

Beach Cities Health District

Los Angeles County, California

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

Comprehensive Annual Financial Report

Fiscal Year ended June 30, 2014



A Public Agency

Beach Cities
Health District

514 N. Prospect Ave., 1st Floor, Redondo Beach, CA 90277 • 310-374-3426 • www.bchd.org

BEACH CITIES HEALTH DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2014

BEACH CITIES HEALTH DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2014

TABLE OF CONTENTS

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

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds	
to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in	
Fund Balances.....	14
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds	
to the Statement of Activities.....	15
Notes to Basic Financial Statements	16

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Revenues, Expenditures, and Changes in	
Fund Balance – Budget and Actual – General Fund.....	42

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 23, 2014

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, 2014. 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 4 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 FY2014, 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, plus the Blue Zones project across all age ranges. Over the past three years, smoking in the three beach cities has been reduced by 28%, and healthy eating and exercise increased 6% and 5% respectively.

The Blue Zones project is a multi-discipline effort acting in concert with 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.

Older Adult 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).

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; 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 Department** provides administrative support and delivers funding through treasury, property tax administration and leasing activities. The District has 262,000 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 –depressed interest rates coupled with increased costs of insurance, employee salaries and benefits. Property value growth that remained flat from 2008-09 through 2011-12 is now continuing to increase slightly. The District's investment income continues to be affected by prolonged low interest rates on bond yields.

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 Mayer Hoffman McCann P.C., Certified Public Accountants, was selected by the BCHD Board to perform the fiscal year 2013-14 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, Mayer Hoffman McCann, 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, 2014

Board of Directors



Noel Chun, M.D.
President



Vanessa Poster
President Pro
Tem



Joanne Edgerton
Secretary-
Treasurer



Marie Liu Corr,
R.N.
Director



Robert
Grossman, M.D.
Director

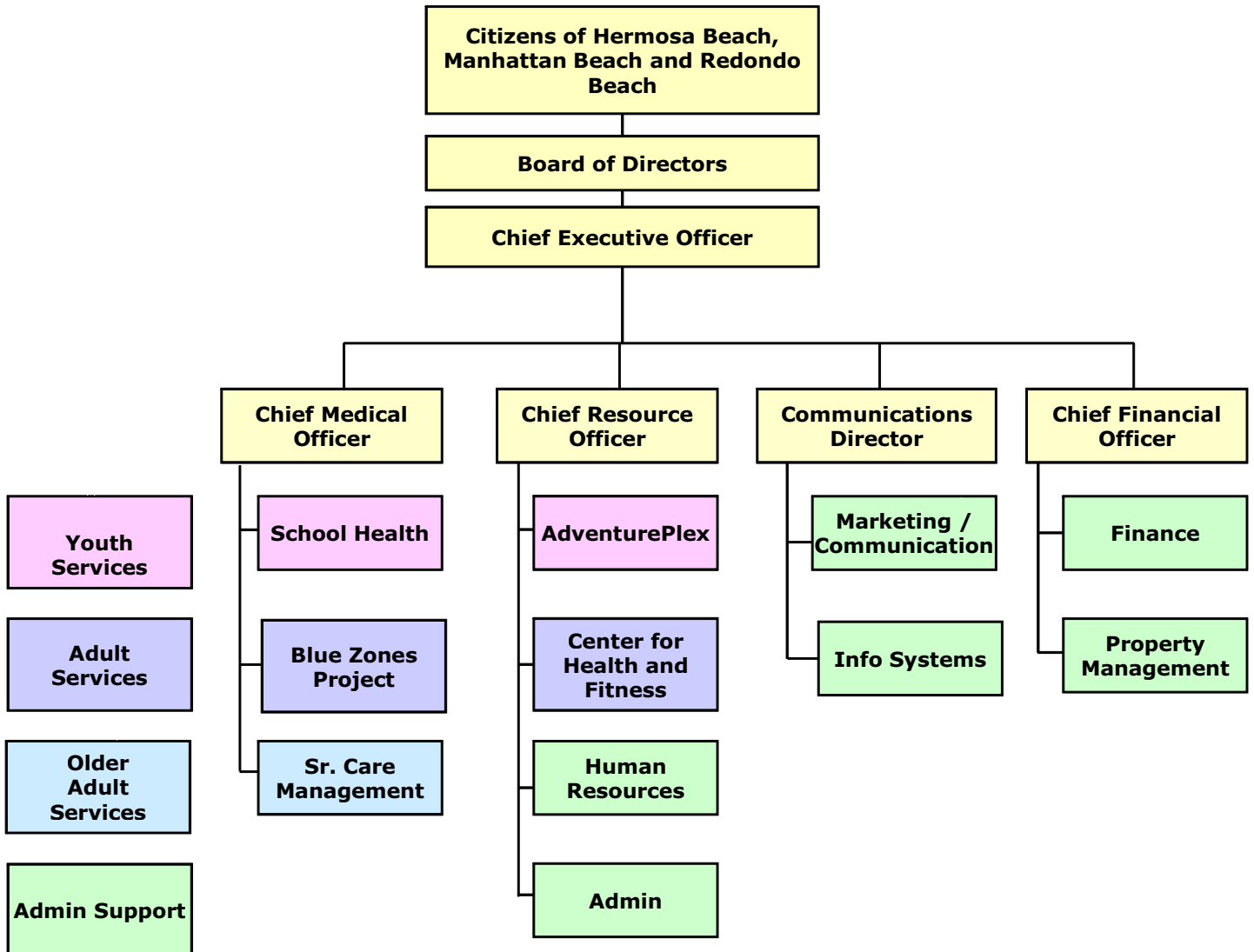
District Executive Leadership

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

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, 2013

Presented to the

Beach Cities Health District

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

February 13, 2014



A handwritten signature in black ink, appearing to read "Pauline Marx".

*Pauline Marx
CSMFO President*

A handwritten signature in black ink, appearing to read "Ken Brown".

*Ken Brown, Chair
Professional Standards and
Recognition Committee*

Dedicated Excellence in Municipal Financial Reporting



Board of Directors
Beach Cities Health District
Redondo Beach, California

Independent Auditor's Report

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 year ended June 30, 2014, 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 did not audit the financial statements of the Sunrise Beach Cities Assisted Living, L.P., which represent 13.44 percent, 14.86 percent, and 87.87 percent, respectively of the assets, net position, and revenues of the District. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sunrise Beach Cities Assisted Living, L.P., is based solely on the report of the other auditors. 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 from material misstatement.

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

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

Board of Directors
Beach Cities Health District
Redondo Beach, California

Opinions

In our opinion, based on our audit and the report of other auditors, 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described further in note 1 to the financial statements, during the year ended June 30, 2014, the District implemented GASB Statement No. 65. Our opinion is not modified with respect to this matter.

The financial statements for the year ended June 30, 2014, reflect a prior period adjustment as described further in note 19 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of Beach Cities Health for the year ended June 30, 2013 were audited by other auditors whose report dated December 13, 2013, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The information contained in the *introductory section* and the *statistical section* is presented for purposes of additional analysis

Board of Directors
Beach Cities Health District
Redondo Beach, California

and is not a required part of the basic financial statements. The information contained 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Mayor Hollman McLean B.C.

Irvine, California
December 23, 2014

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, 2014. Readers are encouraged to read this information alongside the District's financial statements, which follow.

Financial Highlights

- The assets of the District, \$70.8 million, exceeded its liabilities, \$7.3 million, at the close of the most recent fiscal year by \$63.5 million (net position). Of this amount, \$38.7 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 \$12.3 million, up slightly from \$12.2 million for the previous year.
- 76% of the District's services were financed with funding sources other than taxes. The amount financed by taxpayers through property taxes was \$2.8 million, 24% of total revenues, compared to \$2.7 million and 26% in prior year.
- The fund balance of Beach Cities Health District's general fund decreased by \$0.1 million during the current fiscal year. This was primarily attributable to an operating surplus of \$1.6 million less capital expenditures and debt service of \$1.8 million.
- As of the close of the current fiscal year, the unassigned fund balance for the general fund was \$25.0 million, or 212% 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 10-11 of this report.

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

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

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These can be found on pages 12-14 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 16-41.

Government-wide Financial Analysis

As noted previously, net assets may serve over time as an indicator of financial position. Assets exceeded liabilities by \$63.5 million at the close of the fiscal year ended June 30, 2014.

