

Beach Cities Health District

Los Angeles County, California

Serving the residents of Hermosa Beach,
Manhattan Beach and Redondo Beach



Comprehensive Annual Financial Report

Fiscal Year ended June 30, 2009



Live Well. Health Matters.

2

INTRODUCTORY SECTION

Beach Cities Health District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

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December 30, 2009

Board of Directors, Beach Cities Health District,
Citizens of Hermosa Beach, Manhattan Beach and Redondo Beach, California:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Beach Cities Health District (BCHD or "the District") for the fiscal year ended June 30, 2009. The District is committed to implementing sound fiscal policy, responsible management and excellence in financial reporting.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The reader is referred to the Management Discussion & Analysis (MD&A) section beginning on page 3 for an overview of the District's financial position. This transmittal letter is designed to complement the MD&A and therefore should be read with it. The District's MD&A is required supplementary information and provides information and analysis that users need to interpret the basic financial statements.

The CAFR is presented in four sections as is standard practice: introductory, financial, statistical and compliance & controls. The introductory section, unaudited, includes this transmittal letter and the District's organizational chart for the fiscal year 2008-2009. The financial section includes the independent auditor's report, management's discussion & analysis, basic financial statements and related footnotes, and other schedules that provide detailed information relative to the basic financial statements. The statistical section, which is also unaudited, includes selected financial and demographic information, generally presented on a multi-year basis. The compliance and controls section includes the auditor's report on the internal control structure and compliance with applicable laws and regulations.

Service Efforts and Accomplishments In FY2009, the District delivered services to its residents and citizens, adhering to its financial policies and adopted financial plan as evidenced by the budget-to-actual reports presented later in this package.

In addition to normal recurring capital replacement issues, capital expenditure improvements during the year included energy efficiency upgrades to the District's main site power plant. Resulting from a building energy assessment completed in March, 2006, eight energy efficiency measures to modernize antiquated technology were 1) new chiller, 2) new boiler, 3) air-handling measures, 4) free-cooling heat exchanger, 5)

control system, 6) lighting, 7) cogeneration, and 8) garage fan controls. \$2.2 million funding for this capital project was Board-approved in May 2007 for FY2007, energy recovery recovered through reduced electricity and gas usage is designated, to be unspent on services until full recovery is achieved. Project completion was realized during FY2008-09.

Reporting Entity This CAFR presents the financial status of the District and its component unit, Prospect One Corporation (POC), which is included in the District's reporting entity because of its operationally and financially integral relationship with the District. The component unit, POC is reported on a blended basis as part of the primary government because its board is comprised of all District board members.

Profile of the Government The Beach Cities Health District was formed in 1955 under California State's Local Health Care District law, a public health government agency serving the residents of Manhattan Beach, Hermosa Beach, and Redondo Beach, providing health and wellness programs that promote healthy lifestyles, physical fitness, and emotional health.

District Services The Beach Cities Health District service delivery is organized around life spans: Youth Services, Adult Services, and Older Adult Services.

The **Youth Services Department** consists of Youth Obesity Prevention, School Health Services, and AdventurePlex.

Youth Obesity Prevention is responsible for identifying and addressing relevant health needs and issues that affect youth; program development; leading community collaborations to create innovative partnerships that address community health needs and BCHD Priority Health Areas including Nutrition Education, Physical Education, Counseling, Substance Abuse, Emotional and Social Health Education, and Truancy and School Drop-out Intervention.

School Health Services provides a variety of physical, mental, and social health programs for children within the beach cities school setting. These include: health education for elementary students; physical education for children kindergarten through sixth grade; life skills and substance abuse education for middle school students; and obesity prevention education at the elementary level.

AdventurePlex is a health and fitness center created especially for youth. Geared to challenge children - physically, mentally, and intellectually - with non-stop activities in a safe, structured environment, it provides a fun place to play, with an Adventure Play Structure full of mazes, tunnels and slides; an outdoor rock climbing wall and ropes course; gymnasium; arts & crafts rooms; and fitness center. AdventurePlex also focuses on family fun with many special events throughout the year, an array of classes and day camp sessions.

The **Adult Services Department** encompasses services provided at the Center for Health & Fitness, the Center for Health Connection, and the Center for Health Information and Emergency Preparedness.

The Center for Health & Fitness is a medically-based, health and fitness facility that targets the following segments of the population, discussed separately in the following section.

The Center for Health Connection was formed to improve health to the underserved population of the beach cities. This populations segment includes those unable to access healthcare due to inability to pay or to access the appropriate providers, providing medical, dental, and counseling services for uninsured or underinsured residents.

Center for Health Information and Emergency Preparedness (CHIEP) provides health resource materials, books, pamphlets, audiotapes, videotapes, and access to computer web sites with relevant information for those seeking wellness and health information. It serves as a location for screenings and lectures. It provides innovative programs and services that enhance overall wellness. The programs include fitness and nutrition classes, health education courses, health and safety training programs, and prevention, treatment and education programs.

The Medical Reserve Corps (MRC) Program, a national, community-based movement is a specialized component of the Citizen Corps Council, a national network of community-based volunteers that supplements existing community emergency response systems throughout the year and during large-scale emergencies. MRC volunteers also offer education and prevention services to improve the health and well-being of their communities.

The **Older Adult Services Department** provides the following services designed to improve the quality of life and maintain independence for older and disabled residents in the three Beach Cities: confidential in-home assessment, care planning, advocacy, referrals to health and community services, and volunteer services, and access to District's Senior and Disabled Health Fund (for qualified residents).

Older Adult Services provides the Peer Counseling Program: Participants matched with highly skilled volunteers who provide confidential support and encouragement; the Friend to Friend Program: Weekly visits from trained volunteers who offer companionship and opportunities to expand support systems; Errand Volunteers: Assistance with shopping and errands; and Support Groups: Weekly support meetings; opportunity to share feelings with others in a safe, caring atmosphere; special groups for men only, women only, and caregivers.

Beach Cities Health District's special revenue fund segregates activity related to Prospect One Corporation, established to construct and operate medical office building space on the main campus of the District.

Economic Condition and Outlook The District serves the residents of the Cities of Hermosa Beach, Manhattan Beach, and Redondo Beach, Los Angeles's South Bay. The State Department of Finance estimates the combined population of these cities

increased slightly from 122,840 to 123,855 or 0.83% between January 2008 and January 2009.

Globally, the District experiences economic pressures felt by many organizations – declining-market-impacted property tax values and declining interest rates coupled with increased costs of insurance, employee salaries, and benefits.

Sheltered geographically somewhat as compared to inland areas, property value growth during the last year was significantly less than in prior years but nevertheless increased. The District's investment income was less volatile than the national market due to the benefit of laddering long-term investments and due to less reliance on State budget issues than other government agencies.

Financial Information District management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgment by management.

We believe that the District's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of county property tax funding, the District is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by District management.

In addition to internal controls, the District maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the District's governing body. Activities of the general and special revenue fund are included in the annual budget. The level of budgetary control, the level that expenditures cannot legally exceed, is established by fund. As demonstrated by the statements and schedules in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Cash Management The District's Investment Policy instructs staff to invest funds in a manner that will provide for the highest degree of safety, liquidity, and yield while conforming to all statutes governing the investing of public funds.

Independent Audit The accounting firm of Moss, Levy & Hartzheim, Certified Public Accountants, was selected by the BCHD Board to perform the fiscal year 2008-09 audit and subsequent four years. The auditor's report on the basic financial statements is included in the financial section of this report (pages 1-2). The auditor's report on the internal accounting controls of the District and statement regarding the District's use of

monies in compliance with the purpose of each fund is included in the compliance and controls section (pages 38-39).

Report Evaluation. This report seeks to meet established criteria for excellence in financial reporting, providing a published easily-readable and efficiently-organized CAFR whose contents conforms to existing standards.

Acknowledgements Timely preparation of this report could not be accomplished without the efforts of District staff and the staff of our independent auditors, Moss, Levy & Hartzheim, Certified Public Accountants. We would like to express our appreciation to all members of the departments who assisted and contributed to its preparation.

Without the continuing interest and support of the District Board of Directors in planning and conducting the financial operations of the Beach Cities Health District, preparation of this report would not have been possible.

Respectfully,

Steve Groom
Finance Director

Beach Cities Health District
Comprehensive Annual Financial Report
June 30, 2009

Board of Directors

President	Noel Chun, M.D.
President Pro-Tem	Vanessa Poster
Secretary-Treasurer	Joanne Edgerton
Board Member	Robert Grossman, M.D.
Board Member	Marie Liu Corr

