
Net patient service revenues	$ 65,262,529	$ 64,937,087

Medicare and Medi-Cal revenue accounts for approximately 75% of the System's gross patient revenues for each year. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE C - RISK CONCENTRATIONS

Cash and Cash Equivalents: The System invests its excess cash in deposits with a local bank. At various times during the year, the System had deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The System does not have a policy for managing credit risk for cash and cash equivalents.

Patient Accounts Receivable: The System grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the System and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the System. Concentration of patient accounts receivable at June 30, 2019 and 2018 were as follows:

	2019	2018
Medicare	$ 21,615,097	$ 18,612,311
Medi-Cal	8,026,144	7,966,490
Other third party payors	12,909,710	11,109,322
Self pay and other	6,898,387	6,636,992
Patient accounts receivable, before allowances	49,449,338	44,325,115
Less allowances for deductions from revenue	(40,999,401)	(36,735,381)
Patient accounts receivable, net of allowances	$ 8,449,937	$ 7,589,734

NOTE D - OTHER RECEIVABLES

Other receivables as of June 30, 2019 and 2018 were comprised of the following:

	2019	2018
Property taxes receivable	$ 939,341	$ 662,398
Receivable from government supplemental programs, net	10,058,792	5,968,226
Other various receivables	1,229,862	873,665
	$ 12,227,995	$ 7,504,289

From time-to-time, hospitals may have certain physician income guarantee agreements to provide the physicians with a specified level of income for a period of time. Typically, the physician is then expected to practice in the area for a specified period of time, during which the amounts paid to the physicians are generally forgiven in a ratable fashion over time such as the time of service. When such transactions take place, accounting guidelines require the hospital to establish both an asset and a liability for the estimated fair value of its physician income guarantees at the inception of contracts entered into. As of June 30, 2019 and 2018, the System has no material agreements of this nature.

NOTE E - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2019 and 2018 were comprised of the following:

Restricted for the following various purposes:	2019	2018
Held under bond indenture agreements for capital additions	$ 294,818	$ 427,714
Held under bond indenture agreements for future debt service	7,941,756	6,495,789
Held as collateral for loan and other	434,506	142,194
	8,671,080	7,065,697
Less assets limited as to use available for current debt service	(4,150,146)	(4,124,741)
	$ 4,520,934	$ 2,940,956

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2019 and 2018 were comprised of the following:

	2019	2018
Land and land improvements	$ 3,648,366	$ 3,648,366
Buildings and improvements	122,338,070	122,338,070
Equipment	33,704,995	33,247,249
Construction-in-progress	8,390,249	8,370,896
	168,081,680	167,604,581
Less accumulated depreciation and amortization	(71,081,215)	(65,107,521)
	$ 97,000,465	$102,497,060

NOTE G - EMPLOYEES' RETIREMENT PLAN

The System offers a tax sheltered annuity (TSA) program covering substantially all employees with at least 90 days of service. Matching contributions are given at the discretion of the System's management based on percentage of gross salary. Expense under the TSA program amounted to approximately $1,166,003 and $1,140,840 for the years ended June 30, 2019 and 2018, respectively.

NOTE H - DEBT BORROWINGS

As of June 30, 2019 and 2018, debt borrowings were as follows:

	2019	2018
San Gorgonio Memorial Health Care District General Obligation Refunding Bonds, Series 2013; principal due each August 1st at various amounts through August 1, 2036; interest charged at 3% to 5% due semi-annually each August 1st and February 1st; collateralized by System property tax revenues:	$ 22,955,000	$ 23,465,000
San Gorgonio Memorial Healthcare District 2014 General Obligation Refunding Bonds, principal payment due each August 1st at various amounts through August 1, 2039; interest charged at 3% to 5.5% due semi-annually each August 1st and February 1st; secured by System property tax revenues:	61,275,000	62,290,000
San Gorgonio Memorial Healthcare District 2015 General Obligation Refunding Bonds, principal payment due each August 1st at various amounts through August 1, 2038; interest charged at 3% to 5% due semi-annually each August 1st and February 1st; secured by System property tax revenues:	24,430,000	24,785,000
Siemens loan; payable in monthly installments of $65,345 plus interest at 4.3%; due March, 2019; collateralized by System equipment, net patient accounts receivable, and unspent Proposition 13 funds:		577,709
Capital lease obligations, line of credit , premiums and other :	4,174,214	4,396,319
	112,834,214	115,514,028
Less current maturities of debt borrowings	(2,095,000)	(2,603,449)
	$110,739,214	$112,910,579

Future principal maturities for debt borrowings for the next five succeeding years are: $2,095,000 in 2020; $2,335,000 in 2021; $2,590,000 in 2022; $2,875,000 in 2023; and $3,180,000 in 2024.

