

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, 2013



Live Well. Health Matters.

BEACH CITIES HEALTH DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2013

BEACH CITIES HEALTH DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013

TABLE OF CONTENTS

I. INTRODUCTORY SECTION

Table of Contents	i
Letter of Transmittal	ii
List of Board/Officers	vi
Organization Chart.....	vii
CSMFO Certificate of Award for Outstanding Financial Reporting	viii

II. FINANCIAL SECTION

Independent Auditor’s Report	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Basic Financial Statements	15

III. REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Funding Progress for Retiree Health Plan.....	40
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	41

IV. STATISTICAL SECTION

Net Position by Component	43
Changes in Net Position	44
Fund Balances of Governmental Funds	46
Changes in Fund Balances of Governmental Funds	47
Governmental Funds Revenues.....	48
Governmental Funds Expenditures	49
Assessed Value and Estimated Actual Value of Taxable Property.....	50
Direct and Overlapping Property Tax Rates	51
Demographic Statistics.....	52
Principal Employers.....	53
Personnel Summary by Department.....	54

December 13, 2013

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, 2013. 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 2012-2013. 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 FY2013, 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.

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 functional areas: Life Span Services, Fitness Centers, Finance & Property Funding and Administration.

The **Life Span Services Department** consists of the Youth, Adult and Older Adult Services, with the Blue Zones project being a recent addition.

The Blue Zones project is a multi-discipline joint effort with Healthways, Inc., the cities of Hermosa Beach, Manhattan Beach, Redondo Beach, the three school districts and many employers in these cities. Subject matter experts in worksites, public policy, restaurants, grocery stores, schools and citizen engagement engage in activity most likely to produce evidence-based outcomes to raise the health of the community. Gallup Polls have added data to help demonstrate effectiveness of District services.

Case Management services 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). The Center for Health Connection seeks to improve health to the underserved population of the beach cities. This population 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.

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. LiveWell Kids and LiveWell Tots are 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.

The **Fitness Centers Department** encompasses services provided at the Center for Health & Fitness and AdventurePlex.

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 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 **Finance & Property Funding Department** provides administrative support and delivers funding through treasury, property tax administration and leasing activities. The District has 255,000 of sq. ft. under management. The investment portfolio ranges seasonally from \$20 to \$25 million.

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 California State Department of Finance reports the combined population of these cities increased from 115,679 to 121,389 or 4.9% between 2000 and 2010.

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. However, more sheltered geographically than other inland areas, property value growth that remained flat from 2008-09 through 2011-12 is now continuing to increase slightly. 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 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).

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 conform to existing standards. This is reflected in continued earning of the award certificate found on page viii.

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
Chief Financial Officer

Beach Cities Health District District Officials At June 30, 2013



Joanne Edgerton
President



Vanessa Poster
President Pro
Tem



Noel Chun, M.D.
Secretary-
Treasurer



Marie Liu Corr,
R.N.
Director



Robert
Grossman, M.D.
Director

Board of Directors

Joanne Edgerton, President
Vanessa Poster, President Pre Tem
Robert Grossman, M.D., Director
Noel Chun, M.D., Director
Marie Liu Corr, Director

Length of Service

11 years
16 years
4 years
7 years
4 years



Susan Burden
CEO



Lisa Santora, M.D.
CMO



Jackie Berling
CRO



Steve Groom
CFO

District Executive Leadership

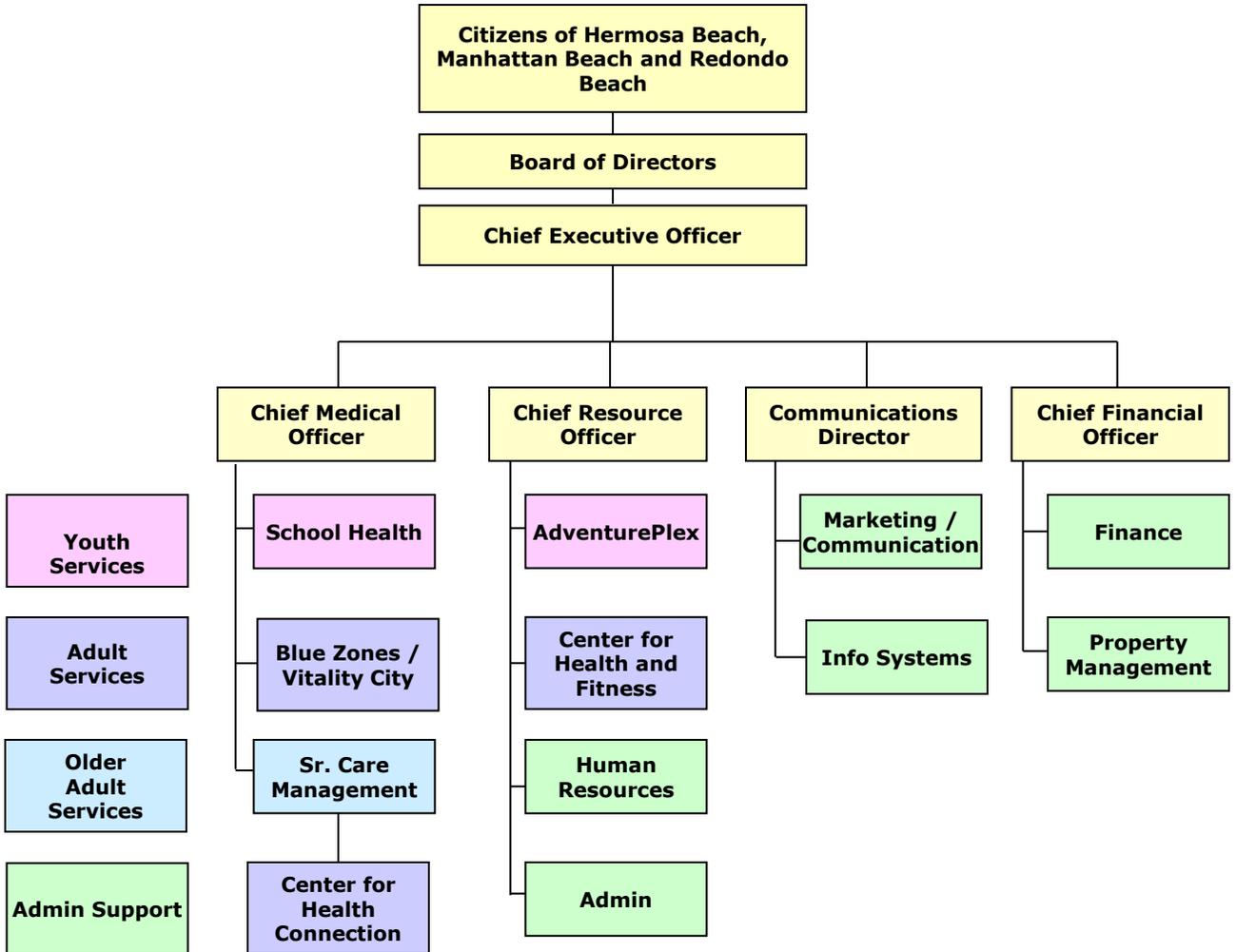
Susan Burden, Chief Executive Officer
Lisa Santora, M.D., Chief Medical Officer
Jackie Berling, Chief Resource Officer
Steve Groom, Chief Financial Officer

9 years
5 years
11 years
9 years

Comprehensive Annual Financial Report prepared by:

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

Organization Chart



*California Society of
Municipal Finance Officers*

Certificate of Award

***Outstanding Financial Reporting Award
Fiscal Year Ending June 30, 2012***

Presented to the

Beach Cities Health District

For meeting the criteria established to achieve the Outstanding Financial Reporting Award.

February 6, 2013



Laura M. Nomura

*Laura Nomura
CSMFO President*

Scott Catlett

*Scott Catlett, Chair
Professional Standards and
Recognition Committee*

Dedicated Excellence in Municipal Financial Reporting



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A. LEVY, CPA
CRAIG A. HARTZHEIM, CPA
HADLEY Y. HUI, CPA

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Independent Auditor's Report

Board of Directors
Beach Cities Health District
Redondo Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Beach Cities Health District (District), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the 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, as of June 30, 2013, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2012, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Report Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the Schedule of Funding Progress for Retiree Health Plan on page 40, and the General Fund budgetary comparison schedule on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beach Cities Health District's financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The introductory section and statistical section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information included in the introductory section and the statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2013 on our consideration of the District's internal control over financial reporting and 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 do not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 13, 2013

Management of the Beach Cities Health District (BCHD, 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, 2013. Readers are encouraged to read this information alongside the District's financial statements, which follow.

Financial Highlights

- The assets of the District, \$77.0 million, exceeded its liabilities, \$7.6 million, at the close of the most recent fiscal year by \$69.4 million (net position). Of this amount, \$45.2 million (unrestricted net position) may be used to meet the District's on-going obligations to residents and creditors.
- The cost of all governmental activities this year was \$12.2 million, up slightly from \$12.0 million for the previous year.
- 74% of the District's services were financed with funding sources other than taxes. The amount financed by taxpayers through property taxes was \$2.7 million, 26% of total revenues, compared to \$2.5 million and 25% in prior year.
- The fund balance of Beach Cities Health District's general fund decreased by \$0.2 million during the current fiscal year. This was primarily attributable to an operating surplus of \$0.8 million and capital expenditures and debt service of (\$1.0 million).
- As of the close of the current fiscal year, the unassigned fund balance for the general fund was \$24.8 million, or 230% of general fund expenditures.

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 other 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 9-10 of this report.

The statement of net position 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 position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 11-14 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 15-39.

Government-wide Financial Analysis

As noted previously, net position may serve over time as an indicator of financial position. Assets exceeded liabilities by \$69.4 million at the close of the fiscal year ended June 30, 2013.