Staff

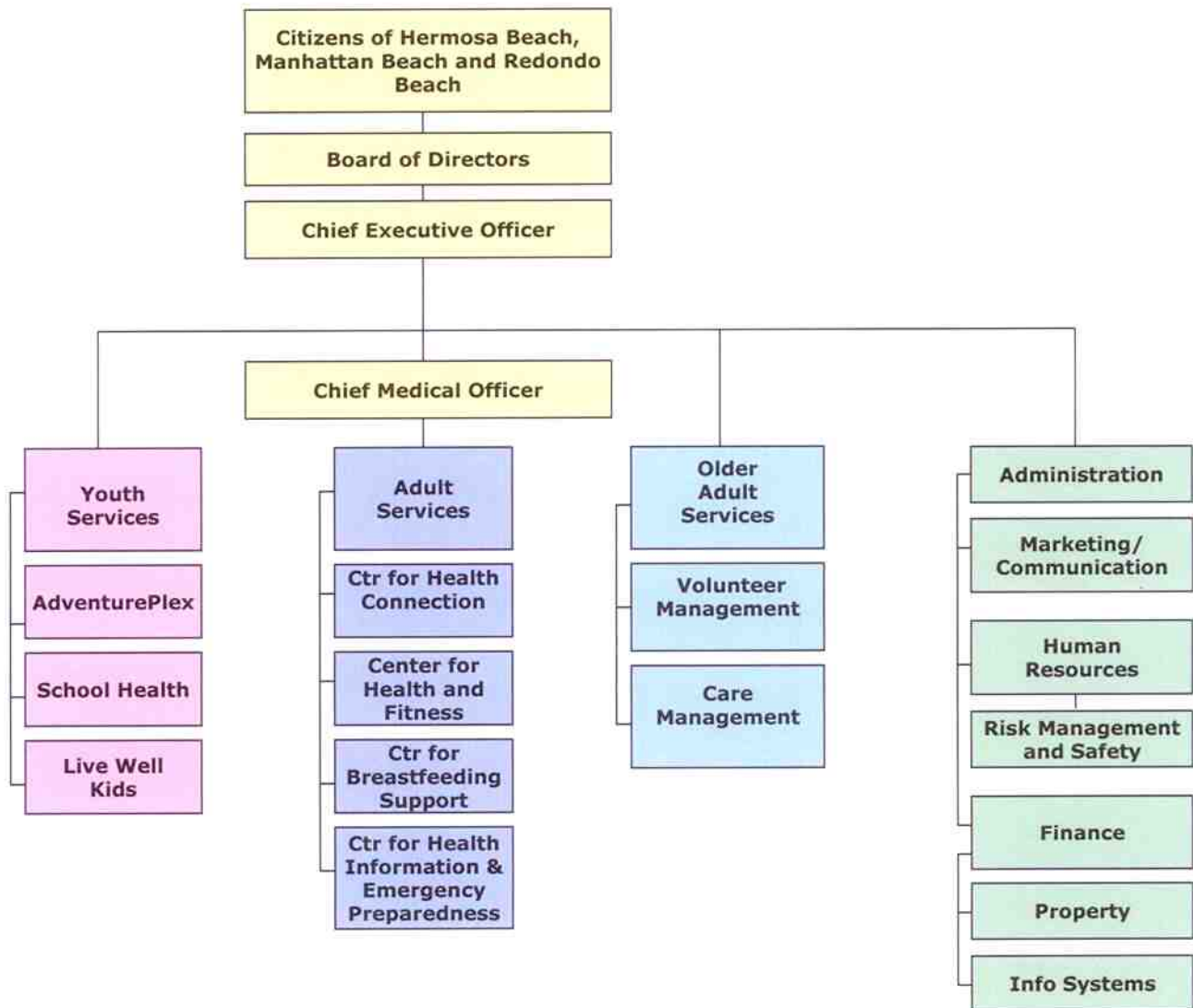
Chief Executive Officer	Susan Burden
Chief Medical Officer / Adult Services Director	Lisa Santora, M.D.
Human Resources Director	Jackie Berling
Finance Director	Steve Groom
Youth Services Director	Gretchen Oshita
Older Adult Services Director	Marilyn Rafkin

CAFR Report prepared by:

Finance Department
Beach Cities Health District
514 N. Prospect Ave., 3rd Floor
Redondo Beach, CA 90277

	Accounting Staff	
Judy Anderson	Chris Bobonski	Juliana Jenkins

Organization Chart



FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Beach Cities Health District
Redondo Beach, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Beach Cities Health District, California (District) as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Beach Cities Health District, California, as of June 30, 2009, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2008, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*; GASB Statement No. 52 *Land and Other Real Estate Held as Investments by Endowment*; GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*; and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Required Supplementary Information such as the Management's Discussion and Analysis on pages 3 through 8 and the General Fund budgetary comparison schedule on pages 37 is not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not required parts of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 15, 2009

Management of the Beach Cities Health District (the District) provides this Management Discussion and Analysis (MD&A) for readers of the District's financial statements. This narrative overview and analysis of the financial activities of the District is for the fiscal year ended June 30, 2009. Readers are encouraged to read this information alongside the District's financial statements, which follow.

Financial Highlights

- The assets of the District, \$83.0 million, exceeded its liabilities, \$8.6 million, at the close of 2008-2009 fiscal year by \$74.4 million (net assets). Of this amount, \$45.7 million (unrestricted net assets) may be used to meet the District's on-going obligations to residents and creditors, and \$28.7 million is invested in capital assets, net of related debt.
- The District's total net assets decreased by \$1.3 million in the current fiscal year ended June 30, 2009 compared to prior year. See page 14 for reconciliation of the net change in fund balances for governmental funds to the change in net assets for governmental activities.
- The cost of all governmental activities this year was \$12.7 million, compared to \$12.9 million the previous year, a decrease of 2%.
- 78% of the District's services were financed with funding sources other than taxes. The amount financed by taxpayers through property taxes was \$2.4 million, 22% of total revenues, compared to \$2.3 million and 21% in prior year.
- As of June 30, 2009 the District's governmental funds reported combined ending fund balances of \$39,313,448, and a decrease of \$141,834 in comparison with prior year. Approximately 67% of this total amount, \$26,491,761 is available to meet the District's current and future needs (unreserved fund balances).
- As of the close of the current fiscal year, the unreserved fund balance for the general fund was \$25.4 million, or 220% of general fund expenditures.
- The District's total debt consists of a capital lease payable of \$6.4 million offset by a note receivable of \$9.9 million. These are payable and receivable, respectively, over the same time frame through December 31, 2024.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Beach Cities Health District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector businesses. These can be found on pages 8-9 of this report.

The statement of net assets presents information on all of the District's assets and liabilities, using the accrual basis of accounting, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or declining.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as an event occurs, regardless of the timing of related cash collections or disbursements. Revenues and expenses are therefore reported in this statement for some items that will result in cash flows in future fiscal periods (i.e. property tax receivables and expenses incurred for which invoices were not received at fiscal year-end).

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These can be found on pages 10-13 of this report.

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year.

The focus of governmental funds is narrower than that of the government-wide financial statements, therefore it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-35.

Government-wide Financial Analysis

As noted previously, net assets may serve over time as an indicator of financial position. Assets exceeded liabilities by \$74.4 million at the close of the fiscal year ended June 30, 2009.

Condensed Statement of Net Assets

Statement of Net Assets (\$ Millions)			
	Governmental Activities		Increase (Decrease)
	2009	2008	
Assets			
Current and other assets	\$ 47.9	\$ 48.2	\$ (0.3)
Capital assets	35.1	36.3	(1.2)
Total assets	83.0	84.5	(1.5)
Liabilities			
Long-term debt outstanding	6.4	6.6	(0.2)
Other liabilities	2.2	2.2	-
Total liabilities	8.6	8.8	(0.2)
Net Assets			
Invested in capital assets			
net of debt	28.7	29.6	(0.9)
Restricted	-	-	-
Unrestricted	45.7	46.1	(0.4)
Total Net Assets	\$ 74.4	\$ 75.7	\$ (1.3)

Note: Due to rounding, the dollar details may not add up to corresponding totals.

A significant portion of the District's net assets, \$28.7 million (39 percent of assets), reflects its investment in capital assets (land, buildings, land improvements, furniture, fixtures, computer equipment, fitness equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to residents; consequently these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Beyond the net assets invested in capital assets, no portion of the District's net assets represents resources that are subject to external restrictions. Therefore, the remaining balance of unrestricted net assets, \$45.7 million, may be used to meet the District's ongoing obligations to citizens and creditors.

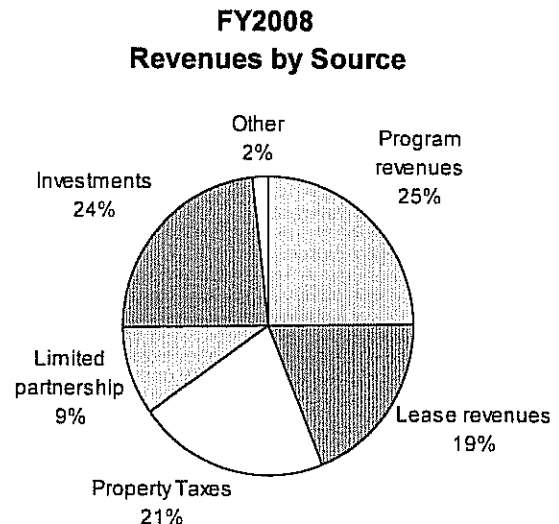
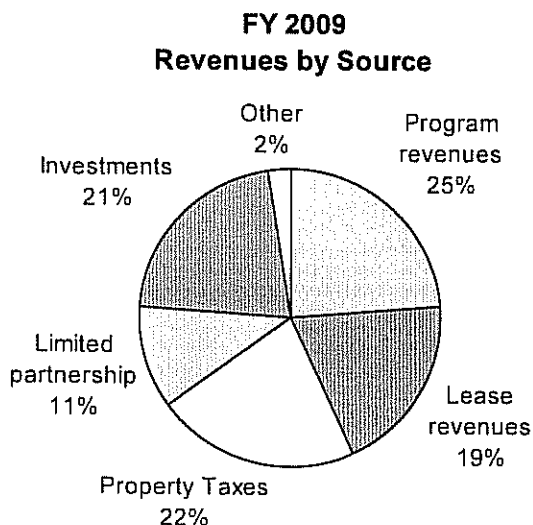
Condensed Statement of Activities

The cost of all governmental activities in the current year was \$12.7 million, compared to \$12.9 million in prior year. As shown in the Statement of Activities on page 9, the amount financed by taxpayers through property taxes was \$2.4 million, down from \$2.5 million in prior year. This represents 22% of total revenues; 78% of the District's services are financed with other funding sources.

	Governmental Activities		Variance
	FY 2008-09	FY 2007-08	
Revenues			
Program revenues:			
Charges for services	\$ 2.6	\$ 2.7	\$ (0.1)
Subtotal Program Revenues	2.6	2.7	(0.1)
General Revenues:			
Property taxes	2.5	2.3	0.2
Earnings on investments	4.5	4.6	(0.1)
Income from limited partnerships	1.2	1.0	0.2
Other income	0.3	0.2	0.1
Subtotal General Revenues	8.5	8.1	0.4
Total Revenues	11.1	10.8	0.3
Expenses:			
Health care services	12.2	12.4	0.2
Interest on long-term debt	0.5	0.5	
Total Expenses	12.7	12.9	0.2
Change in Net Assets	(1.6)	(2.1)	0.5
Net Assets - Beginning of Fiscal Year	75.7	77.8	(2.1)
Prior period adjustments	0.3		0.3
Net Assets - Beginning of Fiscal Year, restated	76.0	77.8	(1.8)
Net Assets - End of Fiscal Year	\$ 74.4	\$ 75.7	\$ (1.3)

Note: Due to rounding, the dollar details may not add up to corresponding totals.

As shown in the following chart, a significant share of the cost of services was paid by user fees, those directly benefiting from programs (Program Income \$2,605,809), and by revenue generated from District resources (property lease revenues, interest from investments, and limited partnership income).



Governmental Funds Financial Analysis

The Beach Cities Health District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$39,313,448. Most of this amount, \$26,491,761 constitutes unreserved fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is reserved to indicate that it is not available for spending, primarily a) the District's investment in limited partnerships for \$2,686,965 and b) notes receivable, net of related deferred revenues for \$9,968,642.