NOTE H - DEBT BORROWINGS (continued)

Line of Credit: During the year the System renewed a revolving line of credit with a bank in the maximum amount of $10,000,000. Monthly payments of interest are required, charged at the bank's current rate for this line stated at 4.25%. The line of credit is collateralized by System receivables and other property. The outstanding balance as of June 30, 2019 and 2018 was $-0- and $-0-, respectively.

American Express: Effective June 19, 2013, the System was able to secure $1,250,000 in unsecured and interest-free monthly credit. The limit on this line of credit is refreshable, so the System can always charge more than the amount awarded by sending payment to American Express to "buy down" the System's outstanding balance. This line of credit had a balance of $31,065 and $28,011 as of June 30, 2019 and 2018, respectively. These outstanding balances are imbedded within the accounts payable line presented on the balance sheets.

Siemens Loan: The Siemens loan required that Proposition 13 tax revenue be held in a separate bank account. This bank account had a balance of $-0- and $25,387 at June 30, 2019 and 2018, respectively. The loan also required the System to maintain certain financial ratios and other financial covenants and to obtain approval from Siemens before entering into certain types of additional indebtedness. The System was in compliance with all related Siemens loan covenants as of June 30, 2018.

Bonds Payable: In March, 2013, the System issued $25,015,000 of aggregate principal amount of the San Gorgonio Memorial Health Care District (Riverside County, California) 2013 General Obligation Refunding Bonds (the 2013 bonds). Principal and interest payments are payable semiannually. Principal payments began August, 2014, and interest payments began in August, 2013. Bonds maturing on or after August 1, 2021 are subject to optional early redemption beginning August 1, 2020. Bonds maturing on August 1, 2036 are subject to mandatory redemption. The proceeds were used to advance refund the 2006 bonds that became subject to early redemption on August, 1, 2013. Proceeds from the 2013 bonds were held in trust with a trustee under an escrow agreement dated March 12, 2013, and were used to pay in full the 2006 bonds during the year ended June 30, 2014.

In June, 2014, the System issued $64,425,000 of aggregate principal amount of the San Gorgonio Memorial Health Care District (Riverside County, California) 2014 General Obligation Refunding Bonds (the 2014 bonds). Principal and interest payments are payable annually and semiannually, respectively. Principal payments began August 1, 2015 and interest payments began February 1, 2015. The proceeds from the 2014 bonds were used to advance refund the 2009 bonds. A portion of the proceeds from the 2014 bonds are held in escrow with a trustee. These escrow funds will be used to fully redeem the 2009 bonds on August 1, 2017.

NOTE H - DEBT BORROWINGS (continued)

In December, 2015, the System issued $25,780,000 of aggregate principal amount of the San Gorgonio Memorial Health Care District (Riverside County, California) 2015 General Obligation Refunding Bonds, Series 2015 (the 2015 bonds). Principal and interest payments are payable annually and semiannually, respectively. Principal payments begin August 1, 2016 and interest payments began February 1, 2016. The majority of the proceeds from this issuance were used to advance refund all the outstanding bonds issued under the San Gorgonio Memorial Health Care District (Riverside County, California) General Obligation Bonds, Election of 2006, Series B (the 2006 bonds) which at the time showed principal outstanding of $24,775,000. During the year ended June 30, 2016, the System entered into an escrow agreement whereby the proceeds from the issuance of the 2015 bonds are held in trust with a trustee until such future time when the 2006 bonds will be paid in full due to an early redemption agreement.

The 2013, 2014 and 2015 bonds represent the remaining general obligation of the System as of June 30, 2019 and 2018. The District is empowered and obligated to levy *ad valorem* property taxes on all property with the District's legal boundaries and subject to taxation by the District. These taxes are collected by the treasurer's office of the Riverside County of California and used to service all debt payments required by these bond agreements. Funds held by the District in this regard are required to deposited into separate and distinct accounts and are presented within the assets limited as use category with the combined financial statements of the System.