Statement of Net Position (\$ Millions)

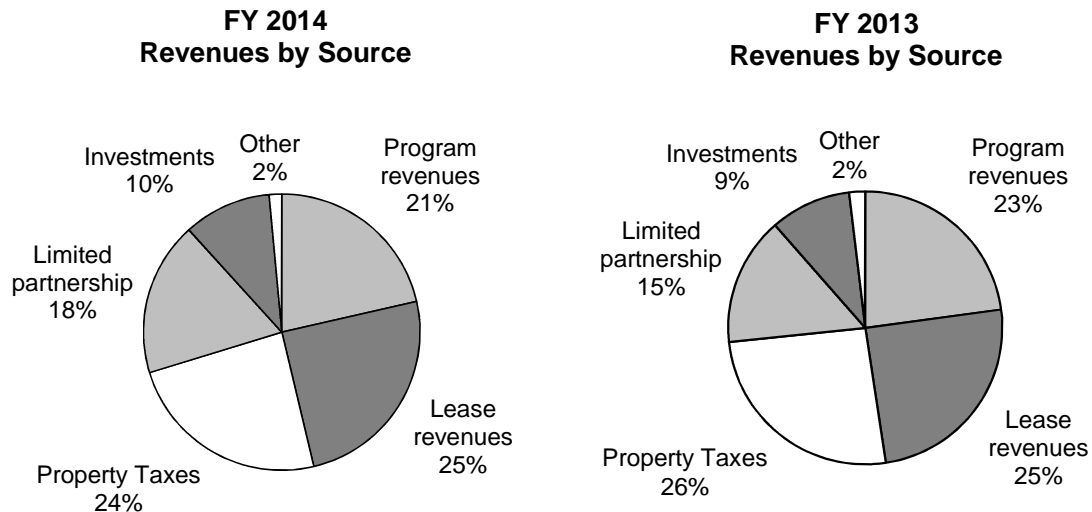
	Governmental Activities		Increase (Decrease)
	2014	2013	
Assets			
Current and other assets	\$ 42.0	\$ 47.4	\$ (5.4)
Capital assets	28.8	29.6	(0.8)
Total assets	70.8	77.0	(6.2)
Liabilities			
Long-term debt outstanding	5.7	6.0	(0.3)
Other liabilities	1.6	1.6	-
Total liabilities	7.3	7.6	(0.3)
Net Position			
Net investment in capital assets	23.6	24.2	(0.6)
Restricted	1.2	-	1.2
Unrestricted	38.7	45.2	(6.5)
Total Net Position	\$ 63.5	\$ 69.4	\$ (5.9)

A significant portion of the District's net assets, \$28.8 million (40.7 percent of total assets), reflects its investment in capital assets (land, buildings, land improvements, furniture, fixtures, computer equipment, fitness equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to residents; consequently these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Beyond the net assets invested in capital assets, \$1.2 million represent resources restricted specifically for Prospect One Corporation, a component unit of Beach Cities Health District. Therefore the remaining balance of unrestricted net assets, \$38.7 million, may be used to meet the District's ongoing obligations to citizens and creditors.

The cost of all governmental activities this year was \$12.3 million, up slightly from \$12.2 million for the previous year. As shown in the Statement of Activities on page 11, the amount financed by taxpayers through property taxes was \$2.8 million, compared to \$2.7 million in the prior year. This represents 23.9% of total revenues; 76.1% 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 \$2.5 million), and by revenue generated from District resources (property lease revenues, interest from investments and limited partnership income).



Governmental Funds Financial Analysis

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

Governmental Funds.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$38.7 million. Most of this amount, \$25.0 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 (\$10.2 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 \$25.0 million, of a total fund balance of \$38.7 million. As a measure of the district's liquidity, unassigned fund balance represents 212% of total general fund expenditures.

The fund balance of Beach Cities Health District's general fund decreased by \$0.3 million during the current fiscal year. This was primarily attributable to an operating surplus of \$1.6 million and capital expenditures and debt service of (\$1.8 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 assets 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, 2013, the Board of Directors approved a budget for the Fiscal Year 2013-2014 that forecast a surplus of \$485,000, before capital expenditures, maintaining commitments to existing service levels and allowing for scheduled capital expenditures. Of particular budgetary significance, the Blue Zones project transitioned to a fully in-house program acting in concert with the three cities, school districts and local businesses to measurably improve the health of the community. Continuing to face the economic hurdles of depressed interest rates, and recovering property values and national economy, the District budgeted revenues \$1,052,000 more than prior year and expenditures \$267,000 less than prior year. User fees and partnership receipts were also expected to be recovering slightly from the nation-wide economic recession, increasing \$57,000 and \$52,000 respectively. Interest income was budgeted to decrease \$332,900 compared to prior year. Lease revenue was expected to decrease by \$337,000 on the basis of existing long-term leases and known vacancies.

Expenditures for Capital Outlay, District's long-term investment in capital assets, \$248,000 were included in this budget, excluding carryover of prior year approved capital project spending. Actual expenditures normally vary from budget due largely to delayed timing of project spending from prior year. During the year, the Board of Directors approved further budget appropriations of \$97,700 for additional capital expenditures.

As noted on p. 42, actual revenues exceeded budgeted expectations by \$673,000 primarily from favorable actual lease revenue \$358,000 and investment income \$249,000. Actual expenditures were unfavorable to budget by (\$389,000) primarily due to principal retirement (\$301,000), facilities management (\$168,000) and professional fees (\$116,000) offset by several other positive smaller variances.

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 monitoring revenue and expense variances monthly across all district departments.

As shown in the following table total revenues and expenditures both increased slightly over prior year resulting in a slight improvement of excess of revenues under expenditures.

REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

	Actual (\$ Millions)		Increase
	2014	2013	(Decrease)
Revenues			
Leasing Revenue	\$ 2.9	\$ 2.6	\$ 0.3
Property Taxes	2.8	2.7	0.1
Program Income	2.5	2.4	0.1
Limited Partnership	2.1	1.6	0.5
Investment Earnings	1.2	1.0	0.2
Other	0.2	0.2	-
Total Revenues	11.7	10.5	1.2
Expenditures			
Current			
Salaries & related	5.5	5.1	0.4
Grants & projects	1.3	1.5	(0.2)
Professional Fees	1.2	1.5	(0.3)
Facilities Management	0.5	0.3	0.2
Community Relations	0.6	0.3	0.3
General & Administrative	0.5	0.5	-
Cost of Goods Sold	0.1	0.1	-
Human Resources	0.2	0.2	-
Information Systems	0.2	0.1	0.1
Other	-	0.1	(0.1)
Capital Outlay	1.0	0.3	0.7
Debt Service			
Interest and other fiscal	0.4	0.5	(0.1)
Principal Retirement	0.3	0.3	(0.0)
	11.8	10.8	1.0
Excess of revenues over (under) expenditures	(0.1)	(0.3)	0.2
Other finance resources	-	0.1	(0.1)
	(0.1)	(0.2)	0.1
Beginning Fund Balance	39.0	39.1	(0.1)
Prior period adjustment	(0.3)	0.1	
Ending Fund Balance	\$ 38.6	\$ 39.0	\$ (0.4)

Partnership revenue increased, a reflection of improved economic activity providing an improved return on district funds invested. Leasing revenues increased slightly, reflecting increased district property under contract that should be in place several years. Property Tax revenue increased slightly, a reflection on local property valuation. Investment earnings increased slightly as the national economic downturn's effect on interest rates continue to impact the average yield of the District's ladder portfolio. Program revenues increased slightly over prior year.

Operating expenditures and outlay for capital increased slightly compared to prior-year spending.

Capital Asset and Debt Administration

The District's investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$28,840,051 (net of accumulated depreciation). This investment includes land, buildings, furniture, fixtures, equipment, improvements, and construction in progress. The net decrease in the District's capital assets for the current fiscal year was 3%.

Major capital asset events for the year

• Corporate office relocation	\$541,000
• Elevator doors	76,000
• Cooling tower	55,000
• Prospect Ave. Campus fencing	54,000
• CHF flooring	45,000
• 514 building roofing	40,000
• 514 building painting and flooring	32,000
• Photocopiers	30,000
• HVAC pumps and motors	17,000
• AdventurePlex ceiling fabric sails	15,000
• Server Equipment	12,000
• Fireproof doors	8,000
• Budget software	7,000
• Boiler	6,000
• Prospect Ave. campus water submeter	6,000

The District's total debt increased by \$342,000, primarily due timing of short-term liabilities at year-end for less the scheduled amortization of the District's only long-term debt component, the Prospect South Bay capital lease which decreased by \$300,000.

Economic Outlook

Fiscal Year 2013-14 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 now continues 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. Interest rates are normal cyclical, and the current cycle has kept rates at near-zero for a particularly long time.

Beach Cities Health District continues to pursue increased funding for the foreseeable increase in senior services demand through improved and expanded leasing opportunities. Through leasing activity, partnership revenues, 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 Beach Cities Health District Finance Department, 1200 Del Amo St., Redondo Beach, CA 90277.