Statement of Net Position (\$ Millions)

	Governmental Activities		Increase (Decrease)
	2013	2012	
Assets			
Current and other assets	\$ 47.4	\$ 47.6	\$ (0.2)
Capital assets	29.6	31.1	(1.5)
Total assets	<u>77.0</u>	<u>78.7</u>	<u>(1.7)</u>
Liabilities			
Long-term debt outstanding	5.6	5.9	(0.3)
Other liabilities	2.0	1.7	0.3
Total liabilities	<u>7.6</u>	<u>7.6</u>	<u>-</u>
Net Position			
Net investment in capital assets	24.2	25.4	(1.2)
Restricted	-	-	-
Unrestricted	45.2	45.7	(0.5)
Total Net Position	<u>\$ 69.4</u>	<u>\$ 71.1</u>	<u>\$ (1.7)</u>

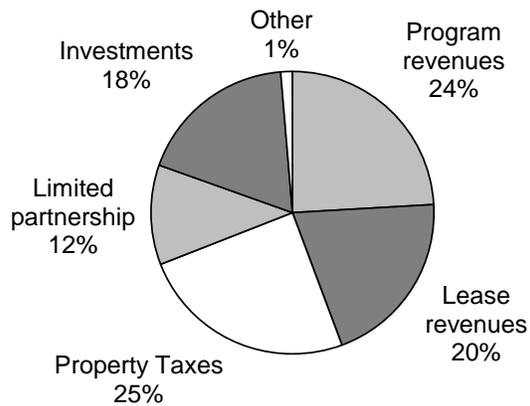
A significant portion of the District's net position, \$24.2 million (38.4 percent of assets), reflects its investment in capital assets (land, buildings, land improvements, furniture, fixtures, computer equipment, fitness equipment, etc.), less any related debt used to acquire those assets that is still 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 position invested in capital assets, no portion of the District's net position represents resources that are subject to external restrictions. Therefore the remaining balance of unrestricted net position, \$45.2 million, may be used to meet the District's ongoing obligations to citizens and creditors.

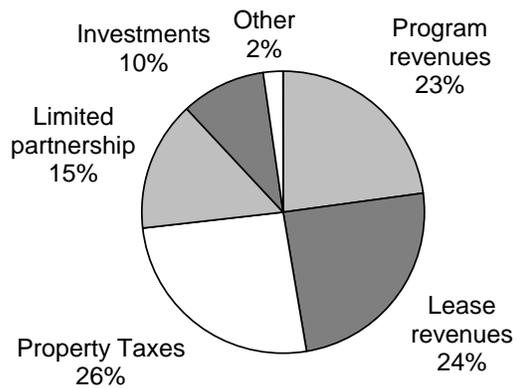
The cost of all governmental activities this year was \$12.2 million, up slightly from \$12.0 million for the previous year. As shown in the Statement of Activities on page 10, the amount financed by taxpayers through property taxes was \$2.7 million, compared to \$2.5 million in the prior year. This represents 26% of total revenues; 74% of the District's services are financed with other funding sources.

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 \$2.4 million), and by revenue generated from District resources (property lease revenues, interest from investments and limited partnership income).

**FY 2012
Revenues by Source**



**FY 2013
Revenues by Source**



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 \$40.0 million. Most of this amount, \$24.8 million, constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is assigned or nonspendable, not available for discretionary spending, primarily a) the District's investment in limited partnerships (\$10.5 million) and b) net notes receivable (\$3.2 million).

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$24.8 million, of a total fund balance of \$38.8 million. As a measure of the district's liquidity, unassigned fund balance represents 230% of total general fund expenditures.

The fund balance of Beach Cities Health District's general fund decreased by \$0.2 million during the current fiscal year. This was primarily attributable to an operating surplus of \$0.8 million and capital expenditures and debt service of (\$1.0 million).

Special Revenue Fund. 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. Activity in the current fiscal year was comprised solely of interest income.

Unrestricted net position of the special revenue fund at the end of the year amounted to \$1.2 million, no change over prior year.

General Fund Budgetary Highlights

In May, 2012, the Board of Directors approved a budget for the Fiscal Year 2012-2013 that forecast a deficit of (\$300,100), before capital expenditures, maintaining commitments to existing service levels and allowing for scheduled capital expenditures. Of particular budgetary significance, this was the third year of a continuing \$600,000 contract with Healthways to the Blue Zones project acting in concert with the three cities, school districts and local businesses to measurably improve the health of the community. Facing the economic hurdles of depressed interest rates, property values and a receding national economy, the District budgeted revenues \$133,000 less than prior year and expenditures \$259,000 more than prior year. Lease revenues were expected to increase by \$556,000 due to already-executed new leases and interest revenue was expected to decrease by (\$603,000) due to advance notice of payoff of a note receivable. Partnerships and User Fees were expected to decrease slightly.

Expenditures for Capital Outlay, District's long-term investment in capital assets, of \$299,900 were included in this budget, excluding carryover of prior year approved capital project spending. During the year, the Board of Directors approved further budget appropriations of \$891,000 for additional capital expenditures for campus development and administrative office relocation. Actual expenditures normally vary from the budget due largely to delayed timing of project spending from prior year.

As noted on p. 41, actual revenues exceeded budgeted expectations by \$410,496 primarily from favorable actual lease income, limited partnership receipts and property tax receipts by \$421,477, \$272,579 and \$241,326 respectively. Actual total expenditures were favorable to budget by \$770,024 primarily due to less-than-budgeted capital expenditures in the current period by \$912,514.

Program income derives from District programs, managed monthly using actual-to-budget variance control at the program level in order to manage expenses proportionally as revenue fluctuates. Favorable operational expenditure variances are largely a function of having monitored revenue across all district departments.

As shown in the following table total revenues remained level and expenditures decreased over prior year.

REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

	Actual (\$ Millions)		Increase (Decrease)
	2013	2012	
Revenues			
Program Income	\$ 2.4	\$ 2.4	\$ (0.0)
Financing & Rental Income	2.6	2.0	0.6
Property Taxes	2.7	2.5	0.2
Investment Earnings	1.0	1.8	(0.8)
Limited Partnership	1.6	1.2	0.4
Other	0.2	0.1	0.1
Total Revenues	<u>10.5</u>	<u>10.1</u>	<u>0.4</u>
Expenditures			
Current			
Salaries & related	5.1	5.0	0.1
Grants & projects	1.5	1.3	0.2
Professional Fees	1.5	1.5	(0.0)
Facilities Management	0.3	0.5	(0.1)
Community Relations	0.3	0.2	0.1
General & Administrative	0.5	0.4	0.1
Cost of Goods Sold	0.1	0.1	0.0
Human Resources	0.2	0.2	0.0
Information Systems	0.1	0.1	(0.0)
Other	0.1	0.1	(0.0)
Capital Outlay	0.3	0.4	(0.1)
Debt Service			
Interest and other fiscal	0.5	0.5	(0.0)
Principal Retirement	0.3	0.3	0.0
	<u>10.7</u>	<u>10.5</u>	<u>0.3</u>
Excess of revenues over (under) expenditures	<u>(0.2)</u>	<u>(0.4)</u>	<u>0.1</u>
Other finance resources	<u>-</u>	<u>0.1</u>	<u>(0.1)</u>
	<u>(0.2)</u>	<u>(0.3)</u>	<u>0.0</u>
Beginning Fund Balance	38.9	39.1	(0.2)
Prior period adjustment	-	0.1	
Ending Fund Balance	<u>\$ 38.7</u>	<u>\$ 38.9</u>	<u>\$ (0.2)</u>

Lease income increased due to commencement of two new leases of main campus space to Silverado Senior Living and Cancer Care and Associates. Property Tax revenue remained level, of particular note despite the national economic downturn's effect on the local real estate. Investment earnings decreased mostly due to payoff of an interest-bearing note receivable by Silverado Senior Living but also due to the national economic downturn's effect on interest rates impacted the average yield of the District's laddered portfolio. Limited Partnership revenues increased due to the payoff of a \$10 million long-term partnership

mortgage resulting in increased partnership revenue commencing in November 2012. Program revenues remained virtually level with prior year.

Both operating expenditures and outlay for capital remained level with prior-year spending.

Capital Asset and Debt Administration

The District's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$29,648,851 (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 4.8%.

Major capital asset events for the year

• Admin relocation	\$ 34,000
• Development costs	33,000
• Gym flooring	25,000
• 1st floor flooring	21,000
• Computer equipment	20,000
• 1st floor drain replacement	16,000
• Parking garage	13,000
• Garage repairs	13,000
• HVAC	13,000
• Cooling tower motor	13,000
• Gym cabinetry and renovation	12,000
• Chilled water coil	11,000
• ADA door hardware	10,000
• HVAC	9,000
• Exterior signage	8,000
• Boiler removal	8,000
• Fencing	8,000
• Heater	7,000

Economic Outlook

Fiscal Year 2012-13 finds the regional economy stabilizing, but at lower pre-recession levels. General fund revenues that had to be substantially adjusted mid-course due to the economic influence on the District's public-private partnerships. Property Tax revenue that remained flat from 2008-09 through 2011-12 is now continuing to increase slightly. Investment earnings continue to decrease as the average yield falls with every maturing bond that was purchased several years ago and is now re-invested in the record-low interest rate environment.

Beach Cities Health District continues to pursue increased funding for the foreseeable increase in senior services demand through improved and expanded leasing opportunities. Through this, partnership investments, and user fee services roughly three quarters of the District's services will continue to be financed with funding sources other than taxes.

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 POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and investments	\$ 26,950,208
Accounts receivable - net	637,693
Interest receivable	82,673
Loans receivable	3,708
Notes receivable	8,813,307
Taxes receivable	60,816
Pass through grants receivable	12,915
Prepaid items	358,361
Inventory	6,517
Investment in limited partnerships	10,454,476
Capital assets not being depreciated	4,401,926
Capital assets - net of accumulated depreciation	25,246,925
Total assets	77,029,525
LIABILITIES	
Current liabilities:	
Accounts payable	370,056
Accrued liabilities	747,155
Accrued payroll	109,835
Deposits	181,233
Unearned revenue	229,915
Compensated absences	362,084
Noncurrent liabilities:	
Due within one year	319,112
Due in more than one year	5,306,277
Total liabilities	7,625,667
NET POSITION	
Net investment in capital assets	24,157,514
Unrestricted	45,246,344
Total net position	\$ 69,403,858

See notes to the basic financial statements

**BEACH CITIES HEALTH DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position
Primary Government:			
Health care services	\$ 11,803,537	\$ 2,417,327	\$ (9,386,210)
Interest on long-term debt	450,756		(450,756)
	\$ 12,254,293	\$ 2,417,327	(9,836,966)
General Revenues:			
Taxes:			
Property taxes			2,734,979
Earnings on investments			3,628,782
Income from limited partnerships			1,574,326
Other income			239,430
			8,177,517
		Total general revenues	8,177,517
		Change in net position	(1,659,449)
		Net position - July 1, 2012	71,063,307
		Net position - June 30, 2013	\$ 69,403,858

See notes to the basic financial statements

**BEACH CITIES HEALTH DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 25,804,169	\$ 1,146,039	\$ 26,950,208
Accounts receivable - net	637,693		637,693
Due from other funds		60,727	60,727
Interest receivable	82,673		82,673
Loans receivable	3,708		3,708
Notes receivable	8,813,307		8,813,307
Taxes receivable	60,816		60,816
Pass through grants receivable	12,915		12,915
Prepaid items	358,361		358,361
Inventory	6,517		6,517
Investment in limited partnerships	10,454,476		10,454,476
Total assets	<u>\$ 46,234,635</u>	<u>\$ 1,206,766</u>	<u>\$ 47,441,401</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 370,056	\$ -	\$ 370,056
Accrued liabilities	747,155		747,155
Accrued payroll	109,835		109,835
Due to other funds	60,727		60,727
Deposits	181,233		181,233
Unearned revenue	5,648,233		5,648,233
Compensated absences	362,084		362,084
Total liabilities	<u>7,479,323</u>		<u>7,479,323</u>
Fund balances			
Nonspendable:			
Inventory	6,517		6,517
Prepaid items	358,361		358,361
Notes receivable, net of unearned revenue	3,165,074		3,165,074
Investment in Limited Partnerships	10,454,476		10,454,476
Assigned		1,206,766	1,206,766
Unassigned	24,770,884		24,770,884
Total fund balances	<u>38,755,312</u>	<u>1,206,766</u>	<u>39,962,078</u>
Total liabilities and fund balances	<u>\$ 46,234,635</u>	<u>\$ 1,206,766</u>	<u>\$ 47,441,401</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 POSITION
June 30, 2013**

Fund balances of governmental funds	\$	39,962,078
Amounts reported for governmental activities in the statement of net position are different because:		
Unearned 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.		5,418,318
Capital leases 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 position.		(5,491,337)
Capital assets, net of accumulated depreciation, have not been included as financial resources in governmental funds.		29,648,851
Other postemployment benefits (OPEB) are not due and payable in the current period and, therefore, are not reported on the balance sheet of the governmental funds.		<u>(134,052)</u>
Net position of governmental activities	\$	<u><u>69,403,858</u></u>

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, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 2,734,979	\$ -	\$ 2,734,979
Program income	2,417,327		2,417,327
Financing and rental income related to lease	2,591,094		2,591,094
Investment earnings	1,022,267	15,421	1,037,688
Income from limited partnership	1,574,326		1,574,326
Intergovernmental	77,215		77,215
Other revenue	162,215		162,215
Total revenues	10,579,423	15,421	10,594,844
EXPENDITURES			
Current:			
Salaries and related expenses	5,133,437		5,133,437
Professional fees	1,501,649		1,501,649
Grants and projects	1,484,011		1,484,011
Facilities management	333,013	10	333,023
Community relations	321,082		321,082
General and administrative	465,278		465,278
Human resources	184,585		184,585
Information services	112,203		112,203
Cost of goods sold	137,891		137,891
Other	51,895		51,895
Capital outlay	278,386		278,386
Debt service:			
Principal retirement	292,957		292,957
Interest and other fiscal charges	450,756		450,756
Total expenditures	10,747,143	10	10,747,153
Net changes in fund balances	(167,720)	15,411	(152,309)
Fund balances - July 1, 2012	38,923,032	1,191,355	40,114,387
Fund balances - June 30, 2013	<u>\$ 38,755,312</u>	<u>\$ 1,206,766</u>	<u>\$ 39,962,078</u>

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, 2013**

Net change in fund balances - total governmental funds	\$ (152,309)
Amounts reported for governmental activities in the statement of activities differ because:	
<p>The repayment of the principal and issuance cost of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal and issuance cost are an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position. This is the net change of the issuance of long-term debt and the principal repayments.</p>	
Retirement of principal	292,957
Receipt of principal on notes receivable is recorded as a revenue in the governmental funds but reduces the receivable in the statement of net position.	(277,695)
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 outlay in the current period.	(1,488,158)
Other postemployment benefits (OPEB) included in the statement of activities do not provide (require) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(34,244)</u>
Change in net position of governmental activities	<u><u>\$ (1,659,449)</u></u>

See notes to the basic financial statements

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

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 Statements No. 39 and No. 61. 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 position 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.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

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 Position, or Fund Balance

Cash and Investments

Beach Cities Health District (District) operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, in essence, that “when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated need of the District, that a prudent person in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Position, 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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Position, 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, 2013.

**BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Position, 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:

Assets	Years
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, 2013, vacation leave of \$362,084 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 Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position, and unrestricted net position. Restricted net position represent net position 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. All other net position is considered unrestricted.

E. Use of Restricted/Unrestricted Net Position

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

F. 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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. New Accounting Pronouncements

The District has implemented the requirements of GASB Statement No. 60, GASB Statement No. 61, GASB Statement No. 62, and GASB Statement No. 63 during the fiscal year ended June 30, 2013.

GASB Statement No. 60 - Accounting and Financial Reporting for Service Concession Arrangements

This statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of GASB Statement No. 60 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

GASB Statement No. 61 - The Financial Reporting Entity: Omnibus

This statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of the GASB Statement No. 61 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

GASB Statement No. 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

This statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November, 30 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of the GASB Statement No. 62 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

GASB No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

This statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities, should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement and the impact on the District's financial statements are explained in Note 15 A.

**BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 position:

The governmental fund balance sheet includes a reconciliation between fund balances – governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term debt has not been included in the governmental fund activity”. The detail of the \$5,491,337 long-term debt difference is as follows:

Long-term debt:	
Capital leases payable	<u>\$ 5,491,337</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net position of governmental activities	<u>\$ 5,491,337</u>

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 position 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.”

The details of this difference are as follows:

Capital outlay:	
Capital outlay	\$ 278,386
Depreciation	<u>(1,766,544)</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net position of governmental activities	<u>\$ (1,488,158)</u>

**BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Another element of that reconciliation states that the note receivable is not available to pay for current period expenditures and, therefore is offset by unearned revenue in the government fund. The details of this \$277,695 difference are as follows:

Notes receivable:

Prospect South Bay note receivable			
- unearned revenue		\$	<u>(277,695)</u>
Net adjustment to reduce fund balance			
of total governmental funds to arrive			
at net position of governmental activities		\$	<u><u>(277,695)</u></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 following are expenditures which exceed appropriations in the general fund for the fiscal year ended June 30, 2013.

	Final Appropriation	Expenditures	Excess
Major Fund:			
General Fund:			
Cost of goods sold	\$ 137,238	\$ 137,891	\$ (653)
General and administrative	462,988	465,278	(2,290)
Facilities management	284,937	333,013	(48,076)
Debt Service:			
Principal retirement		292,957	(292,957)

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

<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	\$ 50,000,000
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.

B. 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:

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Disclosures Relating to Interest Rate Risk (Continued)

Investment Type	Totals	Remaining maturity (in Months)				
		12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	49 to 60 Months
State Investment Pool	\$ 2,703,638	\$ 2,703,638	\$ -	\$ -	\$ -	\$ -
Medium Term Notes	6,897,255		110,454	1,521,022	1,731,714	3,534,065
Municipal Obligations	1,426,557			499,756	426,671	500,130
U.S. Treasury Securities	9,021,420	3,750,679	1,026,600	3,936,992	307,149	
U.S. Agency Securities	7,085,330	755,647	1,303,884	3,016,375	754,590	1,254,834
Money Market Funds	18,155	18,155				
	<u>\$27,152,355</u>	<u>\$ 7,228,118</u>	<u>\$ 2,440,939</u>	<u>\$ 8,974,145</u>	<u>\$ 3,220,124</u>	<u>\$ 5,289,029</u>

C. 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.

D. 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	\$ 2,703,638	N/A	\$ -	\$ -	\$ -	\$ -	\$ 2,703,638
Medium Term Notes	6,897,255	A		135,395	3,687,575	2,949,285	125,000 *
Municipal Obligations	1,426,557	N/A		800,190		626,367	
U.S. Treasury Securities	9,021,420	N/A	9,021,420				
U.S. Agency Securities	7,085,330	N/A			7,085,330		
Money Market Funds	18,155	N/A		18,155			
Total	<u>\$27,152,355</u>		<u>\$ 9,021,420</u>	<u>\$ 953,740</u>	<u>\$ 10,772,905</u>	<u>\$ 3,575,652</u>	<u>\$ 2,828,638</u>

* See note 17 for details.

E. 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
FNMA	U.S. Agency Securities	\$ 4,974,912
FHLMC	U.S. Agency Securities	2,110,418

**BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Concentration of Credit Risk (Continued)

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, major funds, etc.) are as follows:

\$7,085,330 of cash and investments reported in the Governmental Activities Statement of net position are held in federal agency securities, \$4,974,912 (FNMA), \$2,110,418 (FHLMC). The FNMA bears interest at various rates of 0.380% through 1.240% and matures on February 27, 2014 through May 21, 2018. The FHLMC also bears interest at various rates of 0.500% through 1.930% and matures on August 20, 2014 through August 26, 2016.

F. 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 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, 2013, none of the District's deposits with financial institutions were held in uncollateralized accounts. As of June 30, 2013, 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>
Medium Term Notes	\$ 6,897,255
Municipal Obligations	1,426,557
U.S. Treasury Securities	9,021,420
U.S. Agency Securities	7,085,330
Money Market Funds	18,155

G. 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.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – OPERATING LEASES AS LESSOR

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 November 1, 2011 changed the monthly base rent to \$12,993.

Cancer Care Associates Medical Group

The District entered into a lease agreement dated December 8, 1999, with Cancer Care Associates Medical Group to lease 10,730 square feet located on the fourth floor at 514 Prospect Avenue, Redondo Beach. The lease is for a term of 10 years and 8 months commencing August 1, 2000. Another lease was entered into 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 in February 2011 changed the base rent to \$16,191. The lease terms were renewed and renegotiated effective August 2011. There will be no rent due from May 2011 through May 2012 and the rent will then increase to \$24,679. Effective June 2012, the rent will increase to \$25,323 for the 4th floor space and \$1,523 for the lower level space. Reimbursement to the District for a portion of the common area operating expenses is paid monthly at a fixed negotiated rate of \$8,584 per month.

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 \$20,168.

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. The fifth amendment to the lease dated January 10, 2013 increased the base rent to \$5,400, effective on January 1, 2013, and increased base rent annually by 3% each remaining year of the lease

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 has been on a monthly basis. A new lease term commenced on November 1, 2010 through October 31, 2013. Lease payments of \$2,765 are due on the first day of each month including reimbursement of Common Area Maintenance Expenses.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – OPERATING LEASES AS LESSOR (Continued)

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 lease is for a term of five years commencing March 1, 2005, and the monthly lease payment is \$36,036. The lease term has been extended through February 28, 2015 commencing March 1, 2011 and base rent increases to \$37,776. The base rental payments will be adjusted by a factor of three percent (3%) of the base rent paid in the immediate preceding twelve (12) month period on the first day of the 24th month following the commencement of the lease.

Silverado Senior Living

The District entered into a lease agreement dated May 18, 2006, with Silverado Senior Living Redondo Beach, Inc. to lease 35,008 square feet located at 514 N. Prospect Avenue, Redondo Beach. The lease is for a term of 10 years commencing May 2006. 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 \$38,126 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. Subsequent lease amendments added additional space of 3,519 square feet on March 1, 2007. 3,231 square feet effective March 1, 2009 and 9,577 square feet on November 1, 2011. The latest adjustment in May 2012 changed the base rent for both lease and operating expense reimbursement to \$79,517 per month.

Prader Willi California Foundation

The District entered into a lease agreement dated June 20, 2011, with Prader Willi California Foundation to lease 631 square feet located at 514 N Prospect Avenue, Redondo Beach. 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 1,060 per month. The base rental payments are adjusted by the change in the consumer price index on the first day of the 10th month following the commencement of the lease and as of each 12th month thereafter during the term of the lease. In no event shall any increase be greater than three percent per year, on a non-cumulative basis. The base rental payments are adjusted by the greater of the consumer price index (All Urban Consumers Index – Los Angeles) or 3%, beginning on the second anniversary of the lease term date.

The Regents of the University of California

The District entered into a lease agreement dated April 1, 2012, with The Regents of the University of California c/o University of California, Los Angeles Real Estate, to lease 8,708 square feet located at 514 N. Prospect Avenue, Redondo Beach. The lease is for a term of 10 years commencing April 2012. 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 \$24,382 per month. The base rental payments are adjusted by the change in the consumer price index on the first day of the 10th month following the commencement of the lease and as of each 12th month thereafter during the term of the lease. In no event shall any increase be greater than three percent per year, on a non-cumulative basis.

**BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

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 267 months. At June 30, 2013, the note has a balance of \$8,711,790 and a remaining unamortized discount of \$330,012 for a net receivable of \$8,381,778.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	\$ 483,279	\$ 674,380	\$ 1,157,659
2015	523,079	634,580	1,157,659
2016	566,156	591,503	1,157,659
2017	612,782	544,877	1,157,659
2018	663,247	494,412	1,157,659
2019-2023	4,231,260	1,557,034	5,788,294
2024-2025	1,631,987	104,500	1,736,487
Less: Discount	(330,012)		(330,012)
	<u>\$ 8,381,778</u>	<u>\$ 4,601,286</u>	<u>\$ 12,983,064</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, 2013, the note has a balance of \$69,491.

**BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

NOTE 5 - NOTES RECEIVABLE (Continued)

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

Fiscal Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 25,187	\$ 1,159	\$ 26,346
2015	18,735	715	19,450
2016	19,113	337	19,450
2017	6,456	27	6,483
	<u>\$ 69,491</u>	<u>\$ 2,238</u>	<u>\$ 71,729</u>

On January 5, 2011, the District executed a standard industrial/commercial single tenant lease agreement with Beach Cities Child Development Center for the premises located at 514 Prospect Avenue, Redondo Beach, 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 \$420,000 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 \$420,000. The unpaid amount from time to time outstanding under the revolving note and term note bears interest equal to 7%. Monthly payments are due through December, 2020. The note is secured by the security interest granted in the security agreement. As of June 30, 2013, the note has a balance of \$362,038. Principal and interest to be received on the note are as follows:

Fiscal Years Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 38,077	\$ 24,136	\$ 62,213
2015	40,793	21,385	62,178
2016	43,742	18,436	62,178
2017	46,904	15,274	62,178
2018	50,295	11,883	62,178
2019-2021	142,227	13,221	155,448
	<u>\$ 362,038</u>	<u>\$ 104,335</u>	<u>\$ 466,373</u>

During the 2012-2013 fiscal year, Silverado Senior Living paid the remaining balance of \$7,756,176 on their note due to the District. As of January 10, 2013, the balance on the note is zero.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – ACCOUNTS RECEIVABLE

The following is a list of accounts receivable at June 30, 2013:

Governmental Activities -	Receivable	Allowance	Net
Accounts Receivable	\$ 655,096	\$ 17,403	\$ 637,693
Total Governmental Activities	\$ 655,096	\$ 17,403	\$ 637,693

The District has established an allowance for doubtful accounts for rent receivable. As of June 30, 2013, the balance of \$17,403 presents the uncollected rent payments that were due on April 2008.

NOTE 7 – INTERFUND ACTIVITY

The following represents the interfund activity of the District for the fiscal year ended June 30, 2013:

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.

	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 60,727
Special Revenue Fund	60,727	
	\$ 60,727	\$ 60,727

NOTE 8 – CAPITAL ASSETS

Governmental Activities

Changes in capital assets for governmental activities for the fiscal year ended June 30, 2013 were as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets, not being depreciated:				
Land	\$ 4,401,926	\$ -	\$ -	\$ 4,401,926
Total	4,401,926			4,401,926
Capital Assets, being depreciated:				
Buildings and improvements	44,969,065	258,255		45,227,320
Equipment, furniture, and fixtures	1,780,143	20,131		1,800,274
Total	46,749,208	278,386		47,027,594
Less accumulated depreciation for:				
Buildings and improvements	(18,533,541)	(1,686,451)		(20,219,992)
Equipment, furniture, and fixtures	(1,480,584)	(80,093)		(1,560,677)
Total	(20,014,125)	(1,766,544)		(21,780,669)
Total, net of accumulated depreciation	26,735,083	(1,488,158)		25,246,925
Total Capital Assets, Net	\$ 31,137,009	\$ (1,488,158)	\$ -	\$ 29,648,851

**BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

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, 2013, 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, 2013	<u>\$ 10,372,352</u>
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Beach District Surgery Center, LLC.

On 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, 2013, 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, 2013	<u>\$ 82,124</u>
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NOTE 10 – LONG-TERM LIABILITIES

The following is a summary of changes in Governmental Activities long-term debt for the fiscal year ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Capital leases payable	\$ 5,784,294	\$ -	\$ (292,957)	\$ 5,491,337	\$ 319,112
Other post-employment benefit obligation	99,808	35,210	(966)	134,052	
Total	<u>\$ 5,884,102</u>	<u>\$ 35,210</u>	<u>\$ (293,923)</u>	<u>\$ 5,625,389</u>	<u>\$ 319,112</u>

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 – LONG-TERM LIABILITIES (Continued)

A. Capital Leases Payable

Parking Facilities

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 2025. 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. During the fiscal year 2012-2013, the District made the principal payment of \$277,695. The outstanding balance was \$5,418,317 at June 30, 2013.

The following is a summary of future minimum payment requirements for the fiscal year ended June 30, 2013:

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	\$ 300,564	\$ 419,436	\$ 720,000
2015	325,317	394,683	720,000
2016	352,109	367,891	720,000
2017	381,107	338,893	720,000
2018	412,493	307,507	720,000
2019-2023	2,631,548	968,452	3,600,000
2024-2025	1,015,180	968,452	1,080,000
	<u>\$ 5,418,317</u>	<u>\$ 3,765,315</u>	<u>\$8,280,000</u>

Phone System

The District entered into a capital lease agreement with NEC Financial Service, LLC. for a phone system with a monthly payment of \$2,156 through November 2016. The loan bears interest at 11.3153% per annum. The initial principal obligation under the lease amounted to \$98,431. During the fiscal year 2012-2013, the District made the principal payment of \$15,262. The outstanding balance was \$73,020 at June 30, 2013.

The following is a summary of future minimum payment requirements for the fiscal year ended June 30, 2013:

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	\$ 18,548	\$ 7,320	\$ 25,868
2015	20,759	5,109	25,868
2016	23,233	2,635	25,868
2017	10,480	298	10,778
	<u>\$ 73,020</u>	<u>\$ 15,362</u>	<u>\$ 88,382</u>

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

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 2012-2013 was 9.082 % 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, 2013, 2012, and 2011 were \$296,231, \$292,310, and \$253,446, 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.

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.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The District selected Total Compensation Systems, Inc. to perform an actuarial valuation of the retiree health insurance programs as of May 1, 2011. This includes benefits for 2 retirees and 55 active employees who may become eligible to retire and receive benefits in the future. The District provides medical insurance after the age of 50 to all employees, who meet the requirement of 5 years of service. The District contributes 100% (\$64.80 cap per month).

Annual OPEB and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution	\$ 34,640
Interest on net OPEB obligation	4,990
Adjustment to annual required contribution	(4,420)
Annual OPEB cost (expense)	35,210
Contributions made	(966)
Change in OPEB obligation	34,244
Net OPEB obligation (assets) - beginning of fiscal year	99,808
Net OPEB obligation (assets) - end of fiscal year	\$ 134,052

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013:

Fiscal Years Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net of OPEB Obligation (Asset)
6/30/2011	\$ 34,827	4%	\$ 66,145
6/30/2012	35,018	4%	99,808
6/30/2013	35,210	3%	134,052

Funded Status and Funding Progress As of May 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$253,077, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$253,077. The covered payroll (annual payroll of active employees covered by the plan) was \$3,129,368, and the ratio of the UAAL to the covered payroll was 8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2011, actuarial valuation, the entry age normal cost was used. The actuarial assumptions included a 5.0 percent investment rate of return, which is the expected long-term investment return on plan assets and an annual healthcare cost trend rate of 4 percent. The actuarial value of assets is \$0. The UAAL is be amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at May 1, 2011 was thirty years. The amortization period closed for initial UAAL and open for remaining UAAL for thirty years.

NOTE 14 – 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 a \$5,000 deductible.

**BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

NOTE 14 – 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. The primary terrorism limit is shared by all of the insured per the Public Entity Property Insurance Program (PEPIP). The deductible amounts are \$10,000 for all risk, \$25,000 for boiler & machinery, and \$10,000 for primary terrorism.

NOTE 15 - NET POSITION AND FUND BALANCES – GOVERNMENTAL ACTIVITIES

A. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is divided into three captions under GASB Statement No. 63. These captions apply only to net position as determined at the government-wide level and are described below:

Net investment in capital assets describes the portion of net position, which is represented by the current net book value of the District’s capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. These principally include debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

Unrestricted describes the portion of net position that does not meet the definition of invested in capital assets, net of related debt or restricted net position.

Details of the three categories are as follows:

	Governmental Activities
Net investment in capital assets:	
Total capital assets, net of accumulated depreciation	\$ 29,648,851
Less: total capital related debt	(5,491,337)
Net investment in capital assets	24,157,514
Unrestricted	45,246,344
	\$ 69,403,858

**BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

NOTE 15 - NET POSITION AND FUND BALANCES– GOVERNMENTAL ACTIVITIES (Continued)

B. Fund Balances

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District’s adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Fund balances			
Nonspendable:			
Inventory	\$ 6,517	\$ -	\$ 6,517
Prepaid items	358,361		358,361
Notes receivable, net of related deferred revenue	3,394,990		3,394,990
Investment in Limited Partnerships	10,454,476		10,454,476
Assigned:			
Prospect One Corporation		1,206,766	1,206,766
Unassigned	<u>24,540,968</u>		<u>24,540,968</u>
Total fund balances	<u>\$ 38,755,312</u>	<u>\$ -</u>	<u>\$ 39,962,078</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

NOTE 16- CONTINGENCIES

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

BEACH CITIES HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

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. The investment became unrated in that year and the market value has decreased, as of June 30, 2013, to \$125,000. On-going bankruptcy un-winding of Lehman Brothers has been proceeding and the District received two installments of the residual value which the mark-to market pricing reflects. During the fiscal year 2012-2013, the District received \$44,311.

NOTE 18 – RELATED PARTY TRANSACTION

The District contracts with a third party to provide Urgent Medical Care for eligible participants of the Center for Health Connection (which is a program of the District). The Center for Health Connection (CHC) can issue a service authorization (SAF) to help pay for basic health care services on a limited basis to individuals without health insurance who meet the CHC income criteria and live in the beach cities. The beach cities include the cities of Hermosa Beach, Manhattan Beach, and Redondo Beach. Eligible participants for Urgent Medical Care can receive a SAF for same day acute medical care for non-life threatening health issues (Urgent Medical Care through the CHC program is restricted to the contracted Provider noted above). Eligible participants are referred by the Center for Health Connection. The spouse of the District employee who directs the daily operations of the Center for Health Connection is a partner of the contracted Provider. The District employee who directs the Center for Health Connections is also the employee that executes the contract for the Urgent Medical Care Provider. The District entered into the initial agreement for services with the Provider prior to the District employee (referenced above) being hired by the District.

NOTE 19 – MANAGEMENT REVIEW OF SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through December 13, 2013, the date these financial statements were available to be issued, and has determined there were no other material events requiring disclosure.

**BEACH CITIES HEALTH DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
June 30, 2013**

Postemployment Benefit Plans Other than Pensions

Trend Information

Actuarial Valuation Date	Unit Credit Cost Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
5/1/11	\$ 253,077	\$ -	\$ 253,077	- %	\$ 3,129,368	8.1%

**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, 2013**

	Budgeted Amount		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property taxes	\$ 2,462,400	\$ 2,462,400	\$ 2,734,979	\$ 272,579
Program income	2,526,744	2,591,124	2,417,327	(173,797)
Financing and rental income related to lease	2,233,997	2,169,617	2,591,094	421,477
Investment earnings	1,319,330	1,319,330	1,022,267	(297,063)
Income from limited partnership	1,333,000	1,333,000	1,574,326	241,326
Intergovernmental	76,960	76,960	77,215	255
Other revenue	216,496	216,496	162,215	(54,281)
Total revenues	10,168,927	10,168,927	10,579,423	410,496
EXPENDITURES				
Current:				
Salaries and related expenses	5,173,060	5,188,072	5,133,437	54,635
Grant and projects	1,532,087	1,532,102	1,484,011	48,091
Professional fees	1,519,967	1,502,657	1,501,649	1,008
Facilities management	366,537	284,937	333,013	(48,076)
General and administrative	485,273	462,988	465,278	(2,290)
Community relations	338,474	326,362	321,082	5,280
Human resources	202,437	202,449	184,585	17,864
Information services	139,501	136,757	112,203	24,554
Cost of goods sold	137,226	137,238	137,891	(653)
Other	55,200	55,200	51,895	3,305
Capital outlay	299,900	1,190,900	278,386	912,514
Debt service:				
Principal retirement			292,957	(292,957)
Interest and other fiscal charges	497,505	497,505	450,756	46,749
Total expenditures	10,747,167	11,517,167	10,747,143	770,024
Net change in fund balance	(578,240)	(1,348,240)	(167,720)	1,180,520
Fund balance - July 1, 2012	38,923,032	38,923,032	38,923,032	
Fund balance - June 30, 2013	\$ 38,344,792	\$ 37,574,792	\$ 38,755,312	\$ 1,180,520

Statistical Section

**Beach Cities Health District
Net Position by Component
Current and Prior Nine Years**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Government Activities										
Net Investment in Capital Assets	33,531,968	32,586,285	31,245,897	30,281,172	29,642,282	28,704,953	27,835,813	26,650,904	25,352,715	24,157,514
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	50,117,598	48,714,583	48,133,226	47,531,870	46,066,231	45,722,077	46,118,089	46,195,722	45,710,592	45,246,344
Total Government Activities	83,649,566	81,300,868	79,379,123	77,813,042	75,708,513	74,427,030	73,953,902	72,846,626	71,063,307	69,403,858
Business-type Activities										
Net Investment in Capital Assets	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	-
Total Business-type Activities	-									
Primary Government										
Net Investment in Capital Assets	33,531,968	32,586,285	31,245,897	30,281,172	29,642,282	28,704,953	27,835,813	26,650,904	25,352,715	24,157,514
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	50,117,598	48,714,583	48,133,226	47,531,870	46,066,231	45,722,077	46,118,089	46,195,722	45,710,592	45,246,344
Total Primary Government net position	83,649,566	81,300,868	79,379,123	77,813,042	75,708,513	74,427,030	73,953,902	72,846,626	71,063,307	69,403,858

**Beach Cities Health District
Changes in Net Position
Current and Prior Nine Years**

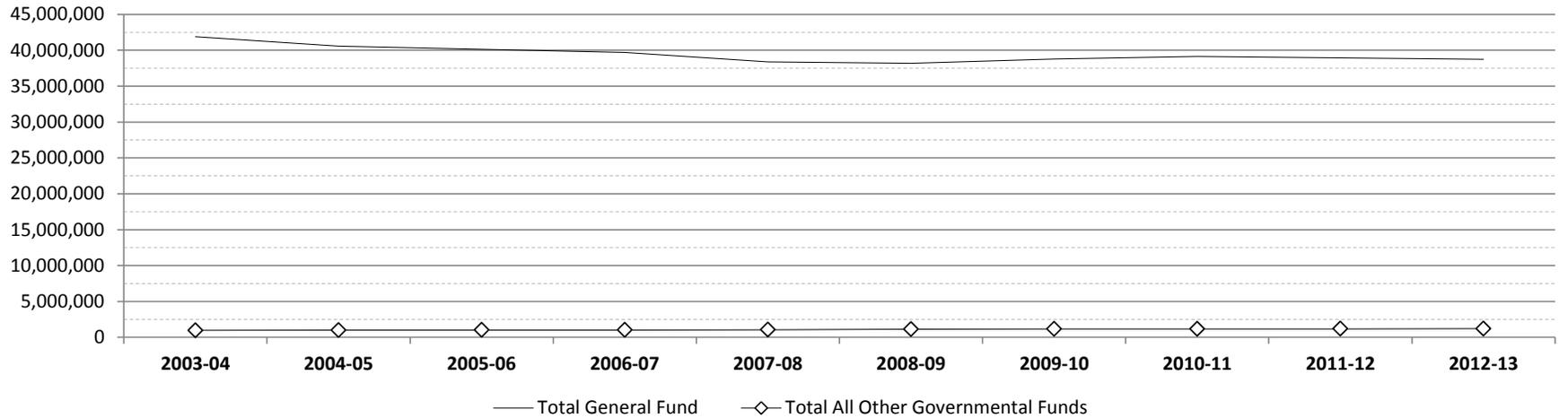
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Expenses										
Government Activities										
Grants & projects	1,981,481	1,946,770	1,785,264	1,888,980	1,771,475	1,603,432	1,466,357	1,413,255	1,321,735	1,484,011
Salaries & related	3,606,896	3,941,364	4,512,766	4,630,632	4,879,115	5,231,198	5,095,077	5,102,909	5,038,939	5,167,681
General & Administrative	1,948,134	1,986,043	1,992,179	2,244,528	3,177,400	3,033,659	2,434,877	2,420,702	2,487,912	2,509,517
Human Resources	132,386	151,921	162,293	153,781	154,983	148,591	143,746	131,924	160,070	184,585
Information Systems	22,771	42,031	7,532	75,735	81,438	84,254	77,812	108,083	130,722	112,203
Community Relations	298,370	419,717	362,085	419,665	493,778	406,189	322,529	259,174	197,270	321,082
Facilities Management	581,895	967,895	1,189,215	822,444	503,298	354,479	528,665	592,614	458,825	333,023
Professional Fees	704,076	654,417	892,038	880,951	950,711	752,736	748,723	1,290,224	1,517,613	1,501,649
Cost of Goods Sold	86,257	171,486	278,276	272,531	306,452	257,085	148,077	147,862	124,192	137,891
Other	91,251	119,769	183,434	274,720	36,650	270,326	45,694	65,453	54,383	51,895
Debt Service:										
Interest & Other Fiscal charges	588,623	543,406	560,414	547,272	533,052	517,680	500,993	482,956	470,530	450,756
Total Government Activities Expenses	10,042,140	10,944,819	11,925,496	12,211,239	12,888,352	12,659,629	11,512,550	12,015,156	11,962,191	12,254,293
Business-type activities:										
Not Applicable	-	-	-	-	-	-	-	-	-	-
Total Primary Government Expenses	10,042,140	10,944,819	11,925,496	12,211,239	12,888,352	12,659,629	11,512,550	12,015,156	11,962,191	12,254,293
Program Revenues										
Government Activities										
Program Revenues	2,605,934	2,798,944	2,636,372	2,568,788	2,658,807	2,605,809	2,370,140	2,395,112	2,431,990	2,417,327
Total Government Activities Revenues	2,605,934	2,798,944	2,636,372	2,568,788	2,658,807	2,605,809	2,370,140	2,395,112	2,431,990	2,417,327
Business-type activities:										
Not Applicable	-	-	-	-	-	-	-	-	-	-
Total Primary Government Program Revenues	2,605,934	2,798,944	2,636,372	2,568,788	2,658,807	2,605,809	2,370,140	2,395,112	2,431,990	2,417,327
Net Revenue (Expenses)	(7,436,206)	(8,145,875)	(9,289,124)	(9,642,451)	(10,229,545)	(10,053,820)	(9,142,410)	(9,620,044)	(9,530,201)	(9,836,966)

**Beach Cities Health District
Changes in Net Position
Current and Prior Nine Years**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
General Revenues And Other Changes in Net Position										
Government Activities										
Property Taxes	1,614,950	1,815,135	1,961,538	2,101,460	2,310,323	2,431,068	2,442,334	2,465,284	2,499,090	2,734,979
Earnings on Investment	451,307	955,542	1,419,276	2,754,320	2,544,024	2,400,700	2,651,449	2,032,734	1,854,308	1,037,688
Financing and Rental Income	2,125,415	2,251,272	2,150,073	1,522,469	2,075,747	2,123,750	2,196,821	2,074,595	2,041,241	2,591,094
Income from Limited Partnerships	778,833	772,085	1,255,494	1,633,834	1,023,918	1,223,811	1,204,270	1,136,200	1,151,587	1,574,326
Other Income	2,066	3,143	182,666	188,583	171,004	274,302	194,278	143,759	133,951	239,430
Sale of Property	7,500	-	398,332	-	-	-	-	-	-	-
Total Government Activities Revenues	4,980,071	5,797,177	7,367,379	8,200,666	8,125,016	8,453,631	8,689,152	7,852,572	7,680,177	8,177,517
Business-type activities:										
Not Applicable	-	-	-	-	-	-	-	-	-	-
Total Primary Government General Revenues	4,980,071	5,797,177	7,367,379	8,200,666	8,125,016	8,453,631	8,689,152	7,852,572	7,680,177	8,177,517
Changes in Net Position										
Government Activities	(2,456,135)	(2,348,698)	(1,921,745)	(1,441,785)	(2,104,529)	(1,600,189)	(453,258)	(1,767,472)	(1,850,024)	(1,659,449)
Business-type activities:	-	-	-	-	-	-	-	-	-	-
Total Primary Government	(2,456,135)	(2,348,698)	(1,921,745)	(1,441,785)	(2,104,529)	(1,600,189)	(453,258)	(1,767,472)	(1,850,024)	(1,659,449)

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

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11*	2011-12	2012-13
General Fund										
Reserved	7,369,855	7,355,157	7,369,382	7,167,234	8,426,855	12,821,687	13,291,295	-	-	-
Unreserved	34,514,710	33,233,469	32,776,598	32,534,180	29,957,744	25,371,285	25,499,203	-	-	-
Nonspendable	-	-	-	-	-	-	-	13,568,770	15,364,615	13,984,428
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	25,564,580	23,558,417	24,770,884
Total General Fund	41,884,565	40,588,626	40,145,980	39,701,414	38,384,599	38,192,972	38,790,498	39,133,350	38,923,032	38,755,312
All Other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in: Special Revenue Funds	955,379	995,746	1,016,621	1,032,559	1,070,683	1,120,476	1,154,167	1,175,939	1,191,355	1,206,766
Total All Other Governmental Funds	955,379	995,746	1,016,621	1,032,559	1,070,683	1,120,476	1,154,167	1,175,939	1,191,355	1,206,766



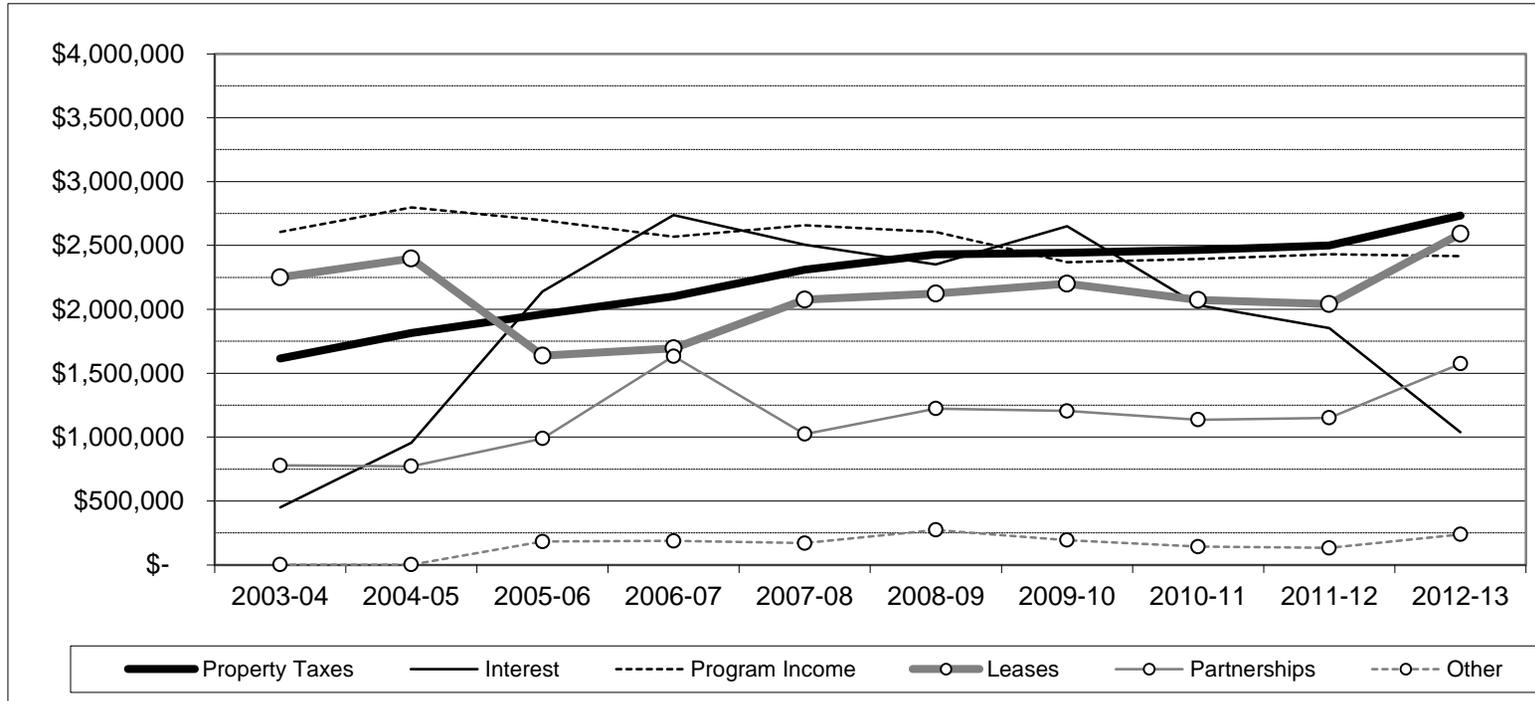
* Categories of Fund Balance were revised in compliance with GASB 54 beginning in Fiscal Year 2010-11

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

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Revenues										
Financing and Rental Income	2,250,696	2,398,715	2,297,516	1,695,197	2,075,747	2,123,750	2,196,821	2,074,595	2,041,241	2,591,094
Investment Earnings	451,307	955,542	1,419,050	2,754,320	2,544,024	2,400,700	2,651,449	2,032,734	1,854,308	1,037,688
Property Taxes	1,614,950	1,815,135	1,961,538	2,101,460	2,310,323	2,431,068	2,442,334	2,465,284	2,499,090	2,734,979
Program Income	2,605,934	2,798,944	2,697,659	2,568,788	2,658,807	2,605,809	2,370,140	2,395,112	2,431,990	2,417,327
Income from Limited Partnership	778,833	772,085	1,255,494	1,633,834	1,023,918	1,223,811	1,204,270	1,136,200	1,151,587	1,574,326
Other Revenue	9,566	3,143	580,998	188,583	171,004	274,302	194,278	143,759	133,951	239,430
Total Revenues	7,711,286	8,743,564	10,212,255	10,942,182	10,783,823	11,059,440	11,059,292	10,247,684	10,112,167	10,594,844
Expenditures										
Current:										
Grants & projects	1,981,481	1,946,770	1,785,264	1,888,980	1,771,475	1,603,432	1,466,357	1,413,255	1,321,735	1,484,011
Salaries & related	3,606,895	3,941,364	4,512,766	4,630,632	4,879,115	5,231,198	5,062,404	5,069,437	5,005,276	5,133,437
General & Administrative	299,306	286,136	292,272	348,703	368,307	910,229	378,696	357,410	393,737	465,278
Human Resources	132,386	151,921	162,293	153,781	154,983	148,591	143,746	131,924	160,070	184,585
Information Systems	22,771	42,031	7,532	75,735	81,438	84,254	77,812	108,083	130,722	112,203
Community Relations	298,370	419,717	362,085	419,665	493,778	406,189	322,529	259,174	197,270	321,082
Facilities Management	581,895	967,895	1,189,215	822,444	503,298	354,479	548,141	592,614	458,825	333,023
Professional Fees	704,076	654,417	892,038	880,951	950,711	752,736	748,723	1,290,224	1,517,613	1,501,649
Cost of Goods Sold	86,257	171,486	278,276	272,531	306,452	257,085	148,077	147,862	124,192	137,891
Other	90,197	55,322	63,983	45,700	36,650	270,326	45,694	65,453	54,383	51,895
Capital Outlay	97,210	671,228	368,302	987,392	1,796,307	781,461	768,895	404,297	371,137	278,386
Debt Service:										
Principal Retirement	125,280	147,443	159,586	172,728	186,948	202,320	219,008	237,043	266,715	292,957
Interest & Other Fiscal charges	588,623	543,406	560,414	547,272	533,052	517,680	500,993	482,956	470,530	450,756
Total Expenditures	8,614,747	9,999,136	10,634,026	11,246,514	12,062,514	11,519,980	10,431,075	10,559,732	10,472,205	10,747,153
Excess (deficiency) of Revenues over (under) Expenditures	(903,461)	(1,255,572)	(421,771)	(304,332)	(1,278,691)	(460,540)	628,217	(312,048)	(360,038)	(152,309)
Other Financing Sources										
Proceeds from Capital Lease									98,431	
Net Change in Fund Balances	(903,461)	(1,255,572)	(421,771)	(304,332)	(1,278,691)	(460,540)	628,217	(312,048)	(261,607)	(152,309)
Debt Service as a percentage of noncapital expenditures	9.15%	8.00%	7.54%	7.55%	7.54%	7.19%	8.05%	7.63%	7.87%	7.65%

**Beach Cities Health District
Government-wide Revenues by Function
Current and Prior Nine Years**

Fiscal Year	Property Taxes	Interest	Program Income	Leases	Partnerships	Other	Sale of Property	Total
2003-04	1,614,950	451,307	2,605,934	2,250,696	778,833	2,066	7,500	7,711,286
2004-05	1,815,135	955,542	2,798,944	2,398,715	772,085	3,143	-	8,743,564
2005-06	1,961,538	2,139,050	2,697,659	1,638,803	989,444	182,666	398,332	10,007,492
2006-07	2,101,460	2,738,382	2,568,788	1,695,197	1,633,834	188,583	-	10,926,244
2007-08	2,310,323	2,505,900	2,658,807	2,075,747	1,023,918	171,004	-	10,745,699
2008-09	2,431,068	2,350,777	2,605,809	2,123,750	1,223,811	274,302	-	11,009,517
2009-10	2,442,334	2,651,449	2,370,140	2,199,821	1,204,270	194,278	-	11,062,292
2010-11	2,465,284	2,032,734	2,395,112	2,074,595	1,136,200	143,759	-	10,247,684
2011-12	2,499,090	1,854,308	2,431,990	2,041,241	1,151,587	133,951	-	10,112,167
2012-13	2,734,979	1,037,688	2,417,327	2,591,094	1,574,326	239,430	-	10,594,844

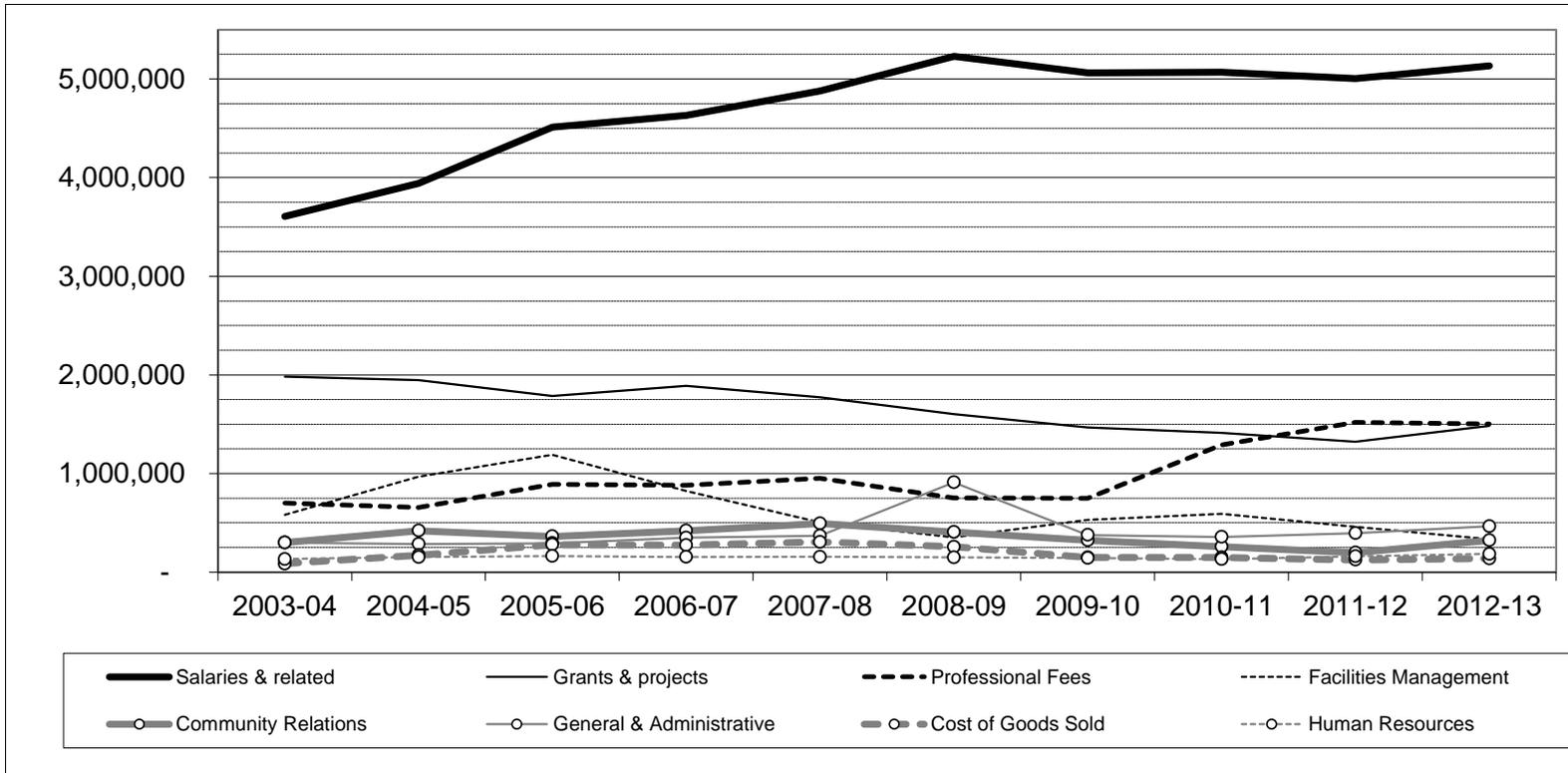


Source: Audited Financial Statements

**Beach Cities Health District
Government-wide Expenses by Function
Current and Prior Nine Years**

General Fund

Fiscal Year	Salaries & related	Grants & projects	Professional Fees	Facilities Management	Community Relations	General & Administrative	Cost of Goods Sold	Human Resources	Information Systems	Other	Total
2003-04	3,606,896	1,981,481	701,206	581,895	298,370	299,306	86,257	132,386	22,771	90,197	7,800,765
2004-05	3,941,364	1,946,770	654,417	967,895	419,717	286,136	171,486	151,921	42,031	55,297	8,637,034
2005-06	4,512,766	1,785,264	892,038	1,189,215	362,085	292,272	278,276	162,293	7,532	63,963	9,545,704
2006-07	4,630,632	1,888,980	880,951	822,444	419,665	348,703	272,531	153,781	75,735	45,700	9,539,122
2007-08	4,879,115	1,771,475	950,711	503,298	493,778	368,307	306,452	154,983	81,438	36,650	9,546,207
2008-09	5,231,198	1,603,432	752,736	354,479	406,189	910,099	257,085	148,591	84,254	270,326	10,018,389
2009-10	5,062,404	1,466,357	748,723	528,665	322,529	376,940	148,077	143,746	77,812	45,694	8,920,947
2010-11	5,069,437	1,413,255	1,290,224	592,304	259,174	357,410	147,862	131,924	108,083	65,453	9,435,126
2011-12	5,005,276	1,321,735	1,517,613	458,785	197,270	393,737	124,192	160,070	130,722	54,383	9,363,783
2012-13	5,133,437	1,484,011	1,501,649	333,013	321,082	465,278	137,891	184,585	112,203	51,895	9,725,044



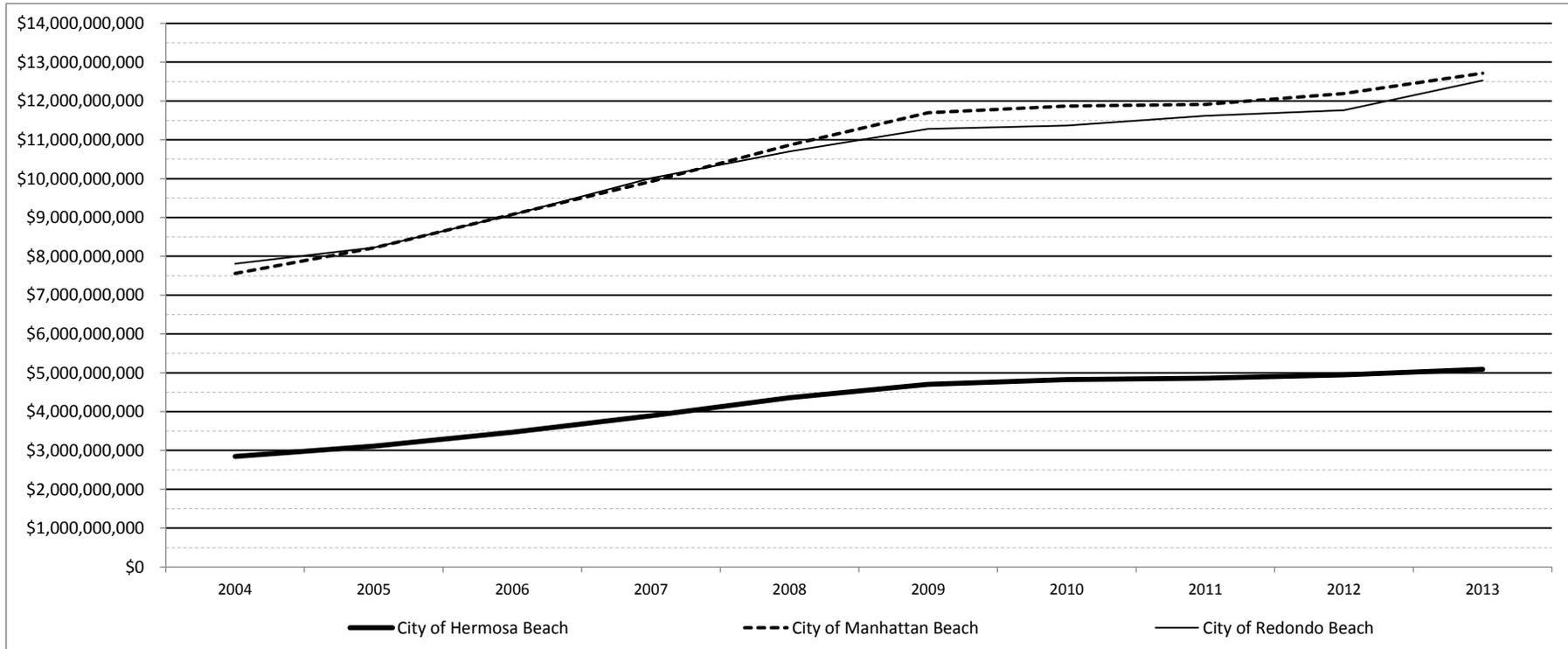
Source: Internal Reports @ June 30, xxxx

**Beach Cities Health District
Assessed Value and Estimated Actual Value of Taxable Property
Current and Prior Nine Years**

Total Taxable Assessed Value

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City of Hermosa Beach	2,846,459,000	3,110,712,000	3,468,562,000	3,894,900,000	4,358,357,000	4,705,847,448	4,823,727,991	4,862,223,524	4,944,940,538	5,093,189,582
City of Manhattan Beach	7,554,435,006	8,216,800,523	9,080,889,082	9,925,464,834	10,861,350,753	11,697,899,600	11,871,677,111	11,913,602,319	12,190,853,653	12,713,329,765
City of Redondo Beach	7,806,803,523	8,226,139,068	9,069,569,628	10,009,448,728	10,702,653,367	11,277,756,486	11,366,238,160	11,615,436,098	11,761,105,629	12,528,728,530
Total	18,207,697,529	19,553,651,591	21,619,020,710	23,829,813,562	25,922,361,120	27,681,503,534	28,061,643,262	28,391,261,941	28,896,899,820	30,335,247,877

Percentage Increase	9.33%	7.39%	10.56%	10.23%	8.78%	6.79%	1.37%	1.17%	1.78%	4.98%
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Source: Comprehensive Annual Financial Reports of City of Hermosa Beach, City of Manhattan Beach, City of Redondo Beach

* 2012-13 Calculated increase for Manhattan Beach only, excludes Hermosa Beach and Redondo 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

**Beach Cities Health District
Direct and Overlapping Property Tax Rates
Current and Prior Nine Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	0.010000
Overlapping - Hermosa Beach Residents											
Los Angeles County *	0.001033	0.000992	0.000923	0.000800	0.000660	0.000000	0.000000	0.000000	0.000000	0.000000	**
Hermosa Beach Unified School District	0.000000	0.019308	0.016685	0.014660	0.020430	0.017139	0.016398	0.017250	0.018067	0.016904	**
El Camino community College District	0.000000	0.019025	0.016558	0.018380	0.035700	0.016467	0.017026	0.014868	0.016140	0.016884	**
City of Redondo Beach Residents											
City of Redondo Basic Rate	0.166170	0.166170	0.166170	0.166170	0.166170	0.166170	0.165390	0.165390	0.165390	0.165390	**
Redevelopment Agency	1.008610	1.007550	1.006970	1.006040	1.005410	1.004500	1.004300	1.004300	1.003700	1.003700	**
Overlapping - Redondo Beach Residents											
Los Angeles County ¹	0.001030	0.000990	0.000920	0.000800	0.000660	0.000000	0.000000	0.000000	0.000000	0.000000	**
Flood Control	0.000880	0.000470	0.000240	0.000050	0.000050	0.000000	0.000000	0.000000	0.000000	0.000000	**
Metropolitan Water District	0.006700	0.006100	0.005800	0.005200	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	**
El Camino Community College District	0.000000	0.019030	0.016560	0.018380	0.035700	0.016470	0.017030	0.014870	0.001614	0.001688	**
Redondo Beach Unified School District	0.004460	0.008660	0.027650	0.033360	0.029700	0.028440	0.047140	0.055190	0.069770	0.086100	**
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	0.010000
City of Manhattan Beach Total direct Rate	0.001660	0.001663	0.001666	0.001671	0.001673	0.001676	0.001586	0.001584	0.001562	0.001593	**
Overlapping - Manhattan Beach Residents											
Los Angeles County ¹	0.001030	0.000990	0.000920	0.000800	0.000660	0.000000	0.000000	0.000000	0.000000	0.000000	**
Colleges & School Districts	0.043280	0.059380	0.056100	0.056390	0.074250	0.053500	0.117580	0.111460	0.145140	0.116000	**
Metro Water District	0.006700	0.006100	0.005800	0.005200	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	**
Flood Control District	0.000880	0.000470	0.000240	0.000050	0.000050	0.000000	0.000000	0.000000	0.000000	0.000000	**

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

** Not yet available

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)
2004	122,710	6,070,709	49,472	3.43%
2005	122,953	6,310,850	51,327	3.00%
2006	122,666	6,701,898	54,635	2.60%
2007	122,534	7,002,287	57,146	2.80%
2008	122,840	7,282,488	59,284	4.03%
2009	123,855	6,375,477	51,475	6.53%
2010	121,389	6,427,628	52,951	7.03%
2011	121,775	6,510,538	53,464	7.30%
2012**	121,820	**	**	6.83%
2013**	122,472	**	**	**

* 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

** Data not yet available

Beach Cities*
Principal Employers
2013

Employer	Employees	Percentage of Total Employment
1 Northrop Grumman	7,565	17.17%
2 Redondo Beach Unified School District	995	2.26%
3 Target Corporation	622	1.41%
4 Kinecta Federal Credit Union	550	1.25%
5 Macy's West	477	1.08%
6 24 hour fitness	444	1.01%
7 City of Redondo	432	0.98%
8 Crown Plaza Hotel	399	0.91%
9 Skechers USA, Inc.	356	0.81%
10 City of Manhattan Beach	272	0.62%
11 Ralph's Grocery	272	0.62%
12 Fry's Electronics	264	0.60%
13 Cheesecake Factory	261	0.59%
14 United States Postal Service	260	0.59%
15 Nordstrom, Inc.	254	0.58%
16 Marriott-HMC	233	0.53%
17 DHL	207	0.47%
18 Bristol Farms	129	0.29%
19 Olive Garden	117	0.27%
20 City of Hermosa	116	0.26%
All Others	29,825	67.71%
Total	44,050	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	2007	2008	2009	2010	2011	2012	2013
Executive/Admin Support	4	4	2	2	2	2	2
Human Resources	2	2	5	5	5	5	5
Finance:							
Information Systems	1	1	-	-	-	-	-
Finance/Accounting/Payroll	4	4	4	4	4	4	4
Property Management	3	4	3	4	4	3	3
BCHD Café	3	4	-	-	-	-	-
Total	11	13	7	8	8	7	7
Communications	2	3	3	3	3	3	3
Youth Services:							
Adventureplex	22	20	22	22	22	22	21
Other Youth Services	4	5	6	6	6	6	8
Total	26	25	28	28	28	28	29
Adult Services:							
Center for Health & Fitness	19	19	18	17	17	17	18
Blue Zones Project	-	-	-	1	1	1	2
Other Adult Services	4	5	7	5	5	5	3
Total	23	24	25	23	23	23	23
Older Adult Services:							
Care Management	8	8	8	9	9	9	9
Total	8	8	8	9	9	9	9
Total Positions	76	79	78	78	78	77	78

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