NOTE I - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2019, the System has recorded $8,390,249 as construction-in-progress representing cost capitalized for various remodeling and expansion projects on the System's premises. The System's most significant remodeling and expansion project involves the construction of a patient care facility extension to the newly constructed Emergency Department and Intensive Care Unit (ED/ICU). Processed construction costs related to this project were $6,973,717 and $6,973,717 as of June 30, 2019 and 2018, respectively.

Interest costs on borrowed funds, net of interest earnings, was being capitalized during the period of construction of the ED/ICU, as the interest expense was a component of constructing this asset which was funded by debt borrowings. No net interest amount was capitalized during the years ended June 30, 2019 and 2018 on the patient care facility as construction of the patient care facility is on hold until funding sources are determined and it is deemed ready to proceed with construction. Once funding sources are obtained, construction will commence. Future costs to complete all other projects as of June 30, 2019 are considered minor.

Operating Leases: The System leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2019 and 2018, was $913,805 and $690,087, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2019, that have initial or remaining lease terms in excess of one year are not considered material.

NOTE I - COMMITMENTS AND CONTINGENCIES (continued)

Litigation: The System may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2019 will be resolved without material adverse effect on the System's future financial position, results from operations or cash flows.

Medical Malpractice Insurance: The System maintains commercial malpractice liability insurance coverage through the Beta Risk Management Authority (Beta) under a claims made and reported policy covering losses up to $20 million per claim and $30 million in the annual aggregate, with a per claim deductible of $25,000. The System plans to maintain this same insurance coverage by renewing its current policy. During the year ended June 30, 2019 estimated claim receivables from program Beta approximated estimated claims payable for claims made.

Workers Compensation Program: The System is a participant in the Beta Risk Management Authority (the Fund) which administers a self-insured worker's compensation plan for participating hospital employees of its member hospitals. The System pays premiums to the Fund which are adjusted annually. If participation in the Fund is terminated by the System, the System would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the Fund.

Regulatory Environment: The System is subject to several laws and regulations. These laws and regulations include matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to possible violations of statues and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the System is in compliance with all applicable government laws and regulations and is not aware of any future actions or unasserted claims at this time.

Health Care Reform: As a result of recently enacted federal and state healthcare reform legislation, substantial changes are anticipated both in the United States of America's and the State of California's healthcare delivery systems. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligations of health insurers, providers, and employers. The provisions are currently slated to take effect at specified times over the next decade. The federal and state healthcare reform legislation does not materially affect the 2019 and 2018 combined financial statement presentation.

NOTE I - COMMITMENTS AND CONTINGENCIES (continued)

Grants: During the years ended June 30, 2019 and 2018, the System received grants in the amount of $319,282 and $481,417 for various operational programs as designated by the Grantors. Often, grant awards from governmental agencies can be subject to audits. Such audits could result in claims against the System for disallowed costs or noncompliance with grantor restrictions. The amount, if any, of expenditures that may be disallowed by grantors cannot be determined at this time, however the System would anticipate that any such amounts would be not be considered to be material to the combined financial statement presentation.

NOTE J - PROPERTY TAXES

The Riverside County Treasurer's office acts as an agent for the System to levy and collect a variety of property taxes and assessments from within District boundaries. Taxes are levied annually each July 1st on property values listed as of the prior January 1st. Assessed values are established by the Riverside County Assessor's office at 100% of approximate fair market values. Reevaluations of all properties within the District boundaries are performed annually by the Assessor's office. Taxes are due to the County in two equal installments each November 1st and February 1st. The assessed property is subject to lien on the levy date and taxes are considered delinquent after each December 10th and April 10th. For the years ended June 30, 2019 and 2018, combined property taxes for various System purposes were $12,247,343 and $11,394,883, respectively. Details of the various System's property tax receipt and disbursement programs are detailed in a supplemental schedule to these combined financial statements.