BEACH CITIES HEALTH DISTRICT
STATEMENT OF NET POSITION

As of June 30, 2014
(with comparative data for prior year)

	Governmental Activities	
	2014	2013
ASSETS		
Cash and investments (note 3)	\$ 27,418,517	26,950,208
Accounts receivable-net (note 6)	746,741	637,693
Interest receivable	75,699	82,673
Loans receivable	77	3,708
Notes receivable-net investment (note 5)	3,162,264	8,813,307
Taxes receivable	60,856	60,816
Pass through grants receivable	14,487	12,915
Prepaid items	234,513	358,361
Inventory	10,125	6,517
Investment in limited partnerships (note 9)	10,250,905	10,454,476
Capital assets not being depreciated (note 8)	4,943,698	4,401,926
Capital assets-net of accumulated depreciation (note 8)	<u>23,896,353</u>	<u>25,246,925</u>
TOTAL ASSETS	<u>70,814,235</u>	<u>77,029,525</u>
LIABILITIES		
Current liabilities:		
Accounts payable	984,688	370,056
Accrued liabilities	85,292	747,155
Accrued payroll	103,868	109,835
Deposits	178,984	181,233
Unearned service fees	214,849	229,915
Noncurrent liabilities:		
Due within one year (note 10)	696,046	681,196
Due in more than one year (note 10)	<u>4,993,618</u>	<u>5,306,277</u>
TOTAL LIABILITIES	<u>7,257,345</u>	<u>7,625,667</u>
Net position:		
Net investment in capital assets	23,675,147	24,157,514
Restricted for medical building purposes	1,206,766	-
Unrestricted	<u>38,674,977</u>	<u>45,246,344</u>
TOTAL NET POSITION	<u><u>\$ 63,556,890</u></u>	<u><u>69,403,858</u></u>

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2014
(with comparative data for prior year)

Functions			Governmental Activities	
			2014	2013
	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position	
Primary Government:				
Health care services	\$ 11,888,464	2,806,501	(9,081,963)	(9,386,210)
Interest on long-term debt	419,436	-	(419,436)	(450,756)
Total	\$ 12,307,900	2,806,501	(9,501,399)	(9,836,966)
General revenues:				
Property taxes			2,874,045	2,734,979
Earnings on investments			4,792,112	3,628,782
Income from limited partnerships			1,235,885	1,574,326
Other income			170,706	239,430
Total general revenues			9,072,748	8,177,517
Change in net position			(428,651)	(1,659,449)
Net position- July 1, 2013 as restated (note 17)			63,985,541	71,063,307
Net position- June 30, 2014			\$ 63,556,890	69,403,858

See accompanying notes to basic financial statements.

**BEACH CITIES HEALTH DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS**

As of June 30, 2014
(with comparative data for prior year)

	General Fund	Special Revenue Fund	Total 2014	2013
<u>ASSETS</u>				
Cash and investments (note 3)	\$ 26,272,478	1,146,039	27,418,517	26,950,208
Account receivable-net (note 6)	746,741	-	746,741	637,693
Due from other funds (note 7)	-	60,727	60,727	60,727
Interest receivable	75,699	-	75,699	82,673
Loans receivable	77	-	77	3,708
Notes receivable-net investment (note 5)	3,162,264	-	3,162,264	8,813,307
Taxes receivable	60,856	-	60,856	60,816
Pass through grants receivable	14,487	-	14,487	12,915
Prepaid items	234,513	-	234,513	358,361
Inventory	10,125	-	10,125	6,517
Investment in limited partnerships (note 9)	10,250,905	-	10,250,905	10,454,476
	<u>\$ 40,828,145</u>	<u>1,206,766</u>	<u>42,034,911</u>	<u>47,441,401</u>
Total assets				
<u>LIABILITIES</u>				
Accounts payable	\$ 984,688	-	984,688	370,056
Accrued liabilities	85,292	-	85,292	747,155
Accrued payroll	103,868	-	103,868	109,835
Due to other funds (note 7)	60,727	-	60,727	60,727
Deposits	178,984	-	178,984	181,233
Compensated absences	-	-	-	362,084
Unearned service fees	214,849	-	214,849	5,648,233
	<u>1,628,408</u>	<u>-</u>	<u>1,628,408</u>	<u>7,479,323</u>
Total liabilities				
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue	569,688	-	569,688	-
Total deferred inflows of resources	<u>569,688</u>	<u>-</u>	<u>569,688</u>	<u>-</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	10,125	-	10,125	6,517
Prepaid items	234,513	-	234,513	358,361
Note receivable	3,162,264	-	3,162,264	3,165,074
Investment in limited partnerships	10,250,905	-	10,250,905	10,454,476
Restricted for medical building purposes	-	1,206,766	1,206,766	1,206,766
Unassigned	24,972,242	-	24,972,242	24,770,884
	<u>38,630,049</u>	<u>1,206,766</u>	<u>39,836,815</u>	<u>39,962,078</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 40,828,145</u>	<u>1,206,766</u>	<u>42,034,911</u>	<u>47,441,401</u>

See accompanying notes to basic financial statements.

**BEACH CITIES HEALTH DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

As of June 30, 2014

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 39,836,815
Amounts reported for governmental activities in the statement of net position are different because:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavlaible revenue in the fund.	569,688
Long-term debt and compensated absences that have not been included in the governmental fund statements. The payables, however, are a liability in the statement of net position:	
Capital lease payable	(5,164,904)
Compensated absences	(349,970)
Capital assets, net of accumulated depreciation, have not been included as financial resources in governmental funds.	28,840,051
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>(174,790)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 63,556,890</u></u>

See accompanying notes to 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, 2014
(with comparative data for prior year)

	General Fund	Special Revenue Fund	Total Governmental Funds	
			2014	2013
REVENUES				
Financing and rental income related to lease	\$ 2,874,045	-	2,874,045	2,591,094
Property taxes	2,806,501	-	2,806,501	2,734,979
Program income	2,512,897	-	2,512,897	2,417,327
Income from limited partnership	2,134,248	-	2,134,248	1,574,326
Investment earnings	1,235,885	-	1,235,885	1,037,688
Other revenues	94,771	-	94,771	162,215
Intergovernmental	75,935	-	75,935	77,215
TOTAL REVENUES	11,734,282	-	11,734,282	10,594,844
EXPENDITURES				
Current:				
Salaries and related expenses	5,464,969	-	5,464,969	5,133,437
Health programs	1,309,116	-	1,309,116	1,501,649
Professional fees	1,233,726	-	1,233,726	1,484,011
Facilities management	558,702	-	558,702	333,023
Community relations	538,505	-	538,505	321,082
General and administrative	483,255	-	483,255	465,278
Human resources	194,802	-	194,802	184,585
Information services	166,911	-	166,911	112,203
Cost of goods sold	117,052	-	117,052	137,891
Other	45,471	-	45,471	51,895
Capital outlay	964,399	-	964,399	278,386
Debt service:				
Principal retirement	300,564	-	300,564	292,957
Interest and other fiscal charges	419,436	-	419,436	450,756
Total expenditures	11,796,908	-	11,796,908	10,747,153
Net changes in fund balances	(62,626)	-	(62,626)	(152,309)
Fund balances- July 1, 2013, as restated (note 17)	38,692,675	1,206,766	39,899,441	40,114,387
Fund balances- June 30, 2014	<u>\$ 38,630,049</u>	<u>1,206,766</u>	<u>39,836,815</u>	<u>39,962,078</u>

See accompanying notes to basic financial statements.

**BEACH CITIES HEALTH DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ (62,626)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Expenditures for capital assets	(1,269,680)
Disposal of capital assets	2,234,263
Depreciation expense	(1,773,383)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	326,432
To record as a revenue the net change in compensated absences in the statement of activities.	12,114
Revenues that are measurable but not available are recorded as unavailable deferred revenue under the modified accrual basis of accounting.	144,967
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>(40,738)</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u><u>\$ (428,651)</u></u>

See accompanying notes to basic financial statements.

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(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 (GAAP) 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 that was created in 1955 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. Generally, 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 the Financial Statements
(Continued)

(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 within the availability period.

(d) Fund Classifications

The funds designated as major funds are determined by a mathematical calculation consistent with GASB 34. The City reports the following major governmental funds:

General Fund - 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 - To account for the activities of the Prospect One Corporation.

Governmental Fund Balances

Fund balances are reported in the fund financial statements in the following classifications:

Nonspendable Fund Balance

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(d) Fund Classifications (continued)

Spendable Fund Balance

Assigned Fund Balance – this includes amounts that are designated or expressed by the Board of Directors, but does not require a formal action such as a resolution or ordinance. The Board may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

(e) 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’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. The Local Agency Investment Fund (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.

(f) 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.

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(f) Receivables and Payables (continued)

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.

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.

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(g) 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.

(h) Inventory

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

(i) 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, 2014.

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

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

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

(j) 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, 2014, the balance of vacation leave is \$349,970.

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(k) Long-Term Obligations

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

(l) Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

(m) Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

(n) 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.

(o) Implementation of GASB Statement No. 65

The accompanying financial statements reflect the implementation of GASB Statement No. 65. The primary impact of GASB Statement No. 65 on the District's financial statements was to reclassify as deferred inflows of resources certain balances that were previously reported as liabilities.

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(p) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(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, 2014:

	Final Appropriation	Expenditures	Excess
General fund:			
Professional fees	\$ 1,117,247	1,233,516	(116,269)
Facilities management	370,029	538,505	(168,476)
Human resources	186,054	194,802	(8,748)
Other	-	45,471	(45,471)
Debt service:			
Principal retirement	-	300,564	(300,564)

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(3) Cash and Investments

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	<u>\$ 27,418,517</u>
Total cash and investments	<u>\$ 27,418,517</u>

Cash and investments as of June 30, 2014 consist of the following:

Petty cash	\$ 5,650
Deposits with financial institutions	380,058
Investments	<u>27,032,809</u>
Total cash and investments	<u>\$ 27,418,517</u>

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

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

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(3) Cash and Investments (continued)

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency 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
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 to have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the District.

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 the Financial Statements
(Continued)

(3) Cash and Investments (continued)

Investment Type	Totals	Remaining maturity (in Months)		
		12 Months or Less	13 to 36 Months	37 to 60 Months
State Investment Pool	\$ 2,808,764	2,808,764	-	-
Medium Term Notes	6,994,840	111,875	4,208,216	2,674,749
Municipal Obligations	1,804,384	-	924,894	879,490
U.S. Treasury Securities	8,516,191	1,008,480	6,447,294	1,060,417
U.S. Agency Securities	6,908,630	-	4,928,471	1,980,159
	<u>\$ 27,032,809</u>	<u>3,929,119</u>	<u>16,508,875</u>	<u>6,594,815</u>

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	Rating as of Fiscal Year End				
			AAA	AA	A	Baa	Not Rated
State Investment Pool	\$ 2,808,764	N/A	-	-	-	-	2,808,764
Medium Term Notes	6,994,840	A	138,152	2,732,501	3,008,392	1,003,920	111,875
Municipal Obligations	1,804,384	N/A	804,849	577,817	421,718	-	-
U.S. Treasury Securities	8,516,191	N/A	-	8,516,191	-	-	-
U.S. Agency Securities	6,908,630	N/A	-	6,908,630	-	-	-
Total	<u>\$ 27,032,809</u>		<u>943,001</u>	<u>18,735,139</u>	<u>3,430,110</u>	<u>1,003,920</u>	<u>2,920,639</u>

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	U.S. Agency Securities	\$ 3,626,047
FHLMC	U.S. Agency Securities	2,357,864

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(3) Cash and Investments (continued)

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, 2014, 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:

Investment Type	Reported Amount
Medium Term Notes	\$ 6,994,840
Municipal Obligations	1,804,384
U.S. Treasury Securities	8,516,191
U.S. Agency Securities	6,908,630

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.

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, 2014, to \$111,875. On-going bankruptcy unwinding 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 2013-2014, the District received \$61,077.

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(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.

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(4) Operating Leases as Lessor (continued)

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 with a term 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 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.

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(4) Operating Leases as Lessor (continued)

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 Child Development Center, Inc

The District entered into a lease agreement dated January 5, 2011, with Beach Cities Child Development Center, Inc., to lease approximately 6,000 square feet of interior space and 6,414 square feet of exterior face located at 514 N. Prospect Avenue, Redondo Beach. The lease is for a term of 10 years commencing February 2011. Per the lease agreement, the base rent for the lease and reimbursement to the District for common area operating expenses was a total of \$10,238 per month commencing the 35th month of occupancy per the agreement and is increased annually at the rate of 3.5% during the duration of the agreement.

(5) Notes Receivable

On September 11, 2002, as a result of a settlement agreement between the District and Prospect South Bay, a California Limited Partnership (Partnership), the District purchased a note (Ducot note) that had an unpaid outstanding balance of \$12,073,740. The amount of cash paid to acquire this note was \$3,915,396. The difference between the face value (unpaid outstanding balance) of the note at the date of purchase and the amount paid to acquire the note is required by generally accepted accounting principles to be recognized as a purchase discount that is amortized over the term of the note. Monthly payments of \$96,472 through December 2024 are due on the note receivable.

At June 30, 2014, the note had an unpaid balance of \$8,228,511 and a remaining unamortized purchase discount of \$5,418,615, resulting in the reporting of an investment in note receivable at a net cost of \$2,809,896.

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

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(5) Notes Receivable (continued)

Fiscal Year Ended June 30,	Principal	Interest	Total
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	717,868	439,791	1,157,659
2020-2024	4,579,722	1,208,572	5,788,294
2025	565,657	13,172	578,829
	<u>\$ 8,228,511</u>	<u>3,926,907</u>	<u>12,155,418</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 make 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 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, 2014, the note has a balance of \$36,641. Principal and interest to be received on the note are as follows:

Fiscal Year Ended June	Principal	Interest	Total
2015	\$ 29,891	331	30,222
2016	3,307	668	3,975
2017	1,443	2	1,445
	<u>\$ 34,641</u>	<u>1,001</u>	<u>35,642</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 make 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

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(5) Notes Receivable (continued)

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, 2014, the note has a balance of \$317,727. Principal and interest to be received on the note are as follows:

Fiscal Years			
Ended June 30,	Principal	Interest	Total
2015	\$ 40,816	21,380	62,196
2016	43,732	18,431	62,163
2017	46,893	15,270	62,163
2018	50,283	11,880	62,163
2019	53,918	8,245	62,163
2020-2021	82,085	4,972	87,057
	<u>\$ 317,727</u>	<u>80,178</u>	<u>397,905</u>

As of June 30, 2014, the District's net investment in notes receivable was:

Ducot note - unpaid balance	\$8,228,511
Ducot note – unamortized purchase discount	<u>(5,418,615)</u>
Net investment in note receivable	2,809,896
Note - Leap and Bound Child Development Center	34,641
Note – Beach Cities Child Development Center	<u>317,727</u>
Total net investment in notes receivable	<u>\$3,162,264</u>

(6) Accounts Receivable

The following is a list of accounts receivable at June 30, 2014:

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Accounts receivable	\$ 763,037	16,296	746,741

The District has established an allowance for doubtful accounts for rent receivable. As of June 30, 2014, the balance of \$16,296 presents the uncollected rent payments.

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(7) Interfund Activity

The following represents the interfund activity of the District for the fiscal year ended June 30, 2014:

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	\$ -	60,726
Special Revenue Fund	<u>60,726</u>	<u>-</u>
	<u>\$ 60,726</u>	<u>60,726</u>

(8) Capital Assets

Changes in capital assets for governmental activities for the fiscal year ended June 30, 2014 were as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>July 1, 2014</u>
Capital Assets, not being depreciated:				
Land	\$ 4,401,926	-	-	4,401,926
Construction in progress	<u>-</u>	<u>541,772</u>	<u>-</u>	<u>541,772</u>
Total	<u>4,401,926</u>	<u>541,772</u>	<u>-</u>	<u>4,943,698</u>
Capital Assets, being depreciated:				
Buildings and improvements	45,227,320	373,250	(867,332)	44,733,238
Equipment, furniture, and fixtures	<u>1,800,274</u>	<u>49,561</u>	<u>(1,366,931)</u>	<u>482,904</u>
Total	<u>47,027,594</u>	<u>422,811</u>	<u>(2,234,263)</u>	<u>45,216,142</u>
Less accumulated depreciation for:				
Buildings and improvements	(20,219,992)	(1,703,708)	867,332	(21,056,368)
Equipment, furniture, and fixtures	<u>(1,560,677)</u>	<u>(69,675)</u>	<u>1,366,931</u>	<u>(263,421)</u>
Total	<u>(21,780,669)</u>	<u>(1,773,383)</u>	<u>2,234,263</u>	<u>(21,319,789)</u>
Total, net of accumulated depreciation	<u>25,246,925</u>	<u>(1,350,572)</u>	<u>-</u>	<u>23,896,353</u>
Total capital assets, net	<u>\$ 29,648,851</u>	<u>(808,800)</u>	<u>-</u>	<u>28,840,051</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General and administrative	<u>\$ 1,773,383</u>
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Beach Cities Health District
Notes to the Financial Statements
(Continued)

(9) Investments 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, 2014, 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, 2014	<u>\$ 10,209,169</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, 2014, 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, 2014	<u>\$ 51,399</u>
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Beach Cities Health District
Notes to the Financial Statements
(Continued)

(10) Long-Term Liabilities

The following is a summary of changes in Governmental Activities long-term debt for the fiscal year ended June 30, 2014:

	Balance as of July 1, 2013	Additions	Deletions	Balance as of June 30, 2014	Due Within One Year
Capital lease payable	\$ 5,491,337	-	(326,433)	5,164,904	346,076
Compensated absences payable	362,084	261,901	(274,015)	349,970	349,970
Other post-employment benefit obligation	134,052	42,614	(1,876)	174,790	-
Total	<u>\$ 5,987,473</u>	<u>304,515</u>	<u>(602,324)</u>	<u>5,689,664</u>	<u>696,046</u>

Capital Lease Payable

Parking Facility – In 2002, the District acquired the right to use certain parking facilities from Prospect South Bay, a California Limited Partnership. In return for the right to use the facilities, the District agreed to make monthly payments of \$60,000 through December 2025. The agreement provides for interest at 7.94% a year. The initial principal obligation under the agreement amounted to \$7,509,201 which was recorded as a capital lease payable for the acquisition of the parking facilities. During the fiscal year 2013-2014, the District made the principal payment of \$300,565. The outstanding balance was \$5,117,752 at June 30, 2014.