General Fund The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$25,371,285, of a total fund balance of \$38,192,972. As a measure of the District's liquidity, unreserved fund balance represents 220% of total general fund expenditures.

The fund balance of the Beach Cities Health District's general fund decreased by \$510,333 during the current fiscal year. This was primarily attributable to an operating surplus of \$271,128 and capital expenditures of (\$781,461).

Special Revenue Fund The special revenue fund segregates activity related to Prospect One Corporation, established to construct and operate medical office building space on the main campus of the District. Activity in the current fiscal year was comprised solely of interest income.

Unrestricted net assets of the special revenue fund at the end of the year amounted to \$1,120,476, an increase of \$49,793 over prior year.

General Fund Budgetary Highlights

In May, 2009, the Board of Directors approved a budget for the Fiscal Year 2008-2009 that forecast a surplus of \$456,232 before capital expenditures and principal retirement, maintaining commitments to existing service levels during a transitional tenant vacancy phase in the District's main building.

There were no amendments to the original budget.

The original and final budgeted revenues were \$12.2 million and the original and final appropriations were \$11.4 million. The actual total revenues of \$11 million were lower than final budgeted revenue of \$12.2 million, a decrease of \$1.2 million. The actual total expenditures of \$11.5 were higher than the final appropriations of \$11.4 by approximately \$0.1 million.

Expenditures for Capital Outlay, District's long-term investment in capital assets, \$447,944 were included in this budget, which excluded carryover of prior year for energy efficiency measures for the main District building. Actual expenditures varied from budget due largely to delayed timing of the energy efficiency project spending from prior year.

As shown in the following table total revenues and expenditures increased over prior year.

REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE

	Actual (\$ Millions)		Increase
	2009	2008	(Decrease)
Revenues			
Program income	\$ 2.6	\$ 2.7	\$ (0.1)
Financing & rental income	2.1	2.1	
Property taxes	2.4	2.3	0.1
Investment earnings	2.4	2.5	(0.1)
Limited partnership	1.2	1.0	0.2
Other	0.3	0.2	0.1
Total Revenues	11.0	10.8	0.2
Expenditures			
Current			
Salaries & related expenses	5.2	4.9	(0.3)
Grants & Projects	1.6	1.8	0.2
Professional fees	0.8	1.0	0.2
Facilities management	0.3	0.5	0.2
Community relations	0.4	0.5	0.1
General & Administrative	0.9	0.4	(0.5)
Cost of goods sold	0.3	0.3	
Human resources	0.1	0.1	
Information systems	0.1	0.1	
Other	0.3	0.0	(0.3)
Capital outlay	0.8	1.8	1.0
Debt service:			
Principal retirement	0.2	0.2	
Interest and other fiscal	0.5	0.5	
Total expenditures	11.5	12.1	0.6
Excess of revenues over (under) expenditures	(0.5)	(1.3)	0.8
Beginning fund balances	38.4	39.7	(1.3)
Prior period adjustments	0.3		0.3
Beginning fund balances, restated	38.7	39.7	(1.0)
Ending fund balance	\$ 38.2	\$ 38.4	\$ (0.2)

Property Tax revenue increased slightly, less so than in prior years, due to the national economic downturn's effect on the local real estate. Investment earnings decreased slightly due the national economic downturn's effect on interest rates. Limited Partnership revenue increased due to increased revenue from the Beach District Surgery Center that opened in April, 2006 and began partnership distributions in the 4th quarter of FY2007-08.

Outlay for capital expenditures decreased as the remainder of spending approved in FY06-07 was incurred on energy efficiency measures to upgrade obsolete technology of the 514 Building's heating, air conditioning and ventilation. Facilities management expenditures decreased as savings were realized from those energy-related capital measures.

Capital Asset and Debt Administration

Capital Assets The District's investment in capital assets for its governmental activities as of June 30, 2009 amounts to \$35,113,582 (net of accumulated depreciation). This investment includes land, buildings, furniture, fixtures, equipment, improvements, and construction in progress. The total decrease in the District's capital assets for the current fiscal year was 3%. For additional information on capital assets, please refer to Note 8 to the basic financial statement.

Capital Assets (in thousands)		
	Governmental Activities	
	FY 2008-09	FY 2007-08
Land	\$ 4,402	\$ 4,402
Construction in progress		2,125
Buildings and improvements	43,711	40,871
Equipment and furniture and fixtures	1,514	1,448
Total Capital Assets	<u>\$ 49,627</u>	<u>\$ 48,846</u>

The following were major capital asset events for the fiscal year:

- Completion of Energy Efficiency project \$225,000
- Center for Health & Fitness renovation \$167,000
- South-tower-related building improvements \$87,000
- Painting, main campus building \$49,000
- Roofing, main campus building \$48,000
- Campus Master Planning \$44,000

Long-Term Debt The District's total debt decreased by \$202,320 in comparison with prior year, primarily due to the scheduled repayment of the District's long-term debt component, the Prospect South Bay capital lease.

Economic Factors and Next Year's Budget

In the coming year, the District's property tax revenue will be affected by the decline in the average appreciation of housing coupled and the decline in the rate of sales effecting valuations by the Los Angeles County Tax Assessor. While depressed market and foreclosure activity have affected the local market, there is no glut of new housing inventory and due to the long-matured real estate market in the three beach cities, Property Taxes are not subject to the volatility as in other areas of the state. Property Tax is forecast to increase 3 percent in 2009-10, in line with city budgets.

The market decline in interest rates affects the District's Interest Revenue. The District typically buys investments and holds to maturity, rather than actively trading, staggering maturity dates monthly over five years. Therefore the average yield in the overall investment portfolio is expected to decrease gradually, mitigated by the longer-term investments already purchased. The District projects a 3.80% average yield despite near-zero expected returns in the money market and State investment pools used by the District for liquidity.

The District experiences economic pressures felt by many organizations – increased costs of insurance and employee salaries and benefits. The March 2009 Consumer Price Index for all Urban Consumers (CPI-U, U.S. Dept. of Labor) reported annual decrease of 4 percent over the prior year, the first 12-month decline since August 1955. Salaries, the District's largest expense category, are budgeted to increase 2.5% percent, in aggregate.

Requests for Information

This financial report is designed to provide a general overview of the Beach Cities Health District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Director of Finance, Beach Cities Health District, 514 N. Prospect Avenue, 3rd Floor, Redondo Beach, CA 90277

BEACH CITIES HEALTH DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities
ASSETS	
Cash and investments	\$ 27,995,447
Accounts receivable - net	370,651
Interest receivable	197,439
Notes receivable	16,377,271
Taxes receivable	107,048
Grants receivable	14,163
Pass through grants receivable	12,944
Prepaid items	144,887
Inventory	16,069
Investment in limited partnerships	2,686,965
Capital assets not being depreciated	4,401,926
Capital assets - net of accumulated depreciation	<u>30,711,656</u>
Total assets	<u>83,036,466</u>
LIABILITIES	
Current liabilities:	
Accounts payable	515,096
Accrued liabilities	1,088,502
Accrued payroll	50,949
Deposits	205,100
Unearned revenue	99,411
Compensated absences	241,749
Capital lease payable - due within one year	<u>219,008</u>
Total current liabilities	<u>2,419,815</u>
Non-current liabilities:	
Capital lease payable - noncurrent	<u>6,189,621</u>
Total noncurrent liabilities	<u>6,189,621</u>
Total liabilities	<u>8,609,436</u>
NET ASSETS	
Invested in capital assets, net of related debt	28,704,953
Unrestricted	<u>45,722,077</u>
Total net assets	<u><u>\$ 74,427,030</u></u>

See notes to the basic financial statements

BEACH CITIES HEALTH DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Net (Expense) Revenue and Change in Net Assets</u>
Primary Government:			
Health care services	\$ 12,141,949	\$ 2,605,809	\$ (9,536,140)
Interest on long-term debt	<u>517,680</u>		<u>(517,680)</u>
Total Governmental Activities	<u>\$ 12,659,629</u>	<u>\$ 2,605,809</u>	<u>(10,053,820)</u>

General Revenues:

Taxes:

Property taxes	2,431,068
Earnings on investments	4,524,450
Income from limited partnerships	1,223,811
Other income	<u>274,302</u>

Total general revenues	<u>8,453,631</u>
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Change in net assets	<u>(1,600,189)</u>
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Net assets - July 1, 2008	75,708,513
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Prior period adjustments	<u>318,706</u>
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Net assets - July 1, 2008, restated	<u>76,027,219</u>
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Net assets - June 30, 2009	<u><u>\$ 74,427,030</u></u>
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See notes to the basic financial statements

**BEACH CITIES HEALTH DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 26,933,577	\$ 1,061,870	\$ 27,995,447
Accounts receivable - net	370,651		370,651
Due from other funds		58,606	58,606
Interest receivable	197,439		197,439
Notes receivable	16,377,271		16,377,271
Taxes receivable	107,048		107,048
Grants receivable	14,163		14,163
Pass through grants receivable	12,944		12,944
Prepaid items	144,887		144,887
Inventory	16,069		16,069
Investment in limited partnerships	2,686,965		2,686,965
Total assets	<u>\$ 46,861,014</u>	<u>\$ 1,120,476</u>	<u>\$ 47,981,490</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 515,096	\$ -	\$ 515,096
Accrued liabilities	1,088,502		1,088,502
Accrued payroll	50,949		50,949
Due to other funds	58,606		58,606
Deposits	205,100		205,100
Deferred revenue	6,508,040		6,508,040
Compensated absences	241,749		241,749
Total liabilities	<u>8,668,042</u>		<u>8,668,042</u>
Fund balances			
Reserved:			
Petty cash	5,124		5,124
Investment in Limited Partnerships	2,686,965		2,686,965
Inventory	16,069		16,069
Prepaid items	144,887		144,887
Notes receivable	9,968,642		9,968,642
Unreserved - undesignated	25,371,285	1,120,476	26,491,761
Total fund balances	<u>38,192,972</u>	<u>1,120,476</u>	<u>39,313,448</u>
Total liabilities and fund balances	<u>\$ 46,861,014</u>	<u>\$ 1,120,476</u>	<u>\$ 47,981,490</u>

See notes to the basic financial statements

**BEACH CITIES HEALTH DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009**

Fund balances of governmental funds	\$ 39,313,448
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Amounts reported for governmental activities in the statement of net assets are different because:

Deferred revenues are recorded in the balance sheet of the governmental funds because the revenues are not available. These amounts are revenues in the government-wide statements.	6,408,629
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Capital lease payable is a long term debt and as such is not accrued in the governmental fund statements. The payable however is a liability in the statement of net assets.	(6,408,629)
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Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds.	<u>35,113,582</u>
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Net assets of governmental activities	<u><u>\$ 74,427,030</u></u>
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See notes to the basic financial statements

BEACH CITIES HEALTH DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Financing and rental income related to lease	\$ 2,123,750	\$ -	\$ 2,123,750
Investment earnings	2,350,777	49,923	2,400,700
Property taxes	2,431,068		2,431,068
Program income	2,605,809		2,605,809
Income from limited partnership	1,223,811		1,223,811
Other revenue	274,302		274,302
	<hr/>	<hr/>	<hr/>
Total revenues	11,009,517	49,923	11,059,440
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
Grants and projects	1,603,432		1,603,432
Salaries and related expenses	5,231,198		5,231,198
General and administrative	910,099	130	910,229
Human resources	148,591		148,591
Information services	84,254		84,254
Community relations	406,189		406,189
Facilities management	354,479		354,479
Professional fees	752,736		752,736
Cost of goods sold	257,085		257,085
Other	270,326		270,326
Capital outlay	781,461		781,461
Debt service:			
Principal retirement	202,320		202,320
Interest and other fiscal charges	517,680		517,680
	<hr/>	<hr/>	<hr/>
Total expenditures	11,519,850	130	11,519,980
	<hr/>	<hr/>	<hr/>
Net changes in fund balances	(510,333)	49,793	(460,540)
	<hr/>	<hr/>	<hr/>
Fund balances - July 1, 2008	38,384,599	1,070,683	39,455,282
	<hr/>	<hr/>	<hr/>
Prior period adjustments	318,706		318,706
	<hr/>	<hr/>	<hr/>
Fund balances - July 1, 2008, restated	38,703,305	1,070,683	39,773,988
	<hr/>	<hr/>	<hr/>
Fund balances - June 30, 2009	\$ 38,192,972	\$ 1,120,476	\$ 39,313,448
	<hr/>	<hr/>	<hr/>

See notes to the basic financial statements

**BEACH CITIES HEALTH DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Net change in fund balances - total governmental funds	\$ (460,540)
Amounts reported for governmental activities in the statement of activities differ because:	
Principal retirement is an expenditure item in the governmental funds, however, it reduces long term liabilities in the statement of net assets.	202,320
Receipt of principal on notes receivable is recorded as a revenue in the governmental funds but reduces the receivable in the statement of net assets	(202,320)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.	<u>(1,139,649)</u>
Change in net assets of governmental activities	<u><u>\$ (1,600,189)</u></u>

See notes to the basic financial statements

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Beach Cities Health District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements include the Beach Cities Health District and Prospect One Corporation. Beach Cities Health District (District) is a government agency whose purpose is promoting health care in the Cities of Redondo Beach, Manhattan Beach, and Hermosa Beach, California. On January 7, 1993, the District changed its name from the South Bay Hospital District to the Beach Cities Health District. Prior to June 1984, the District operated an acute care hospital. The governing body is an elected board of five trustees. Prospect One Corporation (Corporation) was established to construct and operate a medical office building for the benefit of the District. The criteria used in determining the scope of the reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 14 as amended by Governmental Accounting Standard Board Statement No. 39. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has accounted for the Corporation as a blended component unit. Despite being legally separate, this entity is intertwined with the District and in substance, part of the District's operations.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Certain taxes, interest, subventions, and grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

General Fund

The General Fund is used to account for all financial resources traditionally associated with government activities which are not required legally to be accounted for in another fund.

Special Revenue Fund

The Special Revenue Fund is used to account for the activities of the Prospect One Corporation.

D. Assets, Liabilities, Net Assets, or Fund Balance

Cash and Investments

Beach Cities Health District (District) operates its temporary pooled idle cash and investments under the prudent man rule (Probate Code Section 16040). This affords the District a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current legislation of the State of California (Government Code Section 53600 et seq.).

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Pools", which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the fiscal year in which the change occurred.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Assets, or Fund Balance (Continued)

Cash and Investments (Continued)

The District's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of its portfolio quarterly and reports a factor to the District; the District applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables.

Advances between funds, as reported in the fund financial statements, are offset by a fund reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts, if applicable, and estimated refunds due.

Property taxes in the State of California are administered for all local agencies at the County level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations - are established by the Assessor of Los Angeles County for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies - are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates - are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Assets, or Fund Balance (Continued)

Receivables and Payables (Continued)

Tax Collections - are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Tax Levy Apportionments - Due to the nature of the District wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County auditor-controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees - The State of California FY 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

Prepaid Items

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

Inventories

Inventories are carried at cost on an average cost basis. The District uses the consumption method of accounting for inventories.

Capital Assets

Capital assets which include land, buildings and improvements, furniture and fixtures, and machinery and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an estimated useful life in excess of one year. The capitalization policy of the District is to capitalize all capital assets with a cost of \$5,000 or more. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2009.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Assets, or Fund Balance (Continued)

Capital Assets (Continued)

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-32
Machinery and equipment	2-9
Furniture and fixtures	2-9

Periodic restoration and maintenance costs on particular items are charged to expense as incurred.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation leave (compensated absences). It is the District's estimate that these compensated absences will be used within one year. At June 30, 2009, vacation leave of \$241,749 is included as a current liability as per the District's policy.

Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities.

Net Assets and Fund Balances

In the government-wide financial statements, net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the District (such as creditors, grantors, contributors, and laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The District's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Undesignated fund balance represents that portion of fund balance which is available for budgeting in future periods.

E. Estimates

The preparation of 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 financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. New Accounting Pronouncements

The District has implemented the requirements of GASB Statement No. 49, GASB Statement No. 52, GASB Statement No. 55, and GASB Statement No. 56 during the fiscal year ended June 30, 2009.

GASB Statement No. 49

For the fiscal year ended June 30, 2009, the District implemented Governmental Accounting Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". The Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the documents excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning.

GASB Statement No. 52

For the fiscal year ended June 30, 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". The Statement is effective for periods beginning after June 15, 2008. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55

For the fiscal year ended June 30, 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 55, "the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. New Accounting Pronouncements (Continued)

GASB Statement No. 56

For the fiscal year ended June 30, 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 56, "Codification of Accounting and Financing Reporting Guidance Contained in the AICPA Statement of Auditing Standards". The statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than the auditing literature.

G. Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between fund balances – governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term debt has not been included in the governmental fund activity". The detail of the \$6,408,629 long-term debt difference is as follows:

Long-term debt	
Capital lease payable	<u>\$ 6,408,629</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u>\$ 6,408,629</u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Reconciliation of Government-wide and Fund Financial Statements (Continued)

The details of this difference are as follows:

Capital outlay	
Capital outlay	\$ 781,461
Depreciation	<u>(1,921,110)</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,139,649)</u>

Another element of that reconciliation states that the note receivable is not available to pay for current period expenditures and, therefore is offset by deferred revenue in the government fund. The details of this \$202,320 difference are as follows:

Note receivable:	
Prospect South Bay note receivable - deferred revenue	<u>\$ 202,320</u>
Net adjustment to decrease net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 202,320</u>

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Budget Policies

The Board of Directors of the Beach Cities Health District adopts an annual budget for the General Fund, which provides for the operation of the District. It includes proposed annual expenditures and estimated annual revenues. The District does not adopt an annual budget for its Special Revenue Fund.

The budget for the General Fund is adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America.

The general fund's expenditures exceeded appropriations during the fiscal year as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$11,519,850	\$10,848,705	\$671,145

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 27,995,447
Total cash and investments	<u>\$ 27,995,447</u>

Cash and investments as of June 30, 2009 consist of the following:

Petty cash	\$ 5,124
Deposits with financial institutions	62,628
Investments	<u>27,927,695</u>
Total cash and investments	<u>\$ 27,995,447</u>

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	None	\$ 40,000,000
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	20%	\$100,000
Negotiable Certificates of Deposit	1 year	30%	\$100,000
Time Certificates of Deposit	2 years	50%	\$100,000
Bankers Acceptances	270 Days	20%	None
Commercial Paper	180 Days	25%	None
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	20%	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	20%	None
Registered State Warrants or Treasury Notes or of the State of California	5 years	25%	None
Bonds, Notes, Warrants, or Other Evidences of Indebtedness of Any Local Agency with the State of California	5 years	25%	None
Repurchase Agreements	90 Days	20%	None
Medium Term Notes	5 years	30%	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the District.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None
Certificates of Deposit with Banks and Savings and Loans	None	None	None
Municipal Obligations	None	None	None

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>					
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>	<u>49-60 Months</u>	<u>More than 60 months</u>
State Investment Pool	\$ 4,647,627	\$ 4,647,627	\$ -	\$ -	\$ -	\$ -	\$ -
Medium term notes	6,525,005	500,950	1,582,270	2,942,470	981,820	517,495	
Federal agency securities	16,248,060	3,050,195	530,960	1,063,285	2,081,035	9,522,275	310
Money market funds	507,003	507,003					
	<u>\$ 27,927,695</u>	<u>\$ 8,705,775</u>	<u>\$ 2,113,230</u>	<u>\$ 4,005,755</u>	<u>\$ 3,062,855</u>	<u>\$ 10,039,770</u>	<u>\$ 310</u>

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District has no investments (including investments held by trustees) that are highly sensitive to interest rate fluctuations.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 CASH AND INVESTMENTS (Continued)

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State investment pool	\$ 4,647,627	N/A	\$ -	\$ -	\$ -	\$ -	\$ 4,647,627
Medium term notes	6,525,005	A		1,042,115	2,009,460	3,399,680	73,750 *
Federal agency securities	16,248,060	N/A		16,242,440			5,620
Money market funds	507,003	N/A					507,003
Totals	<u>\$ 27,927,695</u>		<u>\$ -</u>	<u>\$ 17,284,555</u>	<u>\$ 2,009,460</u>	<u>\$ 3,399,680</u>	<u>\$ 5,234,000</u>

* See note 17 for details.

F. Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Banks	Federal Agency Securities	\$ 6,135,010
Federal Farm Credit Banks	Federal Agency Securities	3,022,975
FNMA	Federal Agency Securities	5,068,925
FHLMC	Federal Agency Securities	2,015,840
General Electric Capital Corp	Medium Term Notes	2,009,460

Investments in one issuer that represent 5% or more of total investments (other than U.S. Treasury Securities, Mutual funds, and external investment pools) by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, nonmajor funds in the aggregate, etc.) are as follows:

\$27,995,447 of cash and investments reported in the Governmental Activities Statement of net assets are held in federal agency securities, \$6,135,010 (FHLB), \$3,022,975 (FFCB), \$5,068,925 (FNMA), \$2,015,840 (FHLMC), and also held in medium term notes, \$2,009,460 (GECC).

G. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 CASH AND INVESTMENTS (Continued)

G. Custodial Credit Risk (Continued)

exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2009, \$154,756 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2009, the District's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Money market funds	\$ 507,003
Medium term notes	6,525,005
Federal agency securities	16,248,060

H. Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 4 – OPERATING LEASES AS LESSOR

Little Company of Mary Hospital

The District entered into a lease agreement dated February 24, 2004, with Little Company of Mary Hospital to lease 17,948 square feet located on the lower level and the first floor at 514 Prospect Avenue, Redondo Beach. The lease is for a term of 5 years commencing March 1, 2004, and the monthly lease payment is \$40,383. The base rental payments will be adjusted by the change in the consumer price index on the first day of the 12th month following the commencement of the lease and as of each 12th month thereafter during the term of the lease. The adjustment on March 1, 2009 changed the monthly base rent to \$39,848.

South Bay Family Health Care Center

The District entered into a lease agreement with South Bay Free Clinic to lease a medical and office building at 2114 Artesia Boulevard, Redondo Beach. The monthly rent amount will be based on amortization of the cost of lease improvements made to the property at a rate of 7%. The base rent of \$9,816 will be adjusted by the cost of living adjustment. The cost of living adjustment on May 1, 2009 changed the monthly base rent to \$12,344.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 4 – OPERATING LEASES AS LESSOR (CONTINUED)

Cancer Care Associates Medical Group (Continued)

on August 30, 2001, for additional space on the lower level of the building. The lease term is the same as the original lease. At the start of the lease agreement, the base rent for both leases and a reimbursement to the District for common area operating expenses was a total of \$18,088 per month. The base rental payments are adjusted by the change in the consumer price index on the first day of the 36th month following the commencement of the lease and as of each 36th month thereafter during the term of the lease. The adjustment on September 1, 2007 changed the monthly base rent to \$19,339.

Sunrise Beach Cities Assisted Living, LP

The District has entered into a lease agreement dated December 11, 1997, with Sunrise Assisted Living to lease the real property located at the 1800 Block, Pacific Coast Highway, Hermosa Beach. The entity, which leases this property, is 80% owned by the Beach Cities Health District.

The lease is for an initial term of 50 years and has two 11 year options. The lease commenced in January 1999, and the monthly lease payment at the start of the lease was \$16,667. The monthly payment is adjusted by the consumer price index every 5-10 years as detailed in the lease agreement. The cost of living adjustment on March 1, 2009 changed the monthly base rent to \$18,701.

Pacific South Bay Dialysis Center, LLC

The District and Pacific South Bay Dialysis Center, LLC have entered into a lease agreement dated May 31, 1998, to lease approximately 2,000 usable square feet located on the lower level at 514 North Prospect Avenue, Redondo Beach, California. An option was executed, effective January 1, 2006, which extended the lease period for another five years to January 1, 2011 and increased the monthly lease payments due under this lease to \$6,600.

Trinity Care Hospice

The District has entered into a lease agreement with Trinity Care Hospice on March 3, 2000, to lease Room 115 of the building located at 514 N. Prospect Avenue, Redondo Beach, California. The initial lease term was through June 30, 2002, with a one year option. The option was not executed and the lease is now on a month to month basis. Lease payments of \$1,100 are due monthly including reimbursement of Common Area Maintenance Expenses.

1736 Family Crisis Center

The District has entered into a month-to-month lease agreement with 1736 Family Crisis Center to lease three small offices located at 514 N. Prospect Avenue, Redondo Beach. The current monthly lease payment is \$607.

Beach District Surgery Center, LP

The District has entered into a lease agreement dated January 25, 2005, with Beach District Surgery Center, LP to lease 13,104 square feet located on the first floor at 514 N. Prospect Avenue, Redondo Beach. The

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 4 – OPERATING LEASES AS LESSOR (CONTINUED)

Beach District Surgery Center, LP (Continued)

lease is for a term of five years commencing March 1, 2005, and the monthly lease payment is \$36,036. The base rental payments will be adjusted by a factor of three percent (3%) of the base rent paid in the immediately preceding twelve (12) month period on the first day of the 24th month following the commencement of the lease.

NOTE 5 - NOTES RECEIVABLE

On September 11, 2002, as a result of the settlement agreement between the District and Prospect South Bay, a California Limited Partnership (Partnership), the District purchased a note in the amount of \$12,073,740 related to the purchase of parking facilities. The note was purchased for \$ 3,915,396, at a discount of \$640,612 from the net present value. The difference between the \$ 12,073,740 note receivable and the amount paid for the note is reported as deferred revenue as these amounts are to be received in an amount equal to the debt payments to be made by the District on the purchase of the parking facilities. This deferred revenue is reduced monthly as payments are made. Monthly payments of \$ 96,472 through December 2024 are due on the note receivable of \$ 12,073,740. The note is secured by a deed of trust on the land owned by the Partnership on which the parking facilities are constructed.

In the event that the Partnership defaults on making the monthly payments due under the note receivable, the District is not obligated to make its payments for its purchase of parking facilities.

The discount on the note is being amortized over the 267 months. At June 30, 2009, the note has a balance of \$10,304,118, and a remaining unamortized discount of \$446,615 for a net receivable of \$9,857,503.

Principal and interest to be received on the note are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 352,144	\$ 805,515	\$ 1,157,659
2011	381,144	776,514	1,157,658
2012	412,533	745,126	1,157,659
2013	446,507	711,152	1,157,659
2014	483,279	674,380	1,157,659
2015-2019	3,083,132	2,705,162	5,788,294
2020-2024	4,579,721	1,208,572	5,788,293
2025	565,658	13,171	578,829
Less: Discount	(446,615)		(446,615)
	<u>\$ 9,857,503</u>	<u>\$ 7,639,592</u>	<u>\$ 17,497,095</u>

On May 18, 2006, the District executed a standard industrial/commercial single tenant lease agreement with Leap and Bound Child Development Center, LLC for the premises located at 601 South Pacific Coast Highway and a revolving promissory note. Pursuant to the agreements, the lessee agreed to lease the premises for a period of approximately 10 years, and to undertake certain alterations, additions or improvements to the premises related to the lessee's operation of the premises. The District originally agreed to lend the lessee \$150,000 to be used by the lessee to make all improvements to the premises. The District has advanced the entire amount of the improvement loan to the lessee pursuant to the revolving credit agreement, which indebtedness was originally evidenced by the revolving promissory note. The lessee then discharged its obligations under the revolving promissory note (which has been cancelled) by executing a term promissory note with an initial principal balance of \$150,000. This amount was later increased to \$250,000. Monthly payments are due through October 2016. The note is secured by the security interest granted in the security agreement. As of June 30, 2009, the note has a balance of \$200,644.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 5 - NOTES RECEIVABLE (Continued)

Principal and interest to be received on the note are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 30,264	\$ 5,736	\$ 36,000
2011	24,752	4,884	29,636
2012	25,523	4,114	29,637
2013	26,318	3,319	29,637
2014	27,137	2,500	29,637
2015-2017	66,650	2,501	69,151
	<u>\$ 200,644</u>	<u>\$ 23,054</u>	<u>\$ 223,698</u>

On May 18, 2006, the District entered into an agreement with Silverado Senior Living Redondo Beach, Inc. to lease a portion of the real property located within 514 North Prospect Avenue to operate a duly licensed residential care facility for the elderly. The lessee also entered into a leasehold improvement agreement pursuant to which the lessee was to make certain improvements and alterations to the premises in preparation for operating the facility. Pursuant to the lease and the improvement agreement, the District agreed to provide the lessee a revolving line of credit to provide the lessee with capital exclusively for the purposes of the improvements. The total line of credit is for \$3,500,000. Interest shall accrue on the first \$1,000,000 at a fixed rate of 8% per year. Interest shall accrue on any portion of the remaining \$2,500,000 based on the fluctuating 1 year constant maturity index (CMT). All accrued but unpaid interest under the note from the entitlement date through but not including the first payment date shall be converted to principal under the note and accrue interest at either a fixed or variable rate as appropriate. The note is secured by the guaranty of Silverado Living, Inc. and a security agreement. Monthly payments are due through June 2020. As of June 30, 2009, the District has loaned \$2,189,932 to the lessee.

Additionally, during the fiscal year 2008-2009, the District had another line of credit for \$3,500,000 with an interest accrued at a fixed rate of 10% per year. The District had a drawdown of \$4,129,192, which was loaned to the lessee for the fiscal year 2008-2009. As of June 30, 2009, the balance of the note was \$6,319,124.

Principal and interest to be received on the note are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 418,912	\$ 418,912
2011	466,144	406,326	872,470
2012	495,089	377,382	872,471
2013	526,517	345,954	872,471
2014	560,670	311,801	872,471
2015-2019	3,431,079	931,275	4,362,354
2020	839,625	32,846	872,471
	<u>\$ 6,319,124</u>	<u>\$ 2,824,496</u>	<u>\$ 9,143,620</u>

NOTE 6 – ACCOUNTS RECEIVABLE

The following is a list of accounts receivable at June 30, 2009:

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Accounts	\$ 370,651	\$ -	\$ 370,651
Total Governmental Activities	<u>\$ 370,651</u>	<u>\$ -</u>	<u>\$ 370,651</u>

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 7 – INTERFUND ACTIVITY

The following represents the interfund activity of the District for the fiscal year ended June 30, 2009.

Due to/from other funds

Current interfund balances arise in the normal course of business. They are expected to be repaid shortly after the end of the fiscal year.