NOTE K - RELATED PARTY TRANSACTIONS

The System conducts business with the Desert Anesthesia Consultants (DAC). A partner of the DAC is also a System's Board member. In addition, the System has a long-term agreement with the DAC, of which the System is committed to pay a minimum of $1,100,000 upon early cancellation of the agreement between the two parties. During the years ended June 30, 2019 and 2018, the System incurred expenses of $460,444 and $1,172,843, respectively, for professional services rendered by the DAC. This agreement terminated in October, 2018.

NOTE L - INTERGOVERNMENTAL TRANSFER PROGRAM

The System participates in the intergovernmental transfer (IGT) program and other related supplemental programs sponsored by the State of California for the State's health care districts. These programs are an integral part of the overall State's Quality Assurance Fee programs, supported by funding from the federal government. IGT and related program revenues for the years ended June 30 2019 and 2018 were $18,378,195 and $16,224,154, respectively. These amounts are recorded as contra-deductions within the System's deductions from revenue accounts which combine with gross patient revenues to arrive at net patient service revenues within the combined financial statements of the System. Related IGT expenses for the years ended June 30, 2019 and 2018 were $704,910 and $2,606,991, respectively, and are recorded as operating expenses within the System's combined financial statements.

NOTE M - SAN GORGONIO HOSPITAL FOUNDATION, INC.

The San Gorgonio Hospital Foundation, Inc. (the Foundation) was established to solicit contributions for the System and to support healthcare services in the geographical area of Banning, California. The Foundation has a separate Board of Directors from the System, but exists primarily to support the System. The Foundation contributed approximately $82,964 and $94,385 to the System during the years ended June 30, 2019 and 2018, respectively.

The System records its interest in the net assets of the Foundation, assets that have been collected by the Foundation, but not yet distributed to the System by the Foundation as of the end of each fiscal year. For the years ended June 30, 2019 and 2018, the System has recorded assets of $646,319 and $636,346, respectively, as interest in the net assets of the System foundation within the System's combined financial statements. Corresponding temporarily restricted and permanently restricted et assets have also been recorded within the net asset categories of the System's combined financials statements.

NOTE N - CHARITY CARE AND COMMUNITY BENEFIT EXPENSE

The System monitors the level of charity care and community service it provides. The amount of charges foregone, (based on established rates), for services and supplies furnished under its charity care policies are presented in the following summary which is a compilation of the System's charity care and community benefit expense for the years ended June 30, 2019 and 2018, in terms of services to the poor and benefits to the broader community:

	2019	2018
Benefits for the poor:		
Traditional charity care	$ 674,019	$ 964,919
Administrative write-offs	466,669	760,145
Total net charity and uncompensated care	1,140,688	1,725,064
Unpaid Medi-Cal program charges	81,609,109	96,924,579
Total quantifiable benefits for the poor	82,749,797	98,649,643
Benefits for the broader community:		
Unpaid Medicare program charges	51,371,677	47,613,567
Total quantifiable benefits for the broader community	51,371,677	47,613,567
Total quantifiable community benefits	$134,121,474	$146,263,210

NOTE O - FUNCTIONAL EXPENSES

The System provides general health care services to residents within its geographic location. The method used to arrive at the functional expense allocation is derived from Medicare cost reporting principles which basically serves to categorize expenses as those directly related to patient care and those considered to be general and administrative in support of patient care services. Functional expenses as of June 30, 2019 are as follows:

	Healthcare Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 18,074,419	$ 17,148,123	$ 72,165	$ 35,294,707
Employee benefits	4,316,862	4,107,379	5,483	8,429,724
Professional/contract labor	2,170,846	2,068,261		4,239,107
Supplies	4,212,642	4,008,931	4,637	8,226,210
Purchased services	3,157,752	3,008,528		6,166,280
Utilities/rents	931,741	887,710		1,819,451
Insurance	523,983	499,222		1,023,205
Interest	2,569,878	2,448,434		5,018,312
Depreciation and amortization	3,059,128	2,914,565		5,973,693
Other operating expenses/IGTs	1,762,440	1,631,559	47,595	3,441,594
Total expenses	$ 40,779,692	$ 38,722,711	$ 129,880	$ 79,632,283

Functional expenses as of June 30, 2018 are as follows:

	Healthcare Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 18,438,578	$ 17,480,866	$ 86,371	$ 36,005,815
Employee benefits	4,819,092	4,584,991	6,369	9,410,452
Professional/contract labor	2,103,228	2,003,836		4,107,064
Supplies	4,296,522	4,085,757	7,727	8,390,006
Purchased services	3,571,830	3,403,039		6,974,869
Utilities/rents	809,398	771,148		1,580,546
Insurance	531,787	506,656		1,038,443
Interest	2,657,739	2,532,144		5,189,883
Depreciation and amortization	3,149,203	3,000,383		6,149,586
Other operating expenses/IGTs	2,580,385	2,443,512	14,934	5,038,831
Total expenses	$ 42,957,762	$ 40,812,332	$ 115,401	$ 83,885,495

NOTE P - INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES

The System regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The System has various sources of liquidity at its disposal as itemized in the table presented below. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the System considers all expenditures related to its ongoing activities of providing health care services as well as the conduct of services undertaken to support those activities, to be general expenditures.

The System strives to maintain liquid financial assets sufficient to cover at least 30 days of expenditures. The System's policy is that excess cash on hand is invested in investment instruments with liquidity requirements to enable System usage of those assets within a short time period. The following table reflects the System's financial assets as of June 30, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

	June 30	
	2019	2018
Cash and cash equivalents	$ 4,175,262	$ 6,308,962
Assets limited as to use	8,671,079	7,065,697
Patient accounts receivable, net of allowances	8,449,937	7,589,734
Other receivables	12,227,995	7,504,289
Total financial assets	33,524,273	28,468,682
Less reduction of financial assets not available for general expenses	(7,941,756)	(6,495,789)
Total financial assets available for one year of general expenses	$ 25,582,517	$ 21,972,893

In addition to financial assets available to meet general expenditures over the next 12-month period, the Sysem operates a balanced budget and anticipates collecting sufficient patient service revenue to cover general expenditures not covered by assets limited as to use and donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the System's cash flow and shows the cash generated and used in operations for fiscal years 2019 and 2018.

NOTE Q - FAIR VALUE OF ASSETS AND LIABILITIES

The System has adopted Statement of Financial Accounting standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 fair value establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs for the assets or liabilities that are supported by little or no market activity and that are significant to the fair value of the underlying assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the System's balance sheets, as well as the classification pursuant to the valuation hierarchy.

Financial Instruments: Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 instruments include a variety of financial instruments as listed below. There are no Level 2 or Level 3 types within the balance sheet of the System. The following table summarizes the financial instruments measured at fair value on a recurring basis in accordance with FAS 157 as of June 30, 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Short term money market	$ 8,759,655	$ 8,759,655	-0-	-0-
Local agency investment fund	4,717	4,717	-0-	-0-
Totals of financial instruments	$ 8,764,372	$ 8,764,372	-0-	-0-

NOTE Q - FAIR VALUE OF ASSETS AND LIABILITIES (continued)

The following table summarizes the financial instruments measured at fair value on a recurring basis in accordance with FAS 157 as of June 30, 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Short term money market	$ 7,510,432	$ 7,510,432	-0-	-0-
Local agency investment fund	4,613	4,613	-0-	-0-
Totals of financial instruments	$ 7,515,045	$ 7,515,045	-0-	-0-

NOTE R - SUBSEQUENT EVENTS

The System's management has evaluated the effect of other significant subsequent events on the combined financial statements through October 30, 2019, the date the combined financial statements are issued, and determined that there are no other material subsequent events that have not been disclosed.