The following is a summary of future minimum payment requirements for the fiscal year ended June 30, 2014:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	446,463	273,537	720,000
Thereafter	<u>3,200,263</u>	<u>759,737</u>	<u>3,960,000</u>
	<u>\$ 5,117,752</u>	<u>2,442,248</u>	<u>7,560,000</u>

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(10) Long-Term Liabilities (continued)

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 2017. The loan bears interest at 11.3153% per annum. The initial principal obligation under the lease amounted to \$98,431. The outstanding balance was \$47,152 at June 30, 2014.

The following is a summary of future minimum payment requirements for the fiscal year ended June 30, 2014:

Fiscal Year <u>Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 20,759	5,109	25,868
2016	23,233	2,635	25,868
2017	<u>3,160</u>	<u>298</u>	<u>3,458</u>
	<u>\$ 47,152</u>	<u>8,042</u>	<u>55,194</u>

(11) Operating Leases as Lessee

Administrative Office – The District entered into a capital lease agreement with Redondo Beach Unified School District to lease 6,954 square feet located at 1107 Vincent Avenue, Redondo Beach, California. The lease is for a term of fifteen years commencing January 1, 2014, and the monthly lease payment is \$6,954 due at the first of each month. The leasing contract presents two options to be extended from January 1, 2030-December 31, 2044 and January 1, 2045-December 31, 2059. The base rent will be adjusted by a factor of three percent (3%) biennially on the anniversary of the Rent Date. However, the base rent will be reduced for the last ten (10) years of the original term by an amount equal to the amortized Tenant Improvement and the value of rent adjustment shall not exceed \$232,000. The lease expires December 31, 2029.

The following is a summary of future minimum payment requirements for the fiscal year ended June 30, 2014:

Fiscal Year <u>Ended June 30,</u>	<u>Annual Payment</u>
2015	41,724
2016	83,448
2017	84,700
2018	85,951
2019	87,203
Thereafter	<u>760,197</u>
	<u>\$ 1,143,223</u>

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(12) 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 2013-2014 was 9.278 % 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, 2014, 2013, and 2012 were \$294,736, \$296,231, and \$292,310, respectively, and equal 100% of the required contributions for each fiscal year.

(13) 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. Employees select investments from a range of options presented by the fiduciary.

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(13) Deferred Compensation Plan (continued)

Since the District has placed the assets into a trust, 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.

(14) Other Post Employment 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, 2014. This includes benefits for 3 retirees and 55 active employees who may become eligible to retire and receive benefits in the future. The District makes medical insurance available after the age of 50 to all employees, who meet the requirement of 5 years of service. The District contributes 100% (\$89.25 cap per month) of the administrative fee while the retiree pays the premium.

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 District contributions (retiree benefits paid by the District), and changes in the District's net OPEB obligation.

Annual required contribution	\$ 42,188
Interest on net OPEB obligation	6,367
Adjustment to annual required contribution	<u>(5,941)</u>
Annual OPEB cost	42,614
Contributions made	<u>(1,876)</u>
Change in OPEB obligation	40,768
Net OPEB obligation - beginning of fiscal year	<u>134,052</u>
Net OPEB obligation - end of fiscal year	<u>\$ 174,790</u>

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(14) Other Post Employment Benefits (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 35,018	4%	\$ 99,808
6/30/13	35,210	3%	134,052
6/30/14	42,614	4%	174,790

Funded Status and Funding Progress

As of May 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$284,931, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$284,931. The covered payroll (annual payroll of active employees covered by the plan) was \$3,136,042, and the ratio of the UAAL to the covered payroll was 9 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.

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, 2014, actuarial valuation, the entry age normal cost was used. The actuarial assumptions included a 4.75 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 to be amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at May 1, 2014 was thirty years. The amortization period closed for initial UAAL and open for remaining UAAL for thirty years.

Beach Cities Health District
Notes to the Financial Statements
(Continued)

(14) Other Post Employment Benefits (continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered payroll ((b-a)/c)
5/01/11	\$0	\$253,077	\$253,077	0%	\$3,129,368	8.1%
5/01/14	\$0	\$284,931	\$253,077	0%	\$3,316,042	9.1%

(15) 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 and 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 a \$2,500 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 \$2,000,000 per claim and a \$5,000,000 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

Beach Cities Health District
Notes to the Financial Statements
(Continued)

\$250 comprehensive and \$500 collision deductibles.

(15) Risk Management

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.

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.

(16) Related Party Transactions

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.

(17) Restatements of Fund Balance/Net Position

As indicated below, the accompanying financial statements reflect certain restatements of fund balance and net position as of June 30, 2013.

Revenue Recognition – The opening fund balance of the financial statements of the general fund reflect the deferral of revenue previously recognized in the prior year fund financial statements. These amounts were not collected within the availability period established by the District for revenue recognition for its governmental fund financial statements.

Compensated absences – The opening fund balance of the financial statements of the general fund reflect the removal of long-term liabilities previously recorded in the fund in

Beach Cities Health District
Notes to the Financial Statements
(Continued)

error.

(17) Restatements of Fund Balance/Net Position (continued)

Investment in Note Receivable – In the government-wide financial statements of the prior year, the District's investment in notes receivable was overstated. Generally accepted accounting principles require purchased promissory notes to be reported at the amount that was exchanged to acquire the note. At the date the note is acquired, any difference between the face value of the note (its unpaid outstanding balance) and the cash paid to acquire the note, must be recorded as a purchase discount to be amortized over the life of the note. In prior years, the District had reported purchased notes at their full face value in the District's government-wide financial statements despite the fact that the District's investment in the note was considerably less than the note's face value.

The following schedule summarizes the effects of the above restatements:

	<u>General Fund</u>	<u>Government-wide</u>
Fund balance at June 30, 2013, as previously reported	\$ 38,775,312	\$ 69,403,858
Adjustment for revenue collected outside of the availability period	(424,721)	-
Adjustment to remove long-term liabilities from the General Fund	362,084	-
Adjustment to record discount on purchased notes receivable	<u>-</u>	<u>(5,418,317)</u>
Fund balance at June 30, 2013, as restated	<u>\$ 38,692,675</u>	<u>\$ 63,985,541</u>

**BEACH CITIES HEALTH DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2014
(with comparative data for prior year)

	2014			Variance with Final Budget Positive (Negative)	2013 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Financing and rental income related to lease					
Property taxes	\$ 2,515,835	2,515,835	2,874,045	358,210	2,591,094
Program income	2,676,000	2,676,000	2,806,501	130,501	2,734,979
Income from limited partnership	2,640,466	2,640,466	2,512,897	(127,569)	2,417,327
Investment earnings	2,185,700	2,102,606	2,134,248	31,642	1,574,326
Other revenue	986,441	986,441	1,235,885	249,444	1,022,267
Intergovernmental	139,532	139,532	94,771	(44,761)	162,215
	-	-	75,935	75,935	77,215
TOTAL REVENUES	11,143,974	11,060,880	11,734,282	673,402	10,579,423
EXPENDITURES					
Current:					
Salaries and related expenses	5,604,908	5,494,633	5,464,969	29,664	5,133,437
Health programs	1,367,499	1,367,499	1,309,116	58,383	1,484,011
Professional fees	1,176,247	1,117,247	1,233,726	(116,479)	1,501,649
Community relations	625,311	575,211	558,702	16,509	321,082
Facilities management	370,029	370,029	538,505	(168,476)	333,013
General and administrative	518,755	518,755	483,255	35,500	465,278
Human resources	177,054	186,054	194,802	(8,748)	184,585
Information services	207,052	195,152	166,911	28,241	112,203
Cost of goods sold	135,882	135,882	117,052	18,830	137,891
Other	-	-	45,471	(45,471)	51,895
Capital outlay	244,200	970,504	964,399	6,105	278,386
Debt service:					
Principal retirement	-	-	300,564	(300,564)	292,957
Interest and other fiscal charge	476,716	476,716	419,436	57,280	450,756
Total expenditures	10,903,653	11,407,682	11,796,908	(389,226)	10,747,143
Excess (deficiency) of revenues over (under) expenditures	240,321	(346,802)	(62,626)	284,176	(167,720)
Net change in fund balances	240,321	(346,802)	(62,626)	284,176	(167,720)
FUND BALANCES AT BEGINNING OF YEAR AS RESTATED	38,692,675	38,692,675	38,692,675	-	38,923,032
FUND BALANCES AT END OF YEAR	\$ 38,932,996	38,345,873	38,630,049	284,176	38,755,312

Statistical Section

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

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Government Activities										
Net Investment in Capital Assets	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	23,675,147
Restricted	-	-	-	-	-	-	-	-	-	1,206,766
Unrestricted	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	38,674,977
Total Government Activities	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	63,556,890
Business-type Activities										
Net Investment in Capital Assets	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	-
Total Business-type Activities	-	-	-	-	-	-	-	-	-	-
Primary Government										
Net Investment in Capital Assets	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	23,675,147
Restricted	-	-	-	-	-	-	-	-	-	1,206,766
Unrestricted	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	38,674,977
Total Primary Government net position	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	63,556,890

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

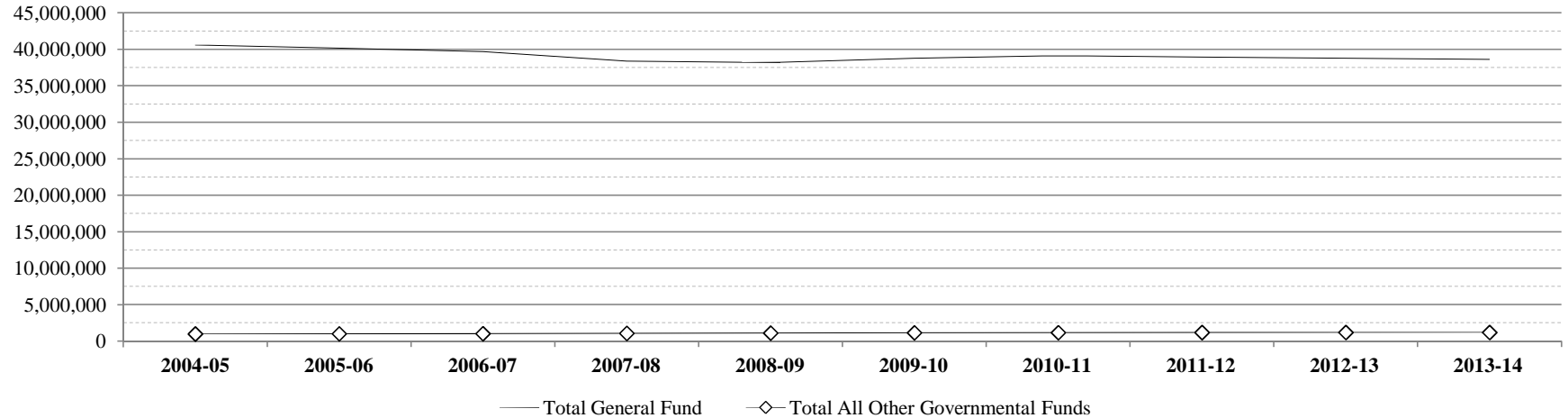
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Expenses										
Government Activities										
Salaries & related	3,941,364	4,512,766	4,630,632	4,879,115	5,231,198	5,095,077	5,102,909	5,038,939	5,133,437	5,464,969
Health Programs	1,946,770	1,785,264	1,888,980	1,771,475	1,603,432	1,466,357	1,413,255	1,321,735	1,484,011	1,309,116
Professional Fees	654,417	892,038	880,951	950,711	752,736	748,723	1,290,224	1,517,613	1,501,649	1,233,726
Community Relations	419,717	362,085	419,665	493,778	406,189	322,529	259,174	197,270	321,082	558,702
Facilities Management	967,895	1,189,215	822,444	503,298	354,479	528,665	592,614	458,825	333,013	538,505
General & Administrative	1,986,043	1,992,179	2,244,528	3,177,400	3,033,659	2,434,877	2,420,702	2,487,912	465,278	483,255
Human Resources	151,921	162,293	153,781	154,983	148,591	143,746	131,924	160,070	184,585	194,802
Information Systems	42,031	7,532	75,735	81,438	84,254	77,812	108,083	130,722	112,203	166,911
Cost of Goods Sold	171,486	278,276	272,531	306,452	257,085	148,077	147,862	124,192	137,891	117,052
Other	119,769	183,434	274,720	36,650	270,326	45,694	65,453	54,383	51,895	45,471
Debt Service:										
Interest & Other Fiscal charges	543,406	560,414	547,272	533,052	517,680	500,993	482,956	470,530	450,756	419,436
Total Government Activities Expenses	10,944,819	11,925,496	12,211,239	12,888,352	12,659,629	11,512,550	12,015,156	11,962,191	10,175,800	10,531,945
Business-type activities:										
Not Applicable	-	-	-	-	-	-	-	-	-	-
Total Primary Government Expenses	10,944,819	11,925,496	12,211,239	12,888,352	12,659,629	11,512,550	12,015,156	11,962,191	10,175,800	10,531,945
Program Revenues										
Government Activities										
Program Revenues	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	2,512,897
Total Government Activities Revenues	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	2,512,897
Business-type activities:										
Not Applicable	-	-	-	-	-	-	-	-	-	-
Total Primary Government Program Revenues	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	2,512,897
Net Revenue (Expenses)	(8,145,875)	(9,289,124)	(9,642,451)	(10,229,545)	(10,053,820)	(9,142,410)	(9,620,044)	(9,530,201)	(7,758,473)	(8,019,048)

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

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
General Revenues And Other Changes in Net Position										
Government Activities										
Financing and Rental Income	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	2,874,045
Property Taxes	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	2,806,501
Income from Limited Partnerships	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	2,134,248
Earnings on Investment	955,542	1,419,276	2,754,320	2,544,024	2,400,700	2,651,449	2,032,734	1,854,308	1,022,267	1,235,885
Other Income	3,143	182,666	188,583	171,004	274,302	194,278	143,759	133,951	239,430	170,706
Sale of Property	-	398,332	-	-	-	-	-	-	-	-
Total Government Activities Revenues	5,797,177	7,367,379	8,200,666	8,125,016	8,453,631	8,689,152	7,852,572	7,680,177	8,162,096	9,221,385
Business-type activities:										
Not Applicable	-	-	-	-	-	-	-	-	-	-
Total Primary Government General Revenues	5,797,177	7,367,379	8,200,666	8,125,016	8,453,631	8,689,152	7,852,572	7,680,177	8,162,096	9,221,385
Changes in Net Position										
Government Activities	(2,348,698)	(1,921,745)	(1,441,785)	(2,104,529)	(1,600,189)	(453,258)	(1,767,472)	(1,850,024)	403,623	1,202,337
Business-type activities:	-	-	-	-	-	-	-	-	-	-
Total Primary Government	(2,348,698)	(1,921,745)	(1,441,785)	(2,104,529)	(1,600,189)	(453,258)	(1,767,472)	(1,850,024)	403,623	1,202,337

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

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11*	2011-12	2012-13	2013-14
General Fund										
Reserved	7,355,157	7,369,382	7,167,234	8,426,855	12,821,687	13,291,295	-	-	-	-
Unreserved	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	13,657,807
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	25,564,580	23,558,417	24,770,884	24,972,242
Total General Fund	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	38,630,049
All Other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in: Special Revenue Funds	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	1,206,766
Total All Other Governmental Funds	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	1,206,766



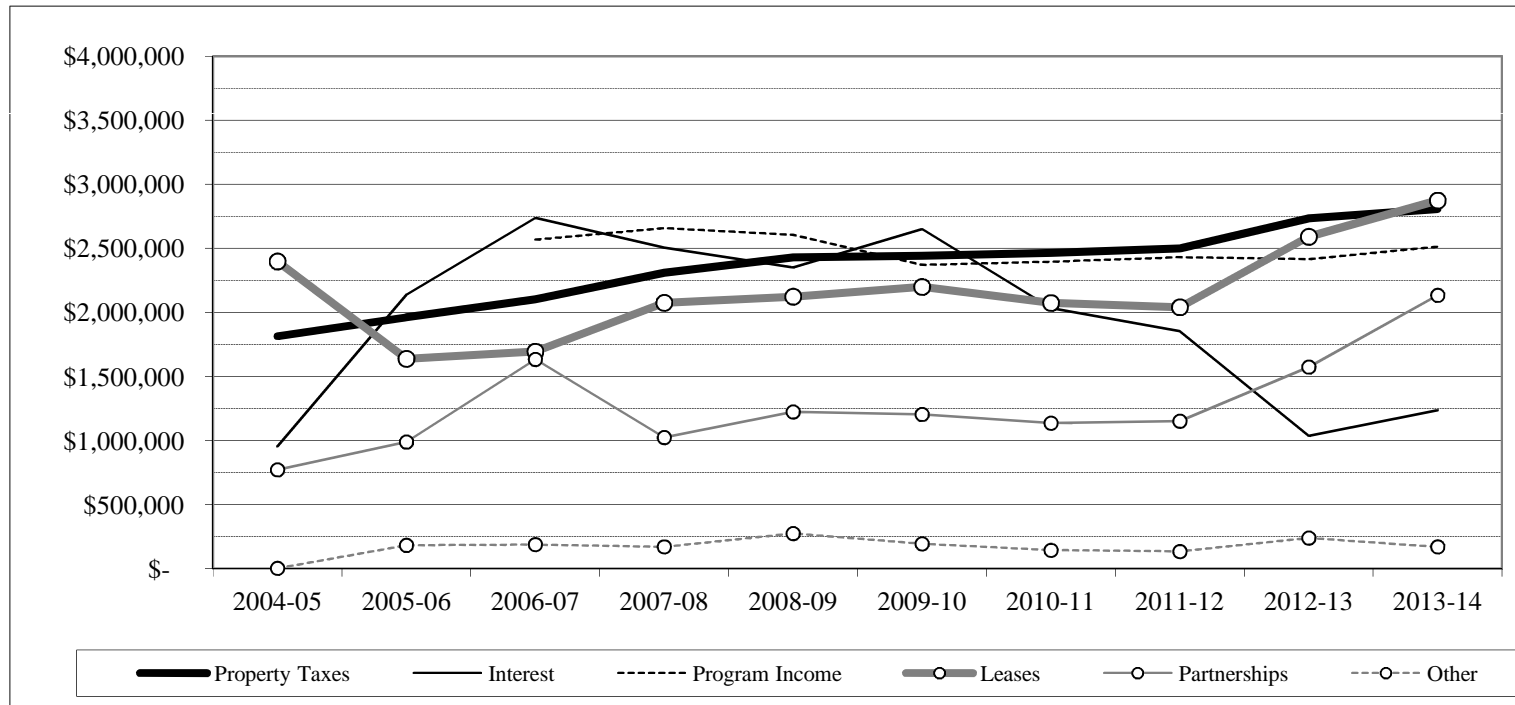
* Categories of Fund Balance were revised in compliance with GASB 54 beginning in Fiscal Year 2010-11

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

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Revenues										
Financing and Rental Income	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	2,874,045
Property Taxes	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	2,806,501
Program Income	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	2,512,897
Income from Limited Partnership	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	2,134,248
Investment Earnings	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	1,235,885
Other Revenue	3,143	580,998	188,583	171,004	274,302	194,278	143,759	133,951	239,430	170,706
Total Revenues	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	11,734,282
Expenditures										
Current:										
Salaries & related	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	5,464,969
Health Programs	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	1,309,116
Professional Fees	654,417	892,038	880,951	950,711	752,736	748,723	1,290,224	1,517,613	1,501,649	1,233,726
Community Relations	419,717	362,085	419,665	493,778	406,189	322,529	259,174	197,270	321,082	558,702
Facilities Management	967,895	1,189,215	822,444	503,298	354,479	548,141	592,614	458,825	333,023	538,505
General & Administrative	286,136	292,272	348,703	368,307	910,229	378,696	357,410	393,737	465,278	483,255
Human Resources	151,921	162,293	153,781	154,983	148,591	143,746	131,924	160,070	184,585	194,802
Information Systems	42,031	7,532	75,735	81,438	84,254	77,812	108,083	130,722	112,203	166,911
Cost of Goods Sold	171,486	278,276	272,531	306,452	257,085	148,077	147,862	124,192	137,891	117,052
Other	55,322	63,983	45,700	36,650	270,326	45,694	65,453	54,383	51,895	45,471
Capital Outlay	671,228	368,302	987,392	1,796,307	781,461	768,895	404,297	371,137	278,386	964,399
Debt Service:										
Principal Retirement	147,443	159,586	172,728	186,948	202,320	219,008	237,043	266,715	292,957	300,564
Interest & Other Fiscal charges	543,406	560,414	547,272	533,052	517,680	500,993	482,956	470,530	450,756	419,436
Total Expenditures	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	11,796,908
Excess (deficiency) of Revenues over (under) Expenditures	(1,255,572)	(421,771)	(304,332)	(1,278,691)	(460,540)	628,217	(312,048)	(360,038)	(152,309)	(62,626)
Other Financing Sources										
Proceeds from Capital Lease	-	-	-	-	-	-	-	98,431	-	-
Net Change in Fund Balances	(1,255,572)	(421,771)	(304,332)	(1,278,691)	(460,540)	628,217	(312,048)	(261,607)	(152,309)	(62,626)
Debt Service as a percentage of noncapital expenditures	8.00%	7.54%	7.55%	7.54%	7.19%	8.05%	7.63%	7.87%	7.65%	7.12%

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
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		1,638,803	989,444	182,666	398,332	7,309,833
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
2013-14	2,806,501	1,235,885	2,512,897	2,874,045	2,134,248	170,706	-	11,734,282

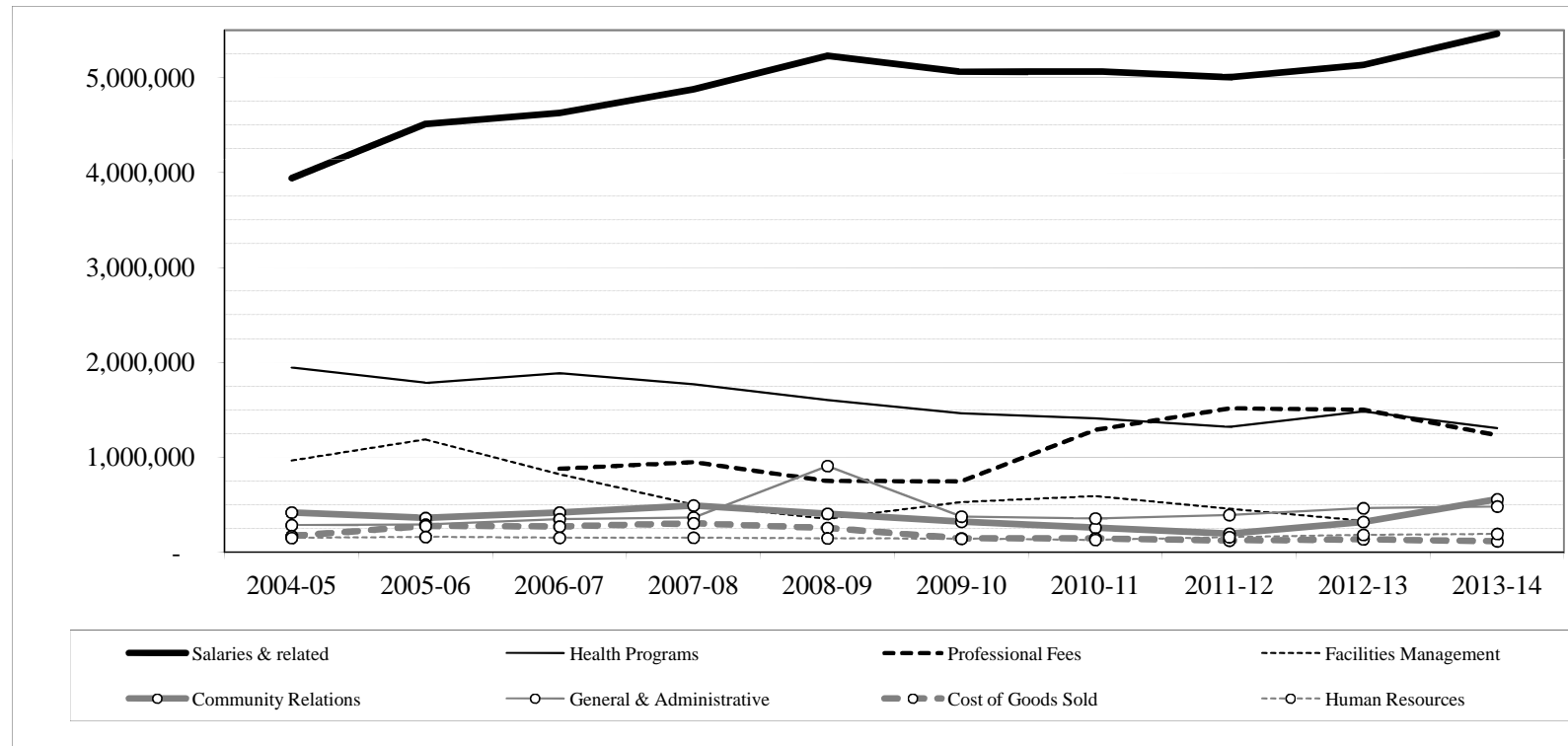


Source: Audited Financial Statements

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

General Fund

Fiscal Year	Salaries & related	Health Programs	Professional Fees	Community Relations	Facilities Management	General & Administrative	Human Resources	Information Systems	Cost of Goods Sold	Other	Total
2004-05	3,941,364	1,946,770	654,417	419,717	967,895	286,136	151,921	42,031	171,486	55,297	8,637,034
2005-06	4,512,766	1,785,264		362,085	1,189,215	292,272	162,293	7,532	278,276	63,963	8,653,666
2006-07	4,630,632	1,888,980	880,951	419,665	822,444	348,703	153,781	75,735	272,531	45,700	9,539,122
2007-08	4,879,115	1,771,475	950,711	493,778	503,298	368,307	154,983	81,438	306,452	36,650	9,546,207
2008-09	5,231,198	1,603,432	752,736	406,189	354,479	910,099	148,591	84,254	257,085	270,326	10,018,389
2009-10	5,062,404	1,466,357	748,723	322,529	528,665	376,940	143,746	77,812	148,077	45,694	8,920,947
2010-11	5,069,437	1,413,255	1,290,224	259,174	592,304	357,410	131,924	108,083	147,862	65,453	9,435,126
2011-12	5,005,276	1,321,735	1,517,613	197,270	458,785	393,737	160,070	130,722	124,192	54,383	9,363,783
2012-13	5,133,437	1,484,011	1,501,649	321,082	333,013	465,278	184,585	112,203	137,891	51,895	9,725,044
2013-14	5,464,969	1,309,116	1,233,726	558,702	538,505	483,255	194,802	166,911	117,052	45,471	10,112,509



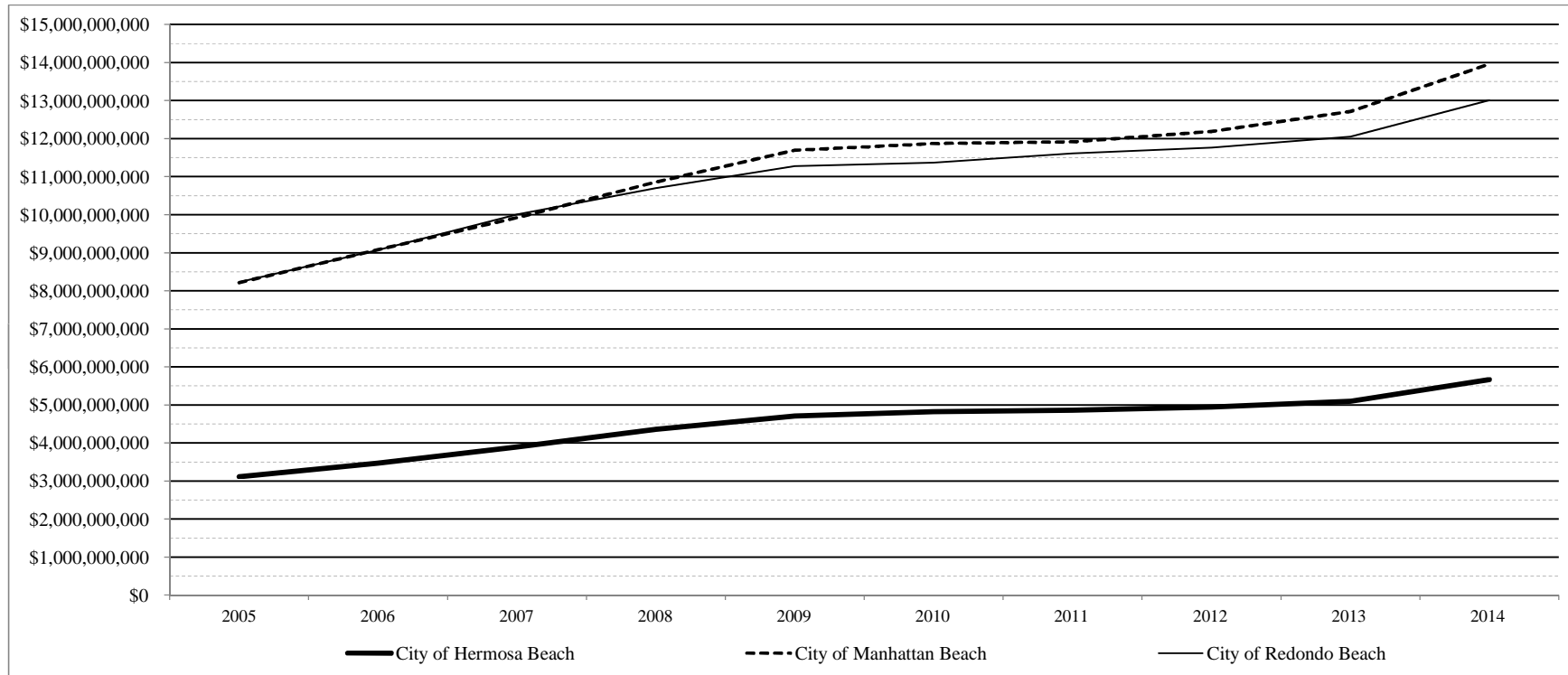
Source: Internal Reports @ June 30, xxxx

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

Total Taxable Assessed Value

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City of Hermosa Beach	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	5,666,591,496
City of Manhattan Beach	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	13,961,831,222
City of Redondo Beach	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	12,050,139,612	13,007,860,065
Total	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	29,856,658,959	32,636,282,783

Percentage Increase 7.39% 10.56% 10.23% 8.78% 6.79% 1.37% 2.19% 3.47% 6.02% 11.99%



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 economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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 *	0.000992	0.000923	0.000800	0.000660	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	**
Hermosa Beach Unified School District	0.019308	0.016685	0.014660	0.020430	0.017139	0.016398	0.017250	0.018067	0.016904	0.018550	**
El Camino community College District	0.019025	0.016558	0.018380	0.035700	0.016467	0.017026	0.014868	0.016140	0.016884	0.018490	**
Metro Water District	0.006100	0.005800	0.005200	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	**
City of Redondo Beach Residents											
City of Redondo Basic Rate	0.166170	0.166170	0.166170	0.166170	0.166170	0.165390	0.165390	0.165390	0.165390	0.165390	**
Redevelopment Agency	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	0.000990	0.000920	0.000800	0.000660	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	**
Flood Control	0.000470	0.000240	0.000050	0.000050	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	**
Metropolitan Water District	0.006100	0.005800	0.005200	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	0.003000	**
El Camino Community College District	0.019030	0.016560	0.018380	0.035700	0.016470	0.017030	0.014870	0.001614	0.001688	0.001849	**
Redondo Beach Unified School District	0.008660	0.027650	0.033360	0.029700	0.028440	0.047140	0.055190	0.086100	0.086100	0.081620	**
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	0.001663	0.001666	0.001671	0.001673	0.001676	0.001586	0.001584	0.001562	0.001593	0.001595	**
Overlapping - Manhattan Beach Residents											
Los Angeles County ¹	0.000990	0.000920	0.000800	0.000660	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	**
Colleges & School Districts	0.059380	0.056100	0.056390	0.074250	0.053500	0.117580	0.111460	0.145140	0.116000	0.155410	**
Metro Water District	0.006100	0.005800	0.005200	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	**
Flood Control District	0.000470	0.000240	0.000050	0.000050	0.000000	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)	City of Hermosa Beach (3)	Unemployment Rate (3)
2004	122,710	6,070,709	49,472	0.018	3.43%
2005	122,953	6,310,850	51,327	0.023	3.00%
2006	122,666	6,701,898	54,635	0.019	2.60%
2007	122,534	7,002,287	57,146	0.020	2.80%
2008	122,840	7,282,488	59,284	0.029	4.03%
2009	123,855	6,375,477	51,475	0.047	6.53%
2010	121,389	6,427,628	52,951	0.055	7.03%
2011	121,775	6,684,189	54,890	0.055	7.30%
2012**	121,820	6,801,820	55,835	0.049	6.83%
2013**	122,472	**	**	0.045	5.77%
2014**	123,086	**	**	**	**

* 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
2014

Employer	Employees	Percentage of
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	30,187	68.53%
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	2014
Executive/Admin Support	4	4	2	2	2	2	2	2
Human Resources	2	2	5	5	5	5	5	4
Finance:								
Information Systems	1	1	-	-	-	-	-	-
Finance/Accounting/Payroll	4	4	4	4	4	4	4	5
Property Management	3	4	3	4	4	3	3	3
BCHD Café	3	4	-	-	-	-	-	-
Total	11	13	7	8	8	7	7	8
Communications	2	3	3	3	3	3	3	5
Youth Services:								
Adventureplex	22	20	22	22	22	22	21	21
Other Youth Services	4	5	6	6	6	6	8	7
Total	26	25	28	28	28	28	29	28
Adult Services:								
Center for Health & Fitness	19	19	18	17	17	17	18	19
Blue Zones Project	-	-	-	1	1	1	2	5
Other Adult Services	4	5	7	5	5	5	3	-
Total	23	24	25	23	23	23	23	24
Older Adult Services:								
Care Management	8	8	8	9	9	9	9	12
Total	8	8	8	9	9	9	9	12
Total Positions	76	79	78	78	78	77	78	83

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