Due to/Due from	Interfund Receivable	Interfund Payable
General Fund	\$ 58,606	\$ -
Special Revenue Fund		58,606
	<u>\$ 58,606</u>	<u>\$ 58,606</u>

NOTE 8 – CAPITAL ASSETS

Governmental Activities

Changes in capital assets for governmental activities for the fiscal year ended June 30, 2009 were as follows:

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Capital Assets, not being depreciated:					
Land	\$ 4,401,926	\$ -	\$ -	\$ -	\$ 4,401,926
Construction in progress	2,124,700			(2,124,700)	-
Total	<u>6,526,626</u>			<u>(2,124,700)</u>	<u>4,401,926</u>
Capital Assets, being depreciated:					
Buildings and improvements	40,870,826	715,583		2,124,700	43,711,109
Equipment, furniture, and fixtures	1,447,762	65,878			1,513,640
Total	<u>42,318,588</u>	<u>781,461</u>		<u>2,124,700</u>	<u>45,224,749</u>
Less accumulated depreciation for:					
Buildings and improvements	(11,552,506)	(1,775,733)			(13,328,239)
Equipment, furniture, and fixtures	(1,039,477)	(145,377)			(1,184,854)
Total	<u>(12,591,983)</u>	<u>(1,921,110)</u>			<u>(14,513,093)</u>
Total, net of accumulated depreciation	<u>29,726,605</u>	<u>(1,139,649)</u>		<u>2,124,700</u>	<u>30,711,656</u>
Total Capital Assets, Net	<u>\$ 36,253,231</u>	<u>\$(1,139,649)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,113,582</u>

Depreciation expense was charged to the function of the District's governmental activities as follows:

Health care services	<u>\$ 1,921,110</u>
	<u>\$ 1,921,110</u>

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 9 – INVESTMENT IN LIMITED PARTNERSHIPS

Sunrise Beach Cities Assisted Living, L.P.

On August 20, 2002, the District acquired an 80% limited partnership interest in Sunrise Beach Cities Assisted Living, L.P. The entity owns and operates an 80-unit assisted living community in Hermosa Beach, California. The Limited Partnership has a calendar year end.

The limited partnership is managed by Sunrise Assisted Living Management, Inc., which is not related to the District. Additional information regarding the partnership can be obtained by contacting the District.

As of the fiscal year ended June 30, 2009, after allocation of partnership income (loss) and distributions from the partnership to the District, the investment amount is as follows:

Investment in Sunrise Beach Cities Assisted Living, L.P. at June 30, 2009	\$ 2,633,909
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Beach District Surgery Center, LLC.

In August, 2004, the District executed an agreement to enter into a partnership with Beach District Surgery Center, LLC and contributed \$52,500 to acquire a 5% limited partnership interest. The Beach District Surgery Center, LLC is currently leasing a surgical space in the District's building located at 514 N. Prospect Ave, Redondo Beach. The partnership is managed by Beach District Surgery Center, LLC and additional information regarding the partnership can be obtained by contacting the District.

As of the fiscal year ended June 30, 2009, after allocation of partnership income (loss) and distributions from the partnership to the District, the investment amount is as follows:

Investment in Beach District Surgery Center, LLC. at June 30, 2009	\$ 53,056
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NOTE 10 – CAPITAL LEASE PAYABLE

The District acquired its parking facilities from Prospect South Bay, a California Limited Partnership, with an obligation to make monthly payments of \$60,000 through December 2024. The loan bears interest at 7.94% a year. The initial principal obligation under the lease amounted to \$7,509,201 which is recorded as a capital lease payable for the acquisition of the parking facilities.

The following is a summary of changes in the District's capital lease payable for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 6,610,949	\$ -	\$ (202,320)	\$ 6,408,629	\$ 219,008
	<u>\$ 6,610,949</u>	<u>\$ -</u>	<u>\$ (202,320)</u>	<u>\$ 6,408,629</u>	<u>\$ 219,008</u>

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 10 – CAPITAL LEASE PAYABLE (Continued)

The capital lease has an outstanding balance of \$6,408,629 at June 30, 2009.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 219,008	\$ 500,992	\$ 720,000
2011	237,044	482,956	720,000
2012	256,565	463,435	720,000
2013	277,695	442,305	720,000
2014	300,564	419,436	720,000
2015-2019	1,917,488	1,682,512	3,600,000
2020-2024	2,848,269	751,731	3,600,000
2025	351,996	8,011	360,007
	<u>\$ 6,408,629</u>	<u>\$ 4,751,378</u>	<u>\$ 11,160,007</u>

NOTE 11 – DISTRICT EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description

The Beach Cities Health District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7% of their annual covered salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2008-2009 was 8.598% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2009, 2008, and 2007, were \$258,895, \$266,432, and \$250,479, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 12 - DEFERRED COMPENSATION PLAN

Certain provisions of the Small Business Job Protection Act (the Act) affected Internal Revenue Code Section 457 plans by eliminating the requirement that Section 457 plan assets legally remain the assets of the sponsoring government. The Act requires that amounts deferred under a Section 457 plan to be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors.

The District has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". The assets have been transferred into a trust, and are no longer subject to claims of the District's general creditors, and are no longer considered the assets of the District. The plan permits all District employees to defer a portion of their salary until future years. The amount deferred is not available to employees until termination, retirement, death or unforeseeable emergency.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 12 - DEFERRED COMPENSATION PLAN (CONTINUED)

The District contracts with a private deferred compensation administration firm to act as an agent of the District to fulfill all the District's administrative responsibilities. The duties performed by this fiduciary on behalf of the District include assisting employees in the execution of investment transactions and providing summary and participant reporting of these investments.

Since the District has placed the assets into a trust and has little administrative involvement and does not perform the investing function for the plan, the assets of the various deferred compensation plans have been removed from the District's financial statements.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and there have been no material settlements in excess of coverage in any of the past three fiscal years.

General Liability Insurance

Directors & Officers liability coverage: Annual premiums are paid by the District and are adjusted retrospectively to cover costs. The coverage of Directors, Officers and Trustees Liability includes entity coverage, duty to defend, and employee practice liability. Insurance coverage is for up to \$5,000,000 per occurrence and \$5,000,000 in aggregate defense expenses paid within limits with a \$50,000 deductible per claim.

Commercial Crime liability coverage: Annual premiums are paid by the District and are adjusted retrospectively to cover costs. The coverage of the Commercial Crime liability includes employee theft per loss coverage, forgery and alteration including credit, debit or charge card forgery, inside of premises (theft of money, and securities, robbery, safe burglary of other property), outside the premises, computer fraud including funds transfers, money orders and counterfeit paper currency. Insurance coverage is for up to \$1,000,000 per occurrence with \$2,500 of deductible.

Health Care liability coverage: Annual premiums are paid by the District and are adjusted retrospectively to cover costs. The Health Care liability coverage includes evidence of healthcare entity professional liability, bodily injury & property damage liability, personal injury, advertising injury liability, employee benefit liability coverage. Insurance coverage is for up to \$1,000,000 per claim and a \$3,000,000 aggregate per contracted period.

Automobile liability coverage: Annual premiums are paid by the District. The Automobile liability coverage includes bodily injury and property damage liability, an uninsured/underinsured motorist coverage sub-limit of \$1,000,000 per accident, hired/non-owned auto liability, medical payment of \$5,000 per accident, collision coverage at fair market value, and comprehensive coverage at fair market value. Insurance coverage is for up to \$1,000,000 per accident (combined single limit) with \$250 comprehensive and \$500 collision deductibles.

Adventure Course liability coverage: : Annual premiums are paid by the District. Insurance coverage is for up to \$1,000,000 per occurrence and \$2,000,000 aggregate with \$5,000 of deductible.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 13 – RISK MANAGEMENT (CONTINUED)

Property & Earthquake Insurance

Hospital All Risk Property Program (HARPP): The coverage of the insurance includes all risk of direct physical loss or damage excluding earthquake and flood, boiler & machinery, and repair or replacement cost valuation for real and personal property. Insurance coverage is for up to \$1,000,000,000 loss limit per occurrence and \$100,000,000 of boiler & machinery loss limit per occurrence, and repair and replacement cost valuation for real or personal property for \$100,000,000 per occurrence and \$200,000,000 aggregate. Primary terrorism limit is shared by all the insurers per the Public Entity Property Insurance Program (PEPIP). The deductible amounts are \$10,000 for all risk, \$10,000 for boiler & machinery, and \$ 10,000 for primary terrorism.

NOTE 14 - NET ASSETS – GOVERNMENTAL ACTIVITIES

The government-wide statement of net assets includes three equity categories entitled net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The invested in capital assets, net of related debt category presents the District's equity interest in capital assets less outstanding principal of related debt. The restricted net assets category is designed to reflect net assets that are subject to restrictions beyond the District's control (externally imposed or imposed by law). The unrestricted net assets category equals any remaining balance and can be subdivided into designated and undesignated portions. Designations reflect the District's self-imposed limitations on the use of otherwise available current financial resources. No restricted net assets exist. Detail of the two categories in net assets is as follows:

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 28,704,953
Unrestricted	<u>45,722,077</u>
Total net assets	<u>\$ 74,427,030</u>

NOTE 15 – RESERVES OF FUND BALANCES

Under the provisions of the Governmental Accounting Standards Board Code Sections 1800.121-123, a district may set up "reserves" of fund balances which may not be appropriated for future expenditures, or which are legally set aside for specific uses. Fund "designations" also may be established to indicate tentative plans for financial resource utilization in a future period. Each of the District's reserves is described below:

	<u>General Fund</u>
Petty cash	\$ 5,124
Investment in Limited Partnerships	2,686,965
Inventory	16,069
Prepaid items	144,887
Notes receivable	9,968,642
	<u>\$ 12,821,687</u>

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 16- CONTINGENCIES

According to the District's attorneys, no contingent liabilities are outstanding and no lawsuits of any real financial consequence are pending.

NOTE 17- CREDIT RISK OF INVESTMENT

As of the fiscal year ended June 30, 2008, the District had an investment in Lehman Brothers that had a rating of an A. As of the fiscal year ended June 30, 2009, the investment became unrated and the market value decreased to \$73,750. The District (with about 24 other municipalities that share similar interests) is working with the State to obtain financial assistance from the Department of the Treasury in order to redeem the investment at full value.

NOTE 18- PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the general fund and the statement of activities was due to an overstatement of accrued liabilities of \$101,468, an understatement of cash in the amount of \$30,290 and an overstatement of deferred revenue in the amount of \$186,948 from the previous year.

NOTE 19- SUBSEQUENT EVENTS

During fiscal year 2008-2009, and subsequent to the fiscal year ended June 30, 2009, the Beach Cities Health District and its affiliate, Prospect One Corporation (Collectively referred to herein as the "District") entered into a Settlement Agreement and Mutual Release of All Claims ("Agreement") related to litigation in regards to the services performed at the Beach Cities Health District located in Redondo Beach, California ("Project"). An action was filed against the District and Key Air Conditioning Contractor, Inc ("Key Air") on January 26, 2009 by a subcontractor ("Subcontractor") who performed work in connection with the installation of a new building plant system. On June 15, 2009, the District filed a cross-complaint against the Subcontractor, Key Air, and additional parties. The parties have entered mediation and reached a settlement that they are in the process of documenting. Pursuant to the acceptance of the Agreement by the parties, the District will receive \$275,000 from the settling parties and/or their respective insurance carriers and will pay \$499,459 to Key Air.

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BEACH CITIES HEALTH DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Budgeted Amount		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES				
Financing and rental income				
related to lease	\$ 2,091,752	\$ 2,091,752	\$ 2,123,750	\$ 31,998
Investment earnings	3,107,928	3,107,928	2,350,777	(757,151)
Property taxes	2,319,600	2,319,600	2,431,068	111,468
Program income	2,910,149	2,910,149	2,605,809	(304,340)
Income from limited partnership	1,617,807	1,617,807	1,223,811	(393,996)
Other revenue	119,160	119,160	274,302	155,142
Total revenues	12,166,396	12,166,396	11,009,517	(1,156,879)
EXPENDITURES				
Current:				
Grant and projects	1,801,706	1,801,706	1,603,432	198,274
Salaries and related expenses	5,070,981	5,070,981	5,231,198	(160,217)
General and administrative	388,478	388,478	910,099	(521,621)
Human resources	185,110	185,110	148,591	36,519
Information services	79,569	79,569	84,254	(4,685)
Community relations	527,098	527,098	406,189	120,909
Facilities management	545,538	545,538	354,479	191,059
Professional fees	946,655	946,655	752,736	193,919
Cost of goods sold	286,856	286,856	257,085	29,771
Other	571,660	571,660	270,326	301,334
Capital outlay	447,944	447,944	781,461	(333,517)
Debt service:				
Principal retirement			202,320	(202,320)
Interest and other fiscal charges	517,656	517,656	517,680	(24)
Total expenditures	11,369,251	11,369,251	11,519,850	(150,599)
Net change in fund balance	797,145	797,145	(510,333)	(1,307,478)
Fund balance - July 1, 2008	38,384,599	38,384,599	38,384,599	
Prior period adjustments			318,706	318,706
Fund balance - July 1, 2008, restated	38,384,599	38,384,599	38,703,305	318,706
Fund balance - June 30, 2009	\$ 39,181,744	\$ 39,181,744	\$ 38,192,972	\$ (988,772)



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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

Board of Directors
Beach Cities Health District
Redondo Beach, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Beach Cities Health District as of and for the fiscal year ended June 30, 2009 which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial report. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of District's financial statements that is more than inconsequential will not be prevented or detected by District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain other matters that we reported to management of the District in a separate letter dated December 15, 2009.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the organization, and the District's Board and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 15, 2009

STATISTICAL SECTION

**Beach Cities Health District
Net Assets by Component
Current and Prior Five Years***

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Government Activities						
Invested in Capital Assets	33,531,968	32,586,285	31,245,897	30,281,172	29,642,282	28,704,953
Restricted	-	-	-	-	-	-
Unrestricted	50,117,598	48,714,583	48,133,226	47,531,870	46,066,231	45,722,077
Total Government Activities	83,649,566	81,300,868	79,379,123	77,813,042	75,708,513	74,427,030
Business-type Activities						
Invested in Capital Assets	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total Business-type Activities	-	-	-	-	-	-
Primary Government						
Invested in Capital Assets	33,531,968	32,586,285	31,245,897	30,281,172	29,642,282	28,704,953
Restricted	-	-	-	-	-	-
Unrestricted	50,117,598	48,714,583	48,133,226	47,531,870	46,066,231	45,722,077
Total Primary Government net assets	83,649,566	81,300,868	79,379,123	77,813,042	75,708,513	74,427,030

* Accrual-basis financial information for the District as a whole is available beginning in FY2003-04, the year that GASB Statement 34 was implemented. Ten years of comparable data will therefore be accumulated for comparison for FY2012-13 reporting

**Beach Cities Health District
Changes in Net Assets
Current and Prior Five Years**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Expenses						
Governmental Activities						
Grants & projects	1,981,481	1,946,770	1,785,264	1,888,980	1,771,475	1,603,432
Salaries & related	3,606,896	3,941,364	4,512,766	4,630,632	4,879,115	5,231,198
General & Administrative	299,306	286,136	292,272	348,703	368,307	910,229
Human Resources	132,386	151,921	162,293	153,781	154,983	148,591
Information Systems	22,771	42,031	7,532	75,735	81,438	84,254
Community Relations	298,370	419,717	362,085	419,665	493,778	406,189
Facilities Management	581,895	967,895	1,189,215	822,444	503,298	354,479
Professional Fees	704,076	654,417	892,038	880,951	950,711	752,736
Cost of Goods Sold	86,257	171,486	278,276	272,531	306,452	257,085
Other	90,197	55,322	63,983	45,700	36,650	270,326
Capital Outlay	97,210	671,228	368,302	987,392	1,796,307	781,461
Debt Service:						
Principal Retirement	125,280	147,443	159,586	172,728	186,948	202,320
Interest & Other Fiscal charges	588,623	543,406	560,414	547,272	533,052	517,680
Total Governmental Activities Expenses	8,614,748	9,999,136	10,634,026	11,246,514	12,062,514	11,519,980
Business-type activities:						
Not Applicable						
Total Primary Government Expenses	8,614,748	9,999,136	10,634,026	11,246,514	12,062,514	11,519,980
Program Revenues						
Government Activities						
Program Revenues	2,605,934	2,798,944	2,697,659	2,568,788	2,658,807	2,605,809
Total Government Activities Revenues	2,605,934	2,798,944	2,697,659	2,568,788	2,658,807	2,605,809
Business-type activities:						
Not Applicable						
Total Primary Government Program Revenues	2,605,934	2,798,944	2,697,659	2,568,788	2,658,807	2,605,809
Net Revenue (Expenses)	(6,008,814)	(7,200,192)	(7,936,367)	(8,677,726)	(9,403,707)	(8,914,171)

(Continued)

**General Revenues And Other Changes in
Net Assets (Continued)**

Government Activities									
Property Taxes	1,614,950	1,815,135	1,961,538	2,101,460	2,310,323	2,431,068			
Earnings on Investments	451,307	955,542	1,419,050	2,754,320	2,544,024	2,400,700			
Financing and Rental Income	2,250,696	2,398,715	2,297,516	1,695,197	2,075,747	2,123,750			
Income from Limited Partnerships	778,833	772,085	1,255,494	1,633,834	1,023,918	1,223,811			
Other Income	2,066	3,143	182,666	188,583	171,004	274,302			
Sale of Property	7,500	-	398,332	-	-	-			
Total Governmental Activities Revenues	5,105,352	5,944,620	7,514,596	8,373,394	8,125,016	8,453,631			

Business-type activities:
Not Applicable

Total Primary Government General Revenues	5,105,352	5,944,620	7,514,596	8,373,394	8,125,016	8,453,631
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Changes in Net Assets

Government Activities	(903,462)	(1,255,572)	(421,771)	(304,332)	(1,278,691)	(460,540)
Business-type activities:						
Total Primary Government	(903,462)	(1,255,572)	(421,771)	(304,332)	(1,278,691)	(460,540)

* Accrual-basis financial information for the District as a whole is available beginning in FY2003-04, the year that GASB Statement 34 was implemented. Ten years of comparable data will therefore be accumulated for comparison for FY2012-13 reporting

**Beach Cities Health District
Fund Balances of Governmental Funds
Current and Prior Five Years**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General Fund						
Reserved	7,369,855	7,355,157	7,369,382	7,167,234	8,426,855	12,821,687
Unreserved	34,514,710	33,233,469	32,776,598	32,534,180	29,957,744	25,371,285
Total General Fund	41,884,565	40,588,626	40,145,980	39,701,414	38,384,599	38,192,972
All Other Governmental Funds						
Unreserved, reported in:						
Special Revenue Funds	955,379	995,746	1,016,621	1,032,559	1,070,683	1,120,476
Total All Other Governmental Funds	955,379	995,746	1,016,621	1,032,559	1,070,683	1,120,476

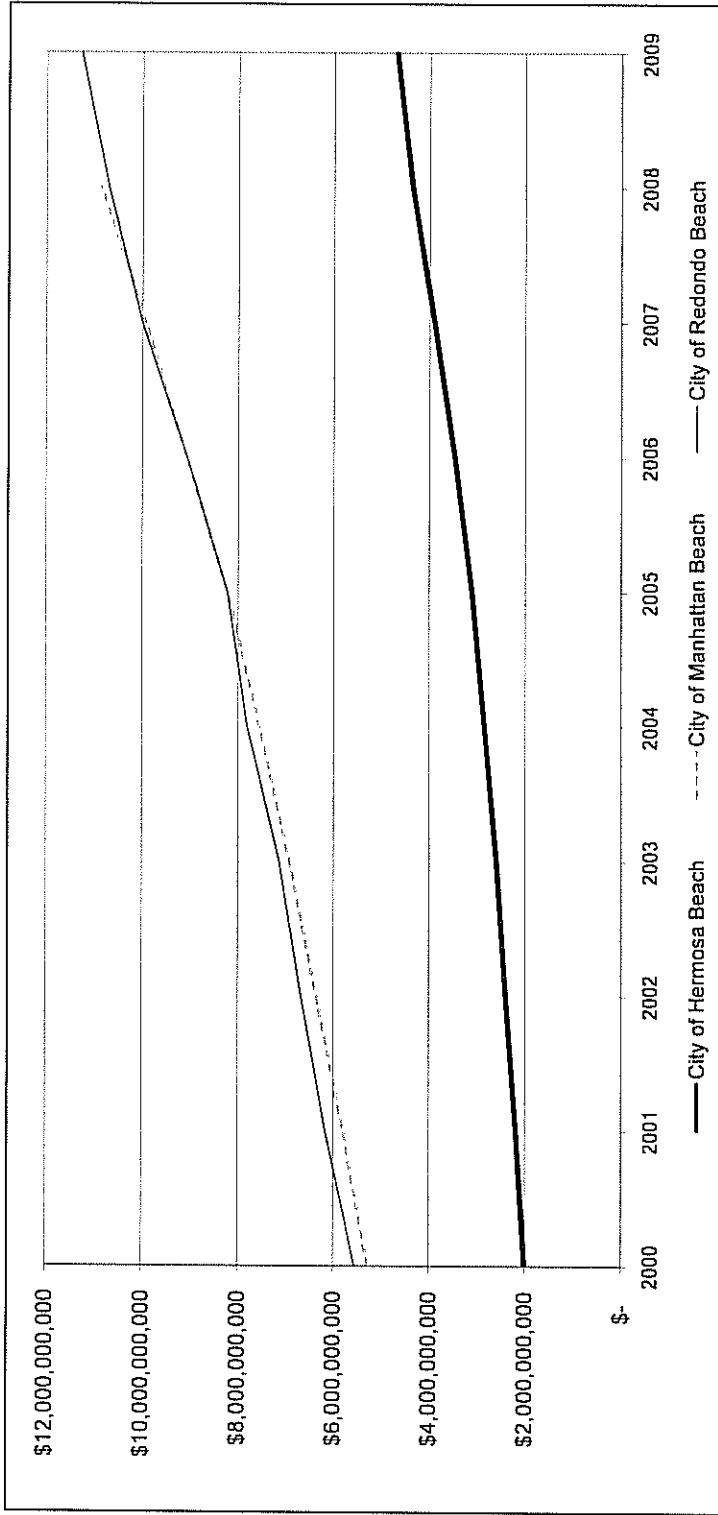
*Accrual-basis financial information for the District as a whole is available beginning in FY2003-04, the year that GASB Statement 34 was implemented. Ten years of comparable data will therefore be accumulated for comparison for FY2012-13 reporting

Beach Cities Health District
Changes in Fund Balances of Governmental Funds
Current and Prior Five Years

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Revenues						
Financing and Rental Income	2,250,696	2,398,715	2,297,516	1,695,197	2,075,747	2,123,750
Investment Earnings	451,307	955,542	1,419,050	2,754,320	2,544,024	2,400,700
Property Taxes	1,614,950	1,815,135	1,961,538	2,101,460	2,310,323	2,431,088
Program Income	2,605,934	2,798,944	2,697,659	2,568,788	2,658,807	2,605,809
Income from Limited Partnership	778,833	772,085	1,255,494	1,633,834	1,023,918	1,223,811
Other Revenue	9,566	3,143	580,998	188,583	171,004	274,302
Total Revenues	7,711,286	8,743,564	10,212,255	10,942,182	10,783,823	11,059,440
Expenditures						
Current:						
Grants & projects	1,981,481	1,946,770	1,785,264	1,888,980	1,771,475	1,603,432
Salaries & related	3,606,895	3,941,364	4,512,766	4,630,632	4,879,115	5,231,198
General & Administrative	299,306	286,136	292,272	348,703	368,307	910,229
Human Resources	132,386	151,921	162,293	153,781	154,983	148,581
Information Systems	22,771	42,031	7,532	75,735	81,438	84,254
Community Relations	298,370	419,717	362,085	419,665	493,778	406,189
Facilities Management	581,895	967,895	1,189,215	822,444	503,298	354,479
Professional Fees	704,076	654,417	892,038	880,951	950,711	752,736
Cost of Goods Sold	86,257	171,486	278,276	272,531	306,452	257,085
Other	90,197	55,322	63,983	45,700	36,650	270,326
Capital Outlay	97,210	671,228	368,302	987,392	1,796,307	781,461
Debt Service:						
Principal Retirement	125,280	147,443	159,586	172,728	186,948	202,320
Interest & Other Fiscal charges	588,623	543,406	560,414	547,272	533,052	517,680
Total Expenditures	8,614,747	9,999,136	10,634,026	11,246,514	12,062,514	11,519,880
Excess (deficiency) of Revenues over (under) Expenditures	(903,461)	(1,255,572)	(421,771)	(304,332)	(1,278,691)	(460,540)
Net Change in Fund Balances	(903,461)	(1,255,572)	(421,771)	(304,332)	(1,278,691)	(460,540)
Debt Service as a percentage of noncapital expenditures	9.15%	8.00%	7.54%	7.55%	7.54%	7.19%

Beach Cities Health District
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Taxable Assessed Value										
City of Hermosa Beach	2,009,081,000	2,189,260,000	2,399,546,000	2,597,087,000	2,846,459,000	3,110,712,000	3,468,562,000	3,894,900,000	4,358,357,000	4,881,750,000
City of Manhattan Beach	5,284,611,947	5,806,342,124	6,365,174,958	6,923,341,436	7,554,435,006	8,216,800,523	9,080,889,082	9,925,464,834	10,861,350,753	11,811,750,000
City of Redondo Beach	5,548,146,069	6,166,689,780	6,672,639,828	7,133,098,294	7,806,803,523	8,226,139,068	9,089,569,528	10,009,448,728	10,702,653,367	11,277,756,486
Total	12,841,838,916	14,162,291,904	15,437,360,786	16,653,526,730	18,207,697,529	19,553,651,591	21,619,020,710	23,829,813,562	25,922,361,120	28,959,506,486
Percentage Increase		10.28%	9.00%	7.88%	9.33%	7.39%	10.56%	10.23%	8.78%	5.37%*



Source: Comprehensive Annual Financial Reports of City of Hermosa Beach, City of Manhattan Beach, City of Redondo Beach

* 2008-09 Calculated increase for combined Redondo Beach and Hermosa Beach only, excludes Manhattan Beach, data unavailable

NOTE: In 1978, the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

**Beach Cities Health District
Direct and Overlapping Property Tax Rates
Last Ten Years**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City of Hermosa Beach Residents City of Hermosa Beach	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000
Overlapping - Hermosa Beach Residents										
Los Angeles County ¹	0.001451	0.001314	0.001033	0.001033	0.000992	0.000923	0.000800	0.000660	0.000000	0.000000
Hermosa Beach Unified School District	0.000000	0.000000	0.000000	0.000000	0.019308	0.016685	0.014660	0.020430	0.017139	0.016398
El Camino community College District	0.000000	0.000000	0.000000	0.000000	0.019025	0.016558	0.018380	0.035700	0.016467	0.017026
City of Redondo Beach Residents										
City of Redondo Basic Rate	0.166170	0.166170	0.166170	0.166170	0.166170	0.166170	0.166170	0.166170	0.166170	0.165390
Redevelopment Agency	1.012090	1.011670	1.009900	1.008610	1.007550	1.006970	1.006040	1.005410	1.004500	1.004300
Overlapping - Redondo Beach Residents										
Los Angeles County ¹	0.001420	0.001310	0.001130	0.001030	0.000990	0.000920	0.000800	0.000660	0.000000	0.000000
Flood Control	0.001760	0.001560	0.001070	0.000880	0.000470	0.000240	0.000050	0.000050	0.000000	0.000000
Metropolitan Water District	0.008900	0.008800	0.007700	0.006700	0.006100	0.005800	0.005200	0.004700	0.004500	0.004300
El Camino Community College District	0.000000	0.000000	0.000000	0.000000	0.019030	0.016560	0.018380	0.035700	0.016470	0.017030
Redondo Beach Unified School District	0.000000	0.000000	0.023700	0.004460	0.008660	0.027650	0.033360	0.029700	0.028440	0.047140
City of Manhattan Beach Residents										
City of Manhattan Beach (General Levy)	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000
City of Manhattan Beach Total direct Rate	0.001475	0.001660	0.001656	0.001660	0.001663	0.001666	0.001671	0.001673	0.001676	unavailable
Overlapping - Manhattan Beach Residents										
Los Angeles County ¹	0.001420	0.001310	0.001130	0.001030	0.000990	0.000920	0.000800	0.000660	0.000000	unavailable
Colleges & School Districts	0.027030	0.026450	0.040310	0.043280	0.059380	0.056100	0.056390	0.074250	0.053500	unavailable
Metro Water District	0.008900	0.008800	0.007700	0.006700	0.006100	0.005800	0.005200	0.004700	0.004500	unavailable
Flood Control District	0.001760	0.001560	0.001070	0.000880	0.000470	0.000240	0.000050	0.000050	0.000000	unavailable

¹ Property Tax Assessment for Beach Cities Health District is included in Los Angeles County Property Tax

Source: Comprehensive Annual Financial Reports of City of Hermosa Beach, City of Manhattan Beach, City of Redondo Beach

Beach Cities*
Demographic Statistics
Last Ten Years

Calendar Year	Population Beach Cities Total (1)	Personal Income Beach Cities (in thousands) (2)	Personal Income Beach Cities Per Capita (2)	Unemployment Rate (3)
2000	115,679	6,052,865	52,325	2.77%
2001	117,568	6,422,348	54,627	2.80%
2002	120,190	6,534,410	54,367	3.47%
2003	121,957	6,552,302	53,726	3.67%
2004	122,710	7,086,789	57,752	3.43%
2005	122,953	7,810,589	63,525	3.00%
2006	122,666	7,561,664	61,644	2.60%
2007	122,534	7,745,987	63,215	2.80%
2008	122,840	7,884,813	64,188	3.97%
2009	123,855	8,070,433	65,160	5.97%

* Beach Cities - includes Cities of Redondo Beach, Hermosa Beach, and Manhattan Beach.

Sources: 1). California Dept. of Finance
2). U.S. Dept. of Commerce
3). State of California Employment Development Department

Beach Cities*
Principal Employers
2009

Employer	Employees	Percentage of Total Employment
Northrop Grumman	5,827	43.30%
Redondo Beach Unified School District	1,100	8.17%
Beach Cities Health District	620	4.61%
City of Redondo Beach	487	3.62%
Target Corporation	405	3.01%
Nordstrom, Inc.	363	2.70%
Skechers USA, Inc.	346	2.57%
Crown Plaza Hotel	339	2.52%
Kinecta Federal Credit Union	295	2.19%
City of Manhattan Beach	275	2.04%
All Others	3,401	25.27%
Total	13,458	100.00%

* Beach Cities - includes Cities of Redondo Beach, Hermosa Beach, and Manhattan Beach.

Source: Redondo/Hermosa/Manhattan Beach Finance Departments

Beach Cities Health District

Personnel Summary by Department

Department	2009	2008	2007
Executive/Admin Support	4	4	4
Human Resources	2	2	2
Finance:			
Information Systems	0	1	1
Finance/Accounting/Payroll	4	4	4
Property Management	3	4	3
BCHD Café	3	4	3
Total	10	13	11
Communications	3	3	2
Youth Services:			
Adventureplex	21	21	22
Other Youth Services	6	5	4
Total	28	26	26
Adult Services:			
Center for Health & Fitness	17	18	19
Health Connection	3	3	1
Other Adult Services	3	4	4
Total	23	25	24
Older Adult Services:			
Volunteer Management	1	1	1
Care Management	9	8	8
Total	10	9	9
Total Positions	80	82	78

Source: BCHD Annual Budget
(last three years due to departmental reorganization by function in 2007)