SUPPLEMENTARY SCHEDULES

Combining Balance Sheet

SAN GORGONIO HEALTH CARE SYSTEM

June 30, 2019

	Hospital	District	Eliminations	Combined Total
Assets				
Current assets:				
Cash and cash equivalents	$ 1,049,179	$ 3,126,083		$ 4,175,262
Assets limited as to use		4,150,146		4,150,146
Patient accounts receivable	8,329,763	120,174		8,449,937
Other receivables	11,283,511	11,841,161	(10,896,677)	12,227,995
Estimated settlements receivable	554,344			554,344
Inventories	1,668,855			1,668,855
Prepaid expenses and deposits	280,427	72,820		353,247
Total current assets	23,166,079	19,310,384	(10,896,677)	31,579,786
Assets limited as to use	12,787	4,508,147		4,520,934
Capital assets, net		97,000,465		97,000,465
Interest in Foundation	646,319			646,319
Other assets		1,474,000		1,474,000
	$ 23,825,185	$122,292,996	(10,896,677)	$135,221,504
Liabilities and Net Assets				
Current liabilities:				
Current debt maturities		$ 2,095,000		$ 2,095,000
Accounts payable	$ 15,864,022	89,989	(10,896,677)	5,057,334
Accrued payroll	3,051,669			3,051,669
Estimated settlements payable	732,545			732,545
Accrued interest payable		2,055,146		2,055,146
Total current liabilities	19,648,236	4,240,135	(10,896,677)	12,991,694
Debt borrowings, less current		110,739,214		110,739,214
	19,648,236	114,979,349	(10,896,677)	123,730,908
Net Assets:				
Net assets without restriction	3,937,865	7,313,647		11,251,512
Net assets with restriction	239,084			239,084
	4,176,949	7,313,647		11,490,596
	$ 23,825,185	$122,292,996	(10,896,677)	$135,221,504

Combining Statement of Operations and Changes in Net Assets

SAN GORGONIO HEALTH CARE SYSTEM

Year Ended June 30, 2019

	Hospital	District	Eliminations	Combined Total
Unrestricted revenues, gains, etc.				
Net patient service revenues	$ 64,951,314	$ 311,215		$ 65,262,529
Other operating revenues				
Grant revenues	319,282			319,282
District taxes		3,937,861		3,937,861
Other revenues	2,099,783	701,479	(653,465)	2,147,797
Total operating revenues	67,370,379	4,950,555	(653,465)	71,667,469
Operating expenses				
Salaries and wages	35,294,707			35,294,707
Employee benefits	8,429,724			8,429,724
Professional and other fees	2,731,074	228,499		2,959,573
Contract labor	1,279,534			1,279,534
Supplies	8,225,546	664		8,226,210
Purchased services	6,062,843	103,437		6,166,280
Utilities	905,646			905,646
Building and equipment rent	1,567,270		(653,465)	913,805
Insurance	1,023,205			1,023,205
Interest	192,915	4,825,397		4,982,736
Depreciation and amortization		5,973,693		5,973,693
Intergovernmental transfers	704,910			704,910
Other operating expenses	1,585,703	1,150,981		2,772,260
Total operating expenses	68,003,077	12,282,671	(653,465)	79,632,283
Operating income (loss)	(632,698)	(7,332,116)		(7,964,814)
Nonoperating revenues (expenses)				
District tax revenues		8,309,482		8,309,482
Capital contributions and other	92,937			92,937
Total nonoperating	92,937	8,309,482		8,402,419
Increase (decrease) in net assets	(539,761)	977,366		437,605
Net assets at beginning of year	4,716,710	6,336,281		11,052,991
Net assets at end of year	$ 4,176,949	$ 7,313,647		$ 11,490,596

Earnings Before Interest, Depreciation and Amortization (EBIDA)

SAN GORGONIO HEALTH CARE SYSTEM

	Year Ended June 30	
Unrestricted revenues, gains and other support	2019	2018
Net patient service revenue	$ 65,262,529	$ 64,937,087
Other operating revenues		
Grant revenues used for operations	319,282	481,417
District taxes used for operations	3,937,861	3,565,041
Other revenues	2,147,797	1,840,667
Total unrestricted revenues, gains and other support	71,667,469	70,824,212
Operating expenses		
Salaries and wages	35,294,707	36,005,815
Employee benefits	8,429,724	9,410,452
Professional fees	2,959,573	2,539,562
Contract labor	1,279,534	1,567,502
Supplies	8,226,210	8,390,006
Purchased services	6,166,280	6,974,869
Utilities	905,646	890,459
Building and equipment rent	913,805	690,087
Insurance	1,023,205	1,038,443
Intergovernmental transfer program	704,910	2,606,991
Other operating expenses	2,736,684	2,431,840
Total operating expenses w/o interest, depreciation & amortization	68,640,278	72,546,026
Earnings (loss) before interest, depreciation and amortization	$ 3,027,191	$ (1,721,814)

The earnings before interest, depreciation and amortization schedule is derived from the combined statements of operations and changes in net assets. However, it excludes the following line items:

Interest
Depreciation and amortization
District tax revenues used for capital expenditures
Loss on refinancing
Capital contributions and other changes in net assets

Property Tax Receipts and Disbursements

SAN GORGONIO HEALTH CARE SYSTEM

	Year Ended June 30	
	2019	2018
Beginning Measure A Debt Service Cash	$ 6,495,790	$ 5,277,880
Measure A debt service receipts:		
Tax receipts	8,282,972	8,149,241
Interest income	10,394	5,229
Total Measure A debt service receipts	8,293,366	8,154,470
Measure A debt service disbursements:		
Bond principal payments	1,880,000	1,680,000
Bond interest payments	4,967,400	5,256,560
Funds deposited in escrow to defease 2009 bonds		
Total Measure A debt service disbursements	6,847,400	6,936,560
Ending Measure A Debt Service Cash	$ 7,941,756	$ 6,495,790
Beginning Measure D Cash	$ 978,774	$ 884,951
Measure D receipts:		
Tax receipts	2,265,438	2,199,003
Interest income	2,736	453
Total Measure D receipts	2,268,174	2,199,456
Measure D disbursements:		
Emergency room salaries	2,464,964	2,105,633
Total Measure D disbursements	2,464,964	2,105,633
Ending Measure D Cash	$ 781,984	$ 978,774
Beginning Proposition 13 and ABX 126 Cash	$ -0-	$ -0-
Proposition 13 and ABX 126 receipts:		
Tax receipts	1,569,395	1,518,049
Total Proposition 13 and ABX 126 receipts	1,569,395	1,518,049
Proposition 13 and ABX 126 disbursements:		
Capital purchases and other related purchases	1,569,395	1,518,049
Total Proposition 13 and ABX 126 disbursements	1,569,395	1,518,049
Ending Proposition 13 and ABX 126 Cash	$ -0-	$ -0-

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT (the "District") in connection with the issuance by the District of its $20,275,000 San Gorgonio Memorial Healthcare District (Riverside County, California) 2020 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Directors of the District on August 4, 2020 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth above and, in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means March 31 after the end of the District's fiscal year.

"*Dissemination Agent*" shall mean D.K. Goulding Financial Services, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*Fiscal Year*" means any twelve–month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve–month period selected and designated by the District as its official fiscal year period under a Certificate of the District filed with the Trustee.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Participating Underwriter*" means collectively, Piper Sandler & Co. and Hilltop Securities Inc., the original underwriters of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2–12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

"*Significant Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2–12(b)(5).

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021, with the report for fiscal year 2019-20 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then–applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information

and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the Official Statement, as follows:

(i) The assessed value of taxable property in the District as shown on the recent equalized assessment role; and
(ii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non–payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person;

(xiii) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material;

(xv) The incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Significant Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Bond Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier "if material." The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event's occurrence is material for purposes of U.S. federal securities law. The District intends that the words used in paragraphs (xv) and (xvi) and the definition of "financial obligation" to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the

District shall give notice of such termination in the same manner as for a Significant Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or

including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Significant Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) Article 6 of the Bond Resolution is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Bond Resolution. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the paying agent thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: [Closing Date]

SAN GORGONIO MEMORIAL
HEALTHCARE DISTRICT

By _____
Authorized Officer

ACKNOWLEDGED:

D.K. GOULDING FINANCIAL SERVICES,
LLC, as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Gorgonio Memorial Healthcare District

Name of Issue: San Gorgonio Memorial Healthcare District (Riverside County, California) 2020 General Obligation Refunding Bonds

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

D.K. GOULDING FINANCIAL SERVICES, LLC, as Dissemination Agent

By _____
Name _____
Title _____

cc: Paying Agent

APPENDIX D

BOOK-ENTRY SYSTEM

The following information concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the District and the Underwriters take no responsibility for the accuracy of such statements.

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides assets servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in the Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit

has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee or Paying Agent on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, definitive bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event definitive bonds will be printed and delivered.

THE DISTRICT, THE UNDERWRITERS, THE PAYING AGENT AND THEIR AGENTS AND COUNSEL WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (I) THE BONDS; (II) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT; (III) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR INTEREST WITH RESPECT TO THE BONDS; (IV) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC, ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS; (V) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (VI) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS.