Grossmont Healthcare District

Financial Statements and Independent Auditors' Reports

Years Ended June 30, 2013 and 2012

GROSSMONT HEALTHCARE DISTRICT

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Grossmont Healthcare District as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the California State Controller's Office and California regulations governing Special Districts.

Emphasis of Matters

As discussed in Note 1 to the basic financial statements, the District incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"*. The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and Schedule of Funding Progress for DPHP on pages 4-9 and 46 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Schedule of Net Position/(Deficit), Combining Schedule of Revenues, Expenses and Changes in Net Position/(Deficit) and Combining Schedule of Cash Flows are presented for purposes of additional analysis and are not a required part of the basic financial statements.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Grossmont Healthcare District
La Mesa, California

We have audited the accompanying financial statements of the Grossmont Healthcare District (the District) as of and for the years ended June 30, 2013 and 2012, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks 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.

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Offices located in Orange and San Diego Counties

The Combining Schedule of Net Position/(Deficit), Combining Schedule of Revenues, Expenses and Changes in Net Position/(Deficit) and Combining Schedule of Cash Flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedule of Net Position/(Deficit), Combining Schedule of Revenues, Expenses and Changes in Net Position/(Deficit) and Combining Schedule of Cash Flows are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

White Nelson Diehl Evans LLP

September 10, 2013
Carlsbad, California

In 1952, the residents of the area voted to form Grossmont Healthcare District (the District) and establish, build, and operate Grossmont Hospital. Grossmont Hospital has gone through numerous renovations over the years and currently has 536 licensed beds over a sprawling campus setting. Since May 1991, the District has leased Grossmont Hospital under a 30-year agreement to Sharp HealthCare. Sharp HealthCare is a multi-facility health care system located in San Diego County. As the management of the District, we are providing the readers of the financial statements a narrative "snapshot" and analysis of our financial performance during the fiscal year ended June 30, 2013 and 2012. This report, Management's Discussion and Analysis, is an overview of the financial activities for the fiscal year and is an integral part of the accompanying basic financial statements and should be read in connection with those statements.

Financial Highlights

- The District continued its improvements funded by Proposition G at Grossmont Hospital
- The District increased its Board Contingency Fund from $3,850,000 to $5,350,000

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following:

The *Statement of Net Position/(Deficit)* provides information regarding the financial position of the District, including its assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or weakening. It is important for the reader to understand that the assets and liabilities of Grossmont Hospital are not reported in the accompanying basic financial statements due to the long-term nature of the District's lease with Sharp HealthCare set to expire in 2021, unless renewed by a majority vote of the District's voters. Additionally, the improvements and additions/enhancements to the leased property funded by Proposition G general obligation bonds' follows the same accounting treatment. However, the debt associated with Proposition G *is* recorded on the books of the District, and the corresponding property tax revenue to pay that debt off over time is also recorded on the books of the District.

Overview of the Financial Statements, continued

The *Statement of Revenues, Expenses, and Changes in Net Position/(Deficit)* provides information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows.* Thus, revenues and expenses in this statement are for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The *Statement of Cash Flows* provides information on cash receipts and payments for the fiscal year.

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data supplied in each of the specific financial statements listed above.

Financial Activities & Fiscal Year 2013 Highlights

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, unrestricted net position is negative due to the long-term nature of Proposition G general obligation bonds recorded. The District's most significant assets are cash, cash equivalents, and investments. The District's cash and investments position decreased $33,854,186 from FY 2012 to FY 2013. This decrease is due primarily to the spending down of restricted financing and bond money for authorized projects. Accordingly, the District's most significant liability is long-term debt associated with Proposition G. It is important to understand that this long-term debt will be paid over time from the receipt of property tax assessments collected over the next thirty years. The District's *Net Position Invested in Capital Assets* represents its administrative and library campus and land holdings. *Net Position Invested in Capital Assets* includes two projects that are in progress:

1. The Dr. John W. Hardebeck Health Occupations Training Center is conceptualized as an approximately 21,000 gross square foot, two story building for the training of allied health care workers, with classes to be held by Grossmont College. Current project estimates for the facility are $9.5 million to $11.5 million, with up to $7.5 million budgeted in the Proposition G program.
2. The Cogeneration Project is for a 4.4 megawatt combustion turbine generator, heat recovery steam generator and other equipment required to build out the new Central Energy Plant project at the Hospital. Current project estimates for the project are $18 million to be paid for by tax-exempt bank financing.

It is important for the reader to note there is no outstanding debt associated with the administrative and library campus. The following table highlights the financial position and net position of the District:

Statement of Net Position

	FY13	FY12	FY11
Assets:			
Cash, cash equivalents and investments	$ 168,368,616	$ 202,222,802	$ 195,145,282
Capital assets	15,543,543	10,713,339	10,769,439
All other assets	5,332,214	6,109,947	5,836,666
Total assets	189,244,373	219,046,088	211,751,387
Deferred Outflows of Resources	-	-	-
Liabilities:			
Long-term	246,509,225	247,837,790	230,997,584
Other	17,701,630	10,802,185	5,280,336
Total liabilities	264,210,855	258,639,975	236,277,920
Deferred Inflows of Resources	-	-	-
Net position/(deficit):			
Invested in capital assets	15,543,543	10,713,339	10,769,439
Restricted for debt service	10,064,541	12,997,701	15,997,541
Restricted for capital projects	128,843,463	157,778,080	168,213,667
Unrestricted	(229,418,029)	(221,083,007)	(219,507,180)
Total net position	$ (74,966,482)	$ (39,593,887)	$ (24,526,533)

Financial Activities & Fiscal Year 2013 Highlights, continued

The District's business is comprised of four primary segments:

- Administration - This function consists of the general mission of the District as a steward of the public trust to preserve and protect those resources entrusted to our care and to maintain and improve the physical and mental health of its constituents. Additionally, monitoring the health care provided under contract at Grossmont Hospital to assure that patients' needs are met and that their reasonable expectations are exceeded.

- Community Healthcare Program - The District administers a grant program, allocating a portion of the District's annual property tax revenues to health-related programs serving residents of the District throughout Eastern San Diego County.

- Library Operating - The District operates the Dr. William C. Herrick Community Library specializing in healthcare related media and specialized learning programs.

- Facility - This segment consists of all campus related buildings and covers operations, maintenance and security. It also includes the James G. Stieringer Conference Center which also serves as a community meeting place with theatre-style seating capacity for 65 and technologically advanced audio/visual presentation system.

A condensed version of the *Statement of Revenue, Expenses and Changes in Net Position/(Deficit)* is presented in the following table and explanations for the more significant changes between fiscal years are explained below the table:

	FY13	FY12	FY11
Revenues:			
Property tax revenue	$ 15,189,263	$ 13,965,865	$ 11,908,948
Investment income	422,801	1,420,501	1,376,975
Other income	333	83,949	681,989
Total revenues	15,612,397	15,470,315	13,967,912
Expenses:			
Administration, library, and facilities	2,097,575	1,853,237	1,963,196
Community healthcare	1,062,209	1,236,913	1,165,742
Interest expense	12,952,987	12,427,350	6,852,828
Other	486,059	320,258	407,572
Contributions to Grossmont Hospital	34,386,162	14,699,911	7,331,697
Total expenses	50,984,992	30,537,669	17,721,035
Change in net position	(35,372,595)	(15,067,354)	(3,753,123)
Beginning net position	(39,593,887)	(24,526,533)	(20,773,410)
Ending net position	$ (74,966,482)	$ (39,593,887)	$ (24,526,533)

Financial Activities & Fiscal Year 2013 Highlights, continued

Property taxes are the District's primary source of revenue and are also levied to pay the debt service on the outstanding Proposition G general obligation bonds. Property tax revenues increased $2,056,917 from FY2011 to FY2012 and increased $1,223,398 from FY 2012 to 2013. The local real estate market continues to experience market volatility; however the District's taxable assessed valuations have stabilized.

Community healthcare expenses increased $71,171 from FY 2011 to FY 2012 primarily due to the Board of Directors awarding its entire budgeted allocation for the year. The District's community healthcare expenses decreased $174,704 from 2012 to 2013 resulting from the Board of Directors reducing its budgeted allocation for the year.

Contributions to Grossmont Hospital represent:

- Payments made to Grossmont Hospital for general operating support or equipment; and,
- Payments made to Grossmont Hospital under the Proposition G program.

Contributions increased $7,368,214 from FY2011 to FY2012 resulting primarily from the phasing and timing of Proposition G program expenses financed by Proposition G general obligation bonds. Contributions increased $19,686,251 from FY 2012 to FY 2013 for the same reason as noted prior. See the *Notes to the Basic Financial Statements* for more information.

Capital Assets

At June 30, 2013 the District had $17,367,832 in capital assets and $1,824,289 in accumulated depreciation resulting in $15,543,543 of net capital assets. A summary of the activity and balances in capital assets is presented below.

	FY13	FY12	FY11
Land	$ 7,061,501	$ 7,061,501	$ 7,061,501
Construction in progress	5,080,611	130,883	70,422
Buildings	4,707,202	4,707,202	4,707,202
Furniture and equipment	518,518	510,203	503,004
Subtotal	17,367,832	12,409,789	12,342,129
Less:			
Accumulated depreciation	(1,824,289)	(1,696,450)	(1,572,693)
Total	$ 15,543,543	$ 10,713,339	$ 10,769,439

The changes in the District's capital asset activity are primarily the result of increases to the District's two previously mentioned construction in progress projects.

Debt Administration

Proposition G authorized the issuance of up to $247,000,000 in general obligation bonds. On August 2, 2007, the District issued $85,627,076 of general obligation bonds. On February 23, 2011, the District issued $136,860,000 of general obligation bonds. All debt is Moody's Investors Service rated AA2.

One final bond sale estimated to be in the range of $24,512,000 is tentatively scheduled for mid 2014 or early 2015, depending on construction progress and market conditions.

On June 29, 2012 the District entered into a tax-exempt lease arrangement (Lease) with a bank (the Lessor) to acquire cogeneration equipment for inclusion in the planned new central energy plant at the Hospital.

Changes in long-term debt for the period ended June 30, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General Obligation Bonds					
2007 Series A - CAB's	$ 23,597,076	$ -	$ -	$ 23,597,076	$ -
2007 Series A - CIB's	61,445,000	-	565,000	60,880,000	770,000
2007A unamortized premium	1,961,306	-	81,156	1,880,150	-
2007A CAB accrued interest	6,359,257	1,470,727	-	7,829,984	-
2011B CIB's	136,860,000	-	-	136,860,000	-
2011B unamortized premium	2,017,212	-	72,044	1,945,168	-
Total general obligation bonds, net	232,239,851	1,470,727	718,200	232,992,378	770,000
Other Long-term Debt					
Financing obligation	18,000,000	-	1,837,328	16,162,672	1,875,825
Total long-term debt	$ 250,239,851	$ 1,470,727	$ 2,555,528	$ 249,155,050	$ 2,645,825

Economic Outlook and Major Initiatives

The District is continuing to maximize and leverage its tax revenues to fund the increasing unmet healthcare needs in its service area. The Fiscal Year 2014 budget reflects total revenues of $15,782,800 and total expenses, net of noncash adjustments of $7,076,000, of $11,740,713.

The District is continuing to make significant improvements to Grossmont Hospital under the Proposition G program. It is anticipated all improvements will be completed by the end of FY15.

Contacting the District's Financial Management

The District believes in financial transparency and encourages any interested party to contact the District for clarification or additional information regarding this report via the District's website or email address.

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Basic Financial Statements

GROSSMONT HEALTHCARE DISTRICT

Statements of Net Position/(Deficit)
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,546,866	$ 4,612,646
Investments	5,144,392	3,757,738
Property taxes receivable	783,414	715,198
Other accounts receivable	142,636	635,931
Accrued investment interest	194,410	344,724
Prepaid expenses and deposits	53,149	59,070
Purchased investment interest	-	36,741
Restricted cash and cash equivalents with fiscal agent	13,599,040	17,900,000
Restricted investments with fiscal agent	144,078,318	175,952,418
Total current assets	169,542,225	204,014,466
Noncurrent assets:		
Due from State	-	72,754
Deferred bond costs, net	2,183,500	2,289,828
Net OPEB asset	1,975,105	1,955,701
Capital assets:		
Land	7,061,501	7,061,501
Construction in progress	5,080,611	130,883
Capital assets, net of depreciation	3,401,431	3,520,955
Total capital assets, net of depreciation	15,543,543	10,713,339
Total noncurrent assets	19,702,148	15,031,622
Total assets	189,244,373	219,046,088
DEFERRED OUTFLOWS OF RESOURCES	-	-

(continued)

See accompanying independent auditors' report and notes to basic financial statements.

GROSSMONT HEALTHCARE DISTRICT
Statements of Net Position/(Deficit)
June 30, 2013 and 2012

	2013	2012
LIABILITIES		
Current liabilities:		
Accounts and grants payable	$ 7,628,795	$ 3,153,780
Accrued compensated absences	60,698	69,707
Deposits	1,837,328	-
Unearned revenue	358,670	-
Current maturities of long-term debt	2,645,825	2,402,061
Liabilities payable from restricted assets:		
Restricted accrued interest	5,170,314	5,176,637
Total current liabilities	17,701,630	10,802,185
Long-term liabilities:		
General obligation bonds	224,392,394	225,315,594
Financing obligation	14,286,847	16,162,939
Capital appreciation bond accrued interest	7,829,984	6,359,257
Total long-term liabilities	246,509,225	247,837,790
Total liabilities	264,210,855	258,639,975
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION		
Invested in capital assets	15,543,543	10,713,339
Restricted for debt service	10,064,541	12,997,701
Restricted for capital projects	128,843,463	157,778,080
Unrestricted	(229,418,029)	(221,083,007)
Total net position/(deficit)	$ (74,966,482)	$ (39,593,887)

See accompanying independent auditors' report and notes to basic financial statements.

GROSSMONT HEALTHCARE DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position/(Deficit)
Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Property taxes	$ 6,276,339	$ 5,581,231
Total operating revenues	6,276,339	5,581,231
OPERATING EXPENSES		
Administrative expenses	1,458,761	1,232,516
Community healthcare	1,062,209	1,236,913
Library operating expenses	295,129	285,438
Facility expenses	343,685	335,283
Total operating expenses	3,159,784	3,090,150
Operating income	3,116,555	2,491,081
NON-OPERATING REVENUES (EXPENSES)		
Property taxes, general obligation bonds	8,912,924	8,384,634
Investment income	422,801	1,420,501
Other income	333	83,949
Interest expense	(12,952,987)	(12,427,350)
Deferred bond cost amortization	(106,329)	(79,151)
Other expenses	(379,730)	(241,107)
Contributions to Grossmont Hospital	(34,386,162)	(14,699,911)
Total non-operating income (expense)	(38,489,150)	(17,558,435)
CHANGE IN NET ASSETS		
Total change in net position	(35,372,595)	(15,067,354)
Net position/(deficit), beginning of year	(39,593,887)	(24,526,533)
Net position/(deficit), end of year	$ (74,966,482)	$ (39,593,887)

See accompanying independent auditors' report and notes to basic financial statements.

GROSSMONT HEALTHCARE DISTRICT

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

		2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from property taxes	$	6,307,692	$	5,654,562
Cash received from miscellaneous sources		636,805		83,949
Cash payments to employees		(1,048,728)		(1,021,987)
Cash payments to vendors for goods and services		(1,689,521)		(1,915,497)
Net cash provided by operating activities		4,206,248		2,801,027
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Cash received from property taxes - general obligation bonds		8,813,355		8,377,667
Contributions to Grossmont Hospital		(30,357,123)		(12,481,880)
Other payments		(379,730)		(244,690)
Net cash provided/(used) by non-capital financing activities		(21,923,498)		(4,348,903)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets		(4,958,044)		(67,660)
Other financing sources-financing proceeds, net		-		18,000,000
Principal payments on long-term debt		(565,000)		(380,000)
Interest payments and fees		(11,283,113)		(10,042,297)
Other payments		-		(100,000)
Net cash provided/(used) by capital and related financing activities		(16,806,157)		7,410,043
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments		(164,999,440)		(47,562,120)
Maturities of investments		77,813,706		36,996,536
Sale of investments		115,296,400		-
Interest received		1,463,474		1,257,804
Net transfers to investments		1,582,527		23,089,716
Net cash provided/(used) by investing activities		31,156,667		13,781,936
Net increase (decrease) in cash and cash equivalents		(3,366,740)		19,644,103
CASH AND CASH EQUIVALENTS				
Beginning of year		22,512,646		2,868,543
End of year	$	19,145,906	$	22,512,646

(continued)

See accompanying independent auditors' report and notes to basic financial statements.

GROSSMONT HEALTHCARE DISTRICT
Statements of Cash Flows, continued
Years Ended June 30, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating income	$ 3,116,555	$ 2,491,081
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	127,839	123,759
Bad debt	13,722	
Changes in operating assets and liabilities:		
(Increase)/decrease in property taxes receivable	31,353	73,332
(Increase)/decrease in prepaid expenses and deposits	5,921	(1,356)
(Increase)/decrease in accounts receivable	493,295	(8,702)
(Increase)/decrease in net OPEB asset	(19,404)	(21,895)
Increase/(decrease) in accounts and grants payable	445,976	137,061
Increase/(decrease) in accrued compensated absences	(9,009)	7,747
Net cash provided/(used) by operating activities	$ 4,206,248	$ 2,801,027
SCHEDULE OF CASH AND CASH EQUIVALENTS		
Current assets:		
Cash and cash equivalents	$ 5,546,866	$ 4,612,646
Restricted cash and cash equivalents with fiscal agent	13,599,040	17,900,000
Total cash and cash equivalents	$ 19,145,906	$ 22,512,646
SUPPLEMENTAL DISCLOSURES		
Non cash investing and financing activities:		
Change in fair value of investments	$ (352,451)	$ (333,040)
Amortization related to long-term debt	$ 106,329	$ 79,151
Interest expense recorded - paid by the Corporation (Note F)	$ 358,670	$ -

See accompanying independent auditors' report and notes to basic financial statements.

Notes To Basic Financial Statements

Note A. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

Grossmont Healthcare District (the District) is a local healthcare district, formed in 1952, and organized pursuant to Division 23 of the Health and Safety Code of the State of California to provide and operate health care facilities for a specified geographic region of San Diego County. The District's boundaries encompass an area 750 square miles in eastern San Diego County. Included within the District boundaries are the cities of La Mesa, Lemon Grove, Santee, and El Cajon, the San Carlos/Del Cerro communities of the City of San Diego, and certain unincorporated areas within San Diego County. The District owns Grossmont Hospital, currently leased to Sharp HealthCare (SHARP), a multi-facility health care system located in San Diego County.

Effective May 29, 1991, the District entered into an Affiliation Agreement with SHARP. The affiliation was effected through the creation of a non-profit public benefit corporation, Grossmont Hospital Corporation (the Corporation), of which SHARP is the sole statutory member. In connection with the affiliation, the District entered into 30-year Transfer and Lease Agreement with the Corporation whereby the District's assets and liabilities, except land, investment funds, debt established pursuant to certain loan agreements and the deferred compensation program, were transferred to the Corporation in exchange for a receivable (the Transfer). In July 1992, the Corporation exercised its option to prepay the receivable. At the end of the Agreement's 30-year term, notwithstanding extensions, the Corporation will transfer back to the District all assets and liabilities pursuant to terms substantially identical to those of the Transfer Agreement.

The District is governed by a five member elected Board of Directors.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Management of the District and the Board of Directors have elected to report the District's activity as an Enterprise Fund based on the payment received from the Affiliation Agreement with Sharp which runs through May, 2021.

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation-continued
Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flow takes place.

Net position of the District is classified into three components: (1) invested in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

- Invested in Capital Assets
  This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets. The District had $13,599,040 unspent related financing proceeds with a corresponding outstanding balance of the related borrowing in the amount of $16,162,672 attributable to its capital assets at June 30, 2013. The District had $17,900,000 unspent related financing proceeds with a corresponding outstanding balance of the related borrowing in the amount of $18,000,000 attributable to its capital assets at June 30, 2012.

- Restricted Net Position
  This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position
  This component of net position consists of net position that does not meet the definition of "invested in capital assets" or "restricted net position".

The District distinguishes operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are property tax revenues that are received for general operations and pertain directly to the mission of the District. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal activities of the District.

Taxes and assessments are recognized as revenues based upon amounts reported to the District by the County of San Diego, net of allowance for delinquencies.

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

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

New Accounting Pronouncements
In fiscal year 2012-2013 the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statements No. 4, *"Elements of Financial Statements"* into the definitions of the required components of the new residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net 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 that time. The District does not have any type of these items as of June 30, 2012 or June 30, 2013.

In addition to liabilities, the statement of net 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 District does not have any type of these items as of June 30, 2012 or June 30, 2013.

Property Taxes
The County of San Diego (County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year's taxes are received through periodic apportionments from the County. The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal 1978-79, general property taxes are based either on a flat 1% rate applied to the 1975-1976 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-1976 period. Taxable values on properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year. This Proposition 13 limitation on general property taxes does not apply to taxes levied.

Property Taxes-Debt Service
Each year the District is required to provide the County with its calculation of the required property tax levy to assess for the following year's scheduled bond debt service payments. The District's current levy is at $20.05 per $100,000 of assessed valuation.

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Property Taxes-Debt Service, continued

No allowance for doubtful accounts for related property tax receivables is considered necessary due to the fact the receivables are secured by the underlying real property.

Income Taxes
The District is a political subdivision of the State of California and, as such, is exempt from federal and state income taxes.

Cash and Cash Equivalents
For purposes of the statement of cash flows, cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less at acquisition.

Investments
Investments in debt securities with readily determinable fair values are measured at fair value in the *Statement of Net Position/(Deficit)*. Investments in government investment pools are reported on the fair value per share of the pool's underlying portfolio.

Other Accounts Receivable
Other accounts receivable represents post employment benefit trust fund reimbursements from the Public Employees Retirement System (Note J).

Other Noncurrent Assets
Deferred bond costs of $1,966,066 and $217,434 for the 2007A Bonds and 2011B Bonds, and Financing Obligation, respectively, net of accumulated amortization of $340,791 and $27,179, respectively, represents cost of issuance and financing expenses and are being amortized on the straight-line method based on the estimated term of the related bond debt or related financing.

Amortization expense of $106,329 and $79,151 for the years ended June 30, 2013 and 2012, respectively, is included in the *Statement of Revenues, Expenses, and Changes in Net Position/(Deficit)* as deferred bond cost amortization.

Accounts and Grants Payable
Accounts and grants payable represents amounts committed to vendors for general services and local nonprofit and local government agencies under the District's community healthcare grant program.

Capital Assets
The District's office furniture and equipment and buildings are stated at cost. Depreciation has been provided over the estimated useful lives of five years for office furniture and equipment and forty years for buildings using the straight-line method. The District has set the capitalization threshold for reporting capital assets at a cost greater than $5,000 with an expected life greater than one year. Repairs, maintenance, and minor replacements of property are charged to expense.

Note A. Reporting Entity and Summary of Significant Accounting Policies, continued

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Compensated Absences
A liability is recorded for unused vacation and sick leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time-off or payment upon termination or retirement.

Restricted Assets and Liabilities
Certain current liabilities have been classified as current liabilities payable from restricted assets as they will be funded from restricted assets.

Note B. Financing Authorities

The District is a member of the North San Diego County Health Facilities Financing Authority and the San Diego County Health Facilities Financing Authority (the Authorities). The purpose of the Authorities is to provide a financing mechanism for its members. See Note F for more information on the role of the Authorities in the bond issuance process.

Note C. Proposition G Bond Sales

Bond sale proceeds at the close of the transaction on August 2, 2007 from the Series 2007A Bonds resulted in the following deposits:

Fund	Amount
Cost of issuance	$ 426,272
Debt service	1,032,832
Building	85,627,076
	$ 87,086,180

Bond sale proceeds at the close of the transaction on February 23, 2011 from the Series 2011B Bonds resulted in the following deposits:

Fund	Amount
Cost of issuance	$ 332,690
Debt service	1,096,300
Building	136,860,000
	$ 138,288,990

Note D. Cash, Cash Equivalents, and Investments

The primary goals of the District's Investments Policy are to assure compliance with Federal, State, and Local laws governing the investment of funds under the control of the organization, protect the principal of investments entrusted, and generate income under the parameters of such policies.

Cash, cash equivalents, and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	2013	2012
Current assets		
Cash and cash equivalents	$ 5,546,866	$ 4,612,646
Restricted cash and cash equivalents with fiscal agent	13,599,040	17,900,000
Investments	5,144,392	3,757,738
Restricted investments with fiscal agent	144,078,318	175,952,418
Total cash, cash equivalents, and investments	$ 168,368,616	$ 202,222,802

Cash, cash equivalents, and investments consist of the following:

	2013	2012
Cash on hand	$ 239	$ 174
Deposits with financial institutions	15,624,765	19,407,602
Investments	152,743,612	182,815,026
Total cash, cash equivalents and investments	$ 168,368,616	$ 202,222,802

Note D. Cash, Cash Equivalents, and Investments, continued

Investments Authorized by the California Government Code and the District's Investment Policy
The table below identifies the investment types that are authorized for the 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.

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Max. Invest. Per Issuer
Certificates of Deposit	5 Years	None	None
Negotiable Certificates of Deposit	None	20%	$1,000,000
Local Agency Investment Fund	None	None	None
County Pooled Investment Fund	None	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Government Sponsored Entities	5 Years	None	None
Money Market Mutual Funds	None	20%	None

Investments Authorized by Debt Agreements
Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's Investment Policy.

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.

Note D. Cash, Cash Equivalents, and Investments, continued

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations are provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2013 and 2012.

June 30, 2013

Investment Type		Twelve Months or Less	Thirteen to Twenty-four Months	Twenty-five to Sixty Months	More Than Sixty Months
U.S. Government Sponsored Entities	$ 132,409,771	$ 65,205,152	$ 65,725,631	$ 1,478,988	$ -
Money Market Mutual Funds	15,812,939	15,812,939	-	-	-
Local Agency Investment Fund (LAIF)	4,520,902	4,520,902	-	-	-
	$ 152,743,612	$ 85,538,993	$ 65,725,631	$ 1,478,988	$ -

June 30, 2012

Investment Type		Twelve Months or Less	Thirteen to Twenty-four Months	Twenty-five to Sixty Months	More Than Sixty Months
U.S. Government Sponsored Entities	$ 156,263,797	$ 77,832,588	$ 77,900,384	$ 530,825	$ -
Money Market Mutual Funds	22,446,360	22,446,360	-	-	-
Local Agency Investment Fund (LAIF)	4,104,869	4,104,869	-	-	-
	$ 182,815,026	$ 104,383,817	$ 77,900,384	$ 530,825	$ -

Note D. Cash, Cash Equivalents, and Investments, continued

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 or the District's Investment Policy, or debt agreements, and the actual rating by Moody's Investors Service as of June 30, 2013 and 2012 for each investment type.

In August 2011, Standard & Poors downgraded the AAA rating of the United States Government and all federally backed agencies to AA+. The $132,409,771 of U.S. Government Sponsored Entity securities at June 30, 2013 below are rated AA+ by Standard & Poors.

June 30, 2013

			Rating as of Year End		
Investment Type		Minimum Legal Rating	AAA	AA	Not Rated
U.S. Government Sponsored Entities	$ 132,409,771	N/A	$ 132,409,771	$ -	$ -
Money Market Mutual Funds	15,812,939	N/A	15,812,939	-	-
Local Agency Investment Fund (LAIF)	4,520,902	N/A	-	-	4,520,902
	$ 152,743,612		$ 148,222,710	$ -	$ 4,520,902

June 30, 2012

			Rating as of Year End		
Investment Type		Minimum Legal Rating	AAA	AA	Not Rated
U.S. Government Sponsored Entities	$ 156,263,797	N/A	$ 156,263,797	$ -	$ -
Money Market Mutual Funds	22,446,360	N/A	22,446,360	-	-
Local Agency Investment Fund (LAIF)	4,104,869	N/A	-	-	4,104,869
	$ 182,815,026		$ 178,710,157	$ -	$ 4,104,869

Note D. Cash, Cash Equivalents, and Investments, continued

Concentration of Credit Risk

The investment policy of the District contains various limitations on the amounts that can be invested in any one type or group of investments and in any issuer, beyond that stipulated, by the California Government Code, Sections 53600 through 53692. 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 as of June 30, 2013 and 2012 are as follows:

June 30, 2013

Issuer Type	Investment Type		Reported Amount
Federal National Mortgage Association	U.S. Government Sponsored Entity	$	53,201,130
Federal Farm Credit Bank	U.S. Government Sponsored Entity	$	41,833,278
Federal Home Loan Mortgage Corp.	U.S. Government Sponsored Entity	$	21,845,245
Federal Home Loan Bank	U.S. Government Sponsored Entity	$	15,530,062

June 30, 2012

Issuer Type	Investment Type		Reported Amount
Federal Home Loan Mortgage Corp.	U.S. Government Sponsored Entity	$	61,493,197
Federal National Mortgage Association	U.S. Government Sponsored Entity	$	57,132,462
Federal Farm Credit Bank	U.S. Government Sponsored Entity	$	19,600,925
Federal Home Loan Bank	U.S. Government Sponsored Entity	$	18,037,213

Note D. Cash, Cash Equivalents, 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:

As of June 30, 2013 and 2012, $14,217,235 and $18,164,041, respectively, of the District's deposits with financial institutions were in excess of federal depository insurance limits.

Local Agency Investment Fund (LAIF)
The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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.

Collateral for Deposits
All cash and certificates of deposit are entirely insured or collateralized.

Under the provisions of the California Government Code, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits.

Note D. Cash, Cash Equivalents, and Investments, continued

The District may waive the 110% collateral requirements for deposits which are insured up to $250,000 by the FDIC.

Note E. Capital Assets

The following two tables present a summary of the changes in capital assets at June 30, 2013 and 2012:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets Not Depreciated:				
Land	$ 7,061,501	$ -	$ -	$ 7,061,501
Construction in progress	130,883	4,949,728	-	5,080,611
Total capital assets not depreciated	7,192,384	4,949,728	-	12,142,112
Capital Assets Depreciated:				
Buildings	4,707,202	-	-	4,707,202
Furniture and equipment	510,203	8,315	-	518,518
Total capital assets being depreciated	5,217,405	8,315	-	5,225,720
Less Accumulated Depreciation:				
Furniture and equipment	492,041	10,159	-	502,200
Buildings	1,204,409	117,680	-	1,322,089
Total	1,696,450	127,839	-	1,824,289
Total Capital Assets Depreciated, net	3,520,955	(119,524)	-	3,401,431
Total Capital Assets, Net	$ 10,713,339	$ 4,830,204	$ -	$ 15,543,543

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital Assets Not Depreciated:				
Land	$ 7,061,501	$ -	$ -	$ 7,061,501
Construction in progress	70,422	60,461	-	130,883
Total capital assets not depreciated	7,131,923	60,461	-	7,192,384
Capital Assets Depreciated:				
Buildings	4,707,202	-	-	4,707,202
Furniture and equipment	503,004	7,199	-	510,203
Total capital assets being depreciated	5,210,206	7,199	-	5,217,405
Less Accumulated Depreciation:				
Furniture and equipment	485,962	6,079	-	492,041
Buildings	1,086,729	117,680	-	1,204,409
Total	1,572,691	123,759	-	1,696,450
Total Capital Assets Depreciated, net	3,637,515	(116,560)	-	3,520,955
Total Capital Assets, Net	$ 10,769,439	$ (56,099)	$ -	$ 10,713,339

Note E. Capital Assets, continued

Depreciation expense of $127,839 and $123,759 is included in facility expenses on the Statement of Revenues, Expenses and Changes in Net Position/(Deficit) for the fiscal years ended June 30, 2013 and 2012, respectively. Construction in progress represents costs for the District's Dr. John W. Hardebeck Health Occupations Training Center totaling $171,099. This project will be funded all, or in part, by Proposition G proceeds, however, is not a project on the Hospital campus. Additionally in construction in progress is $4,909,512 of costs for the District's cogeneration equipment project currently under construction (Note F).

Note F. Long-Term Debt

Long-term liabilities for the year ended June 30, 2013, are as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
General Obligation Bonds					
2007 Series A - CAB's	$ 23,597,076	$ -	$ -	$ 23,597,076	$ -
2007 Series A - CIB's	61,445,000	-	565,000	60,880,000	770,000
2007A unamortized premium	1,961,306	-	81,156	1,880,150	-
2007A CAB accrued interest	6,359,257	1,470,727	-	7,829,984	-
2011B CIB's	136,860,000	-	-	136,860,000	-
2011B unamortized premium	2,017,212	-	72,044	1,945,168	-
Total general obligation bonds, net	232,239,851	1,470,727	718,200	232,992,378	770,000
Other Long-term Debt					
Financing obligation	18,000,000	-	1,837,328	16,162,672	1,875,825
Total long-term debt	$ 250,239,851	$ 1,470,727	$ 2,555,528	$ 249,155,050	$ 2,645,825

Long-term liabilities for the year ended June 30, 2012, are as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
General Obligation Bonds					
2007 Series A - CAB's	$ 23,597,076	$ -	$ -	$ 23,597,076	$ -
2007 Series A - CIB's	61,825,000	-	380,000	61,445,000	565,000
2007A unamortized premium	2,042,463	-	81,157	1,961,306	-
2007A CAB accrued interest	4,963,788	1,395,469	-	6,359.257	-
2011B CIB's	136,860,000	-	-	136,860,000	-
2011B unamortized premium	2,089,257	-	72,045	2,017,212	-
Total long-term debt, net	231,377,584	1,395,469	533,202	232,239,851	565,000
Other Long-term Debt					
Financing obligation	-	18,000,000	-	18,000,000	1,837,061
Total long-term debt	$ 231,377,584	$ 19,395,469	$ 533,202	$ 250,239,851	$ 2,402,061

Note F. Long-Term Debt, continued

General Obligation Bonds

General Obligation Bonds
The District received authorization at an election held on June 6, 2006, by more than two-third of the votes cast by eligible voters within the District, to issue general obligation bonds not to exceed $247,000,000 under Proposition G. These bonds will be issued in multiple series as general obligations of the District. The proceeds from the sale of the bonds will be used by the District to (i) improve emergency care in eastern San Diego County, including the completion of Sharp Grossmont Hospital's Emergency and Critical Care Center, (ii) improve seismic safety, (iii) improve access to medical facilities in the event of earthquakes, wildfires or other disasters, (iv) expand cardiac care, (v) increase the number of patient beds and (vi) acquire, construct, repair, and improve certain medical facilities.

Authority for Issuance of the Bonds
In August 2007, Series 2007A general obligation bonds (Series 2007A Bonds) in the amount of $85,627,076 were sold at a premium of $2,353,567. In February 2011, Series 2011B general obligation bonds (Series 2011B Bonds) in the amount of $136,860,000 were sold at a premium of $2,113,271. The Series 2007A Bonds were sold by the District to the North San Diego County Health Facilities Financing Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1(commencing with Section 6584) of the Government Code of the State. The Series A Bonds purchased were resold immediately to Goldman, Sachs & Co., the underwriter, under the terms of a negotiated sale agreement. The Series 2011B Bonds were sold by the District to the San Diego County Health Facilities Financing Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1(commencing with Section 6584) of the Government Code of the State. The Series B Bonds purchased were resold immediately to Goldman, Sachs & Co., the underwriter, under the terms of a negotiated sale agreement.

Security for the Bonds
The Series 2007A and 2011B Bonds represent general obligations of the District payable from certain *ad valorem* taxes. The Board of Supervisors of the County shall levy and collect annually *ad valorem* taxes upon all property subject to taxation by the District for the payment of the principal or accreted value of and interest on the 2007A and 2011B Bonds. The 2007A and 2011B Bonds are not obligations of the County of San Diego, the Authorities, the State or any of its political subdivisions, other than the District.

Insurance
Payment of the principal or accreted value of, and interest on, the 2007A Bonds are insured by a financial guaranty insurance policy issued by AMBAC Assurance Corporation.

The 2011B Bonds are uninsured.

Note F. Long-Term Debt, continued

General Obligation Bonds, continued

The outstanding Proposition G bonded debt is as follows:

On August 2, 2007, the District issued $85,627,076 of capital appreciation bonds (CAB) and current interest bonds (CIB). Interest on the capital appreciation bonds will be compounded each January 15 and July 15, commencing on January 15, 2008, through and including the respective maturity dates.

The remaining maturity schedule of the 2007A capital appreciation bonds are as follows:

Capital Appreciation Bonds $23,597,076		
Maturity Date July 15	Yield to Maturity	Principal Amount
2023	4.720%	$ 1,978,792
2024	4.740%	2,022,431
2025	4.780%	2,055,552
2026	4.800%	2,091,877
2027	4.820%	2,126,355
2028	4.840%	2,156,889
2029	4.860%	2,184,970
2030	4.880%	2,210,462
2031	4.900%	2,233,046
2032	4.910%	2,257,956
2033	4.920%	2,278,746
		$ 23,597,076

Note F. Long-Term Debt, continued

General Obligation Bonds, continued

The remaining maturity schedule of the 2007A current interest bonds are as follows:

Current Interest Bonds $60,880,000			
Maturity Date July 15	Interest Rate	Principal Amount	
2013	4.000%	$	770,000
2014	4.000%		990,000
2015	5.000%		1,225,000
2016	5.000%		1,495,000
2017	5.000%		1,790,000
2018	5.000%		2,110,000
2019	5.000%		2,460,000
2020	5.000%		2,835,000
2021	5.000%		3,245,000
2022	5.000%		3,690,000
2037	5.000%		40,270,000
		$	60,880,000

Note F. Long-Term Debt, continued

General Obligation Bonds, continued

In February 2011, the District issued $136,860,000 of current interest bonds. The remaining maturity schedule of the 2011B current interest bonds are as follows:

Current Interest Bonds $136,860,000		
Maturity Date July 15	Interest Rate	Principal Amount
2016	3.000%	$ 5,000
2017	3.250%	5,000
2018	3.500%	5,000
2019	3.750%	5,000
2020	4.000%	5,000
2021	4.250%	5,000
2022	4.500%	5,000
2023	4.750%	5,000
2024	5.000%	5,000
2025	5.000%	340,000
2026	5.000%	785,000
2027	5.000%	1,275,000
2028	5.125%	1,815,000
2029	5.250%	2,400,000
2030	5.375%	3,050,000
2031	5.000%	3,755,000
2032	5.500%	4,540,000
2033	5.500%	5,430,000
2034	5.800%	6,380,000
2035	6.125%	7,425,000
2036	6.125%	8,580,000
2037	6.125%	9,835,000
2038	6.125%	24,060,000
2039	6.125%	26,985,000
2040	6.125%	30,160,000
		$ 136,860,000

Note F. Long-Term Debt, continued

General Obligation Bonds, continued

Debt Service Requirements

Debt service requirements on Proposition G bonded debt as of June 30, 2013, excluding unamortized premiums, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	$ 770,000	$ 11,256,412	$ 12,026,412
2015	990,000	11,221,212	12,211,212
2016	1,225,000	11,170,787	12,395,787
2017	1,500,000	11,102,712	12,602,712
2018	1,795,000	11,020,431	12,815,431
2019-2023	14,365,000	53,280,374	67,645,374
2024-2028	12,685,006	64,957,797	77,642,803
2029-2033	26,603,323	71,451,825	98,055,148
2034-2038	80,198,747	43,353,135	123,551,882
2039-2041	81,205,000	7,834,335	89,039,335
Totals	$ 221,337,076	$ 296,649,020	$ 517,986,096

Note F. Long-Term Debt, continued

Financing Obligation

On June 29, 2012 the District entered into a tax-exempt lease arrangement (Lease) with a bank (the Lessor) to acquire cogeneration equipment for inclusion in the planned new central energy plant at the Hospital. The amount borrowed under the Lease was $18,000,000 with a term of nine (9) years at a fixed annual interest rate of 2.09%. Effective June 29, 2012, the District simultaneously entered into a Cogeneration and Energy Equipment Purchase Agreement with the Corporation, whereby the Corporation agrees to make all scheduled lease payments required under the Lease direct to the Lessor.

Proceeds, net of costs of issuance, from the financing were deposited into an escrow account that will be used to pay for the costs of acquiring the equipment and related construction installation costs.

The acquisition and installation of the cogeneration equipment is estimated to be completed in January 2014 at which time the classification of the Lease will be recorded as a capital lease with the related asset and receivable from the Corporation being recorded at that time.

Required monthly payments beginning July 29, 2012 will be paid direct to the Lessor by the Corporation for the full term of the Lease.

Debt Service Requirements
Minimum lease payments as of June 30, 2013, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	$ 1,875,825	$ 319,904	$ 2,195,729
2015	1,915,408	280,322	2,195,730
2016	1,955,825	239,904	2,195,729
2017	1,997,096	198,634	2,195,730
2018	2,039,237	156,492	2,195,729
2019-2022	6,379,281	207,641	6,586,922
Totals	$ 16,162,672	$ 1,402,897	$ 17,565,569

Liquidity Ratio
The Lessor requires the District to maintain a liquidity ratio (as described in the agreement) calculated on its general operations segment at not less than 1.00 to 1.00 of the difference between the District's annual tax revenues less administrative, library and facilities expenses to the annual lease payment. The liquidity ratio will be calculated as of June 30 of each year under the Lease. The District was in compliance with the liquidity ratio at June 30, 2013.

Note G. Segment Information

The District entered into a tax-exempt financing arrangement with a bank to finance cogeneration equipment at the Hospital (Note F). The District's financial transactions are accounted for in a single enterprise fund. However, the District's general operating segment is the only segment responsible for repayment. A summary of the condensed financial information as of and for the year ended June 30, 2013 for general operations is presented below:

CONDENSED STATEMENT OF NET POSITION

Assets:		
Current assets	$	24,752,864
Other assets		2,192,539
Capital assets, net		15,543,543
Total assets		42,488,946
Deferred outflows of resources		-
Liabilities:		
Current liabilities		5,164,331
Non-current liabilities		14,286,847
Total liabilities		19,451,178
Deferred inflows of resources		-
Net position:		
Invested in capital assets		15,543,543
Unrestricted		7,494,225
Total net position/(deficit)	$	23,037,768

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating revenues	$	6,276,339
Operating expenses		(3,031,945)
Depreciation		(127,839)
Operating income		3,116,555
Nonoperating revenues (expenses):		
Investment earnings		79,885
Contributions to Grossmont Hospital		(1,000,000)
Other		(765,246)
Total nonoperating revenues (expenses)		(1,685,361)
Change in net position		1,431,194
Beginning net position		21,606,574
Ending net position	$	23,037,768

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:		
Operating activities	$	4,206,248
Noncapital financing activities		(1,379,730)
Capital and related financing activities		(4,958,044)
Investing activities		(1,235,214)
Net increase (decrease)		(3,366,740)
Beginning cash and cash equivalents		22,512,646
Ending cash and cash equivalents	$	19,145,906

Note H. Net Position

Designated Net Position
In addition to the restricted net position, a portion of the unrestricted net position has been designated by the Board of Directors for the following purposes at June 30, 2013 and 2012:

Purpose	2013	2012
Contingency reserve	$ 5,350,000	$ 3,850,000

Note I. Defined Benefit Pension Plan

Plan Description and Provisions
The District's defined benefit plan (Plan) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The District is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer pooled plan administered by CalPERS, which acts as a common investment and administrative agent for participating employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District ordinance. CalPERS issues a separate comprehensive annual financial report with copies available from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Funding Policy
All full-time District employees and certain Board Members are eligible to participate in the Plan. Employees become vested after five years of service. District employees who retire at or after age sixty, with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3.00% of their single highest year's salary for each year of credited service. CalPERS also provides death and survivor's benefits. These benefit provisions and all other requirements are established by State statute and District ordinance. Active members in the Plan are required to contribute 8% of their annual covered salary. The District has elected to contribute the 8% on behalf of its employees. The District is required to contribute the actuarially determined amounts necessary to fund the benefits for it members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for June 30, 2013 and 2012 was 17.322% and 16.900%, respectively. The employer contribution rate is established and may be amended by CalPERS.

Note I. Defined Benefit Pension Plan, continued

Annual Pension Cost

For fiscal year June 30, 2013, the District's annual pension cost and actual required contribution was $132,419 for June 30, 2013 and $90,717 for June 30, 2012. The required contribution for the fiscal year was determined as part of the June 30, 2010 actuarial valuation using the entry age normal cost method with the contributions determined as a level percent of payroll. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases from 3.55% to 14.45% depending on age, service, and type of employment; (c) 3.25% payroll growth adjustment; (d) 3.00% inflation adjustment; and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of .25%. The actuarial value of the assets of the plan was determined using a technique that smoothes the effect of volatility in the market value of investments over a fifteen year period depending on the size of investment gains and/or losses. The District's unfunded liabilities are amortized over a closed period equal to the average amortization period at the Plan's date of entry into the CalPERS Risk Pool. Asset valuation methods are amortized as a 15 year smoothed market basis. Gains and losses that occur in the operation of the risk pool are amortized over a rolling 30 year period. The remaining amortization period at June 30, 2010 was 17 years for the District.

Three-Year Trend Information

Fiscal year ended June 30:	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	$ 132,419	100.0%	$ -
2012	90,717	100.0%	-
2011	56,337	100.0%	-

Funding Status

The District's miscellaneous plan is part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required as information is not specific to the District.

Note J. Other Post Employment Benefits

Plan Description and Provisions
The District has established a policy to participate in the California Employer Retirement Benefit Trust, a multiple-employer, defined benefit OPEB plan. The District's defined benefit postemployment healthcare plan, (DPHP), provides medical benefits to eligible retired District employees and beneficiaries. DPHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. DPHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy
The District offers lifetime health and long-term care benefits to certain eligible retirees and former Board Members and their eligible dependents. In addition to paying the full premium for the cost of health and long-term care insurance, the District also reimburses the eligible retirees for any out-of-pocket costs associated with covered benefits under its health insurance. Effective January 2013, the Board of Directors amended the policy and implemented an out-of-pocket cap of $2,500 for current employees and Board members to reduce current and future costs. Currently, there are five eligible retired participants and beneficiaries and seven active eligible employees and beneficiaries receiving benefits. The plan is 100% District funded.

Coverage benefits are established by District policy and may be amended by the Board of Directors.

Note J. Other Post Employment Benefits, continued

Annual OPEB Cost and Net OPEB Obligation/(Asset)

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the normal annual cost. Any unfunded actuarial liability (or funding excess) is amortized over a period not to exceed thirty years. The current ARC rate was 6.7% and 5.9% of the annual covered payroll as of June 30, 2013 and June 30, 2012, respectively.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation/asset.

	2013	2012
Annual required contribution	$ 34,912	$ 30,943
Interest on net OPEB asset	(148,828)	(149,870)
Adjustment to annual required contribution (ARC)	129,424	127,975
Annual OPEB cost	15,508	9,048
Contributions made	(34,912)	(30,943)
(Increase) in net OPEB asset	(19,404)	(21,895)
Net OPEB (asset), beginning of year	(1,955,701)	(1,933,806)
Net OPEB (asset), end of year	$ (1,975,105)	$ (1,955,701)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation/(asset) for the fiscal years ended June 30, 2013, 2012, and 2011 were as follows:

Three Year Trend Information

Fiscal year ended June 30:	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2013	$ 15,508	100.0%	$ (1,975,105)
2012	9,049	100.0%	(1,955,701)
2011	64,753	100.0%	(1,933,806)

Note J. Other Post Employment Benefits, continued

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$	1,697,492
Actuarial value of plan assets	$	(2,280,542)
Unfunded actuarial accrued liability/(surplus) or (UAAL)	$	583,050
Funded ratio		134%
Covered payroll	$	583,050
UAAL as a percentage of covered payroll		110%

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 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 Basic 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 the benefits.

Note J. Other Post Employment Benefits, continued

Actuarial Methods and Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between 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 assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions and methods:

Amortization method	Level percent of pay basis
Remaining amortization period	24
Asset valuation method	Expected market
Actuarial assumptions:	
Investment rate of return	7.61%
Projected salary increase	3.00%
Inflation	2.80%
Individual salary growth	N/A
Healthcare cost trend rate	7.50%

The 7.50% healthcare cost trend rate is reduced by .5% per year to an ultimate rate of 5%

Note K. Contributions to Grossmont Hospital Corporation

Subsequent to June 30, 1995, the District's Board of Directors rescinded the standing resolution that directed the automatic transfer of cash and investments to the Corporation. Under the new resolution, all property tax revenues, as they are incrementally collected and paid to the District, will remain with the District and will not be shared, except as allocated by separate resolution. During the fiscal years ending 2013 and 2012, contributions, including amounts accrued, to the Corporation were $34,386,162 and $14,699,911, respectively, consisting of:

	2013	2012
General support	$ 1,000,000	$ 1,000,000
Proposition G support	33,386,162	13,699,911
	$ 34,386,162	$ 14,699,911

Note L. Commitments and Contingencies

Construction Commitments
The District had outstanding contracts and commitments under capital projects of $68,591,167 and $30,840,250, respectively, at June 30, 2013 and 2012.

Grant Commitments
The District had grants payable to various agencies under its grant program in the amount of $348,342 and $362,620, respectively for the years ended June 30, 2013 and 2012.

Litigation
Certain claims, suits and complaints arising in the ordinary course of operation have been filed or are pending against the District. In the opinion of the staff and counsel, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involved such amounts, as would not have significant effect on the financial position or results of operations of the District if disposed of unfavorably.

Note M. Risk Management

General Liability
The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. The District participates in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Sections 6500 et. Seq. SDRMA is governed by a board composed of members from participating agencies. The District pays an annual premium for commercial insurance covering general liability, excess liability, property, automobile, public employee dishonesty, and various other claims. Coverage limits range up to $1 billion for all entities. Accordingly, the District retains no risk of loss. Separate financial statements of SDRMA may be obtained by contacting the Special District Risk Management Authority direct via mail at 1112 "I" Street, Suite 300, Sacramento, California 95814.

General and Public Officials Coverage Under SDRMA Policy
Includes Errors and Omissions with coverage limits of $5,000,000 with variable deductibles depending of type of claim ranging from $500 to $50,000 per occurrence.

Property Loss Coverage Under SDRMA Policy
Replacement cost for property on file with coverage limits of $1,000,000,000 per occurrence with a $2,000 deductible.

Employee Dishonesty Under SDRMA Policy
Total coverage limits of $400,000 per occurrence with a $0 deductible.

Workers' Compensation
The District is insured through the State Compensation Insurance Fund to $100,000,000 for all entities for Statutory Worker's Compensation.

Note M. Risk Management, continued

Sharp provides and pays the following insurance for the District:

- Property for hospital assets transferred under the lease and subsequently acquired.
- Directors' and Officers' liability insurance. The limit of liability for the current policy is $1,000,000, inclusive of defense expenses.

Property Loss Coverage Under Sharp Policy
Replacement cost for property on file with coverage limits of $1,000,000,000 per occurrence with a $100,000 deductible.

Boiler and Machinery Coverage Under Sharp Policy
Replacement cost up to $100,000,000 per occurrence with a $100,000 deductible.

Earthquake, Flood and Terrorism Coverage Under Sharp Policy
Up to $60,000,000 for flood loss, $100,000,000 for terrorism, and $10,000,000 for earthquake per occurrence with a $100,000 deductible for each.

Seismic Update
Senate Bill 1953 established requirements for earthquake safety for all acute care hospital buildings. Grossmont Hospital is in compliance with the current deadlines and reporting requirements of SB1953. The oldest acute care buildings on the campus (Pediatrics, South Wing and West Wing) are classified as "life safe" (or SPC-2). All other buildings are classified SPC-3 or SPC-5, and as such face no additional regulatory deadlines.

The SPC-2 buildings cannot be used for acute care after January 1, 2030. This will require rebuilding the 126 beds, food services, and other support services in these buildings. In order to address this need, an updated Master Plan and cost estimate will be developed.

Adequacy of Protection
During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Note N. Interest Expense

Interest expense for the years ended June 30, 2013 and 2012, is as follows:

	2013	2012
Interest expense	$ 12,952,987	$ 12,427,350
	$ 12,952,987	$ 12,427,350

Required Supplementary Information

Schedule of Funding Progress for DPHP [1]

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded / (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
06/30/13	$ 1,698	$ 2,281	$ (583)	134.3%	$ 528	-110.4%
06/30/11	$ 1,711	$ 2,270	$ (559)	132.7%	$ 488	-114.5%
06/30/09	$ 1,705	$ 1,812	$ (107)	106.3%	$ 397	-27.0%

[1] Represents totals expressed in thousands and is the most current data available. Bi-annual valuations began for the June 30, 2011 fiscal year.

Supplemental Information

GROSSMONT HEALTHCARE DISTRICT
Combining Schedule of Net Position/(Deficit)
June 30, 2013

	General Operating	Debt Service	Building	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,546,866	$ -	$ -	$ 5,546,866
Investments	5,144,392	-	-	5,144,392
Property taxes receivable	259,222	524,192	-	783,414
Other accounts receivable	142,636	-	-	142,636
Accrued investment interest	7,559	20,582	166,269	194,410
Prepaid expenses and deposits	53,149	-	-	53,149
Restricted cash and cash equivalents with fiscal agent	13,599,040	-	-	13,599,040
Restricted investments with fiscal agent	-	15,234,855	128,843,463	144,078,318
Total current assets	24,752,864	15,779,629	129,009,732	169,542,225
Non-current assets:				
Deferred bond costs, net	217,434	1,966,066	-	2,183,500
Net OPEB asset	1,975,105	-	-	1,975,105
Capital assets:				
Land	7,061,501	-	-	7,061,501
Construction in progress	5,080,611	-	-	5,080,611
Capital assets, net of depreciation	3,401,431	-	-	3,401,431
Total capital assets, net of depreciation	15,543,543	-	-	15,543,543
Total non-current assets	17,736,082	1,966,066	-	19,702,148
Total assets	42,488,946	17,745,695	129,009,732	189,244,373
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-

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GROSSMONT HEALTHCARE DISTRICT
Combining Schedule of Net Position/(Deficit)
June 30, 2013

	General Operating	Debt Service	Building	Total
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts and grants payable	$ 1,031,810	$ -	$ 6,596,985	$ 7,628,795
Accrued compensated absences	60,698	-	-	60,698
Deposits	1,837,328	-	-	1,837,328
Unearned revenue	358,670	-	-	358,670
Current maturities of long-term debt	1,875,825	770,000	-	2,645,825
Liabilities payable from restricted assets:				
Restricted accrued interest	-	5,170,314	-	5,170,314
Total other current liabilities	5,164,331	5,940,314	6,596,985	17,701,630
Long-term liabilities:				
General obligation bonds	-	224,392,394	-	224,392,394
Financing obligation	14,286,847	-	-	14,286,847
Capital appreciation bond accrued interest	-	7,829,984	-	7,829,984
Total-long term liabilities	14.286,847	232,222,378	-	246,509,225
Total liabilities	19,451,178	238,162,692	6,596,985	264,210,855
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
NET POSITION				
Net position/(deficit):				
Invested in capital assets	15,543,543	-	-	15,543,543
Restricted for debt service	-	10,064,541	-	10,064,541
Restricted for capital projects	-	-	128,843,463	128,843,463
Unrestricted	7,494,225	(230,481,538)	(6,430,716)	(229,418,029)
Total net position	$ 23,037,768	$ (220,416,997)	$ 122.412,747	$ (74,966,482)

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GROSSMONT HEALTHCARE DISTRICT

Combining Schedule of Revenues, Expenses and Changes in Net Position/(Deficit)
Year Ended June 30, 2013

	General Operating	Debt Service	Building	Total
OPERATING REVENUES:				
Property taxes	$ 6,276,339	$ -	$ -	$ 6,276,339
Total operating revenues	6,276,339	-	-	6,276,339
OPERATING EXPENSES:				
Administrative expenses	1,458,761	-	-	1,458,761
Community healthcare	1,062,209	-	-	1,062,209
Library operating expenses	295,129	-	-	295,129
Facility expenses	343,685	-	-	343,685
Total operating expenses	3,159,784	-	-	3,159,784
Operating income	3,116,555	-	-	3,116,555
NON-OPERATING INCOME (EXPENSE):				
Property taxes, general obligation bonds	-	8,912,924	-	8,912,924
Investment income	79,885	39,806	303,110	422,801
Other income	333	-	-	333
Bond interest expense	(358,670)	(12,594,317)	-	(12,952,987)
Deferred bond cost amortization	(27,179)	(79,150)	-	(106,329)
Other expenses	(379,730)	-	-	(379,730)
Contributions to Grossmont Hospital	(1,000,000)	-	(33,386,162)	(34,386,162)
Total non-operating income	(1,685,361)	(3,720,737)	(33,083,052)	(38,489,150)
CHANGE IN NET POSITION:				
Income (loss) before transfers:	1,431,194	(3,720,737)	(33,083,052)	(35,372,595)
Total change in net position	1,431,194	(3,720,737)	(33,083,052)	(35,372,595)
Total net position/(deficit), beginning of year	21,606,574	(216,696,260)	155,495,799	(39,593,887)
Total net position/(deficit), end of year	$ 23,037,768	$ (220,416,997)	$ 122,412,747	$ (74,966,482)

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GROSSMONT HEALTHCARE DISTRICT

Combining Schedule of Cash Flows

Year Ended June 30, 2013

	General Operating	Debt Service	Building	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from property taxes	$ 6,307,692	$ -	$ -	$ 6,307,692
Cash received from miscellaneous sources	636,805	-	-	636,805
Cash payments to employees,	(1,048,728)	-	-	(1,048,728)
Cash payments to vendors for goods and services	(1,689,521)	-	-	(1,689,521)
Net cash provided by operating activities	4,206,248	-	-	4,206,248
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from property taxes - general obligation bonds	-	8,813,355	-	8,813,355
Contributions to Grossmont Hospital	(1,000,000)	-	(29,357,123)	(30,357,123)
Other payments	(379,730)	-	-	(379,730)
Net cash provided/(used) by non-capital financing activities	(1,379,730)	8,813,355	(29,357,123)	(21,923,498)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(4,958,044)	-	-	(4,958,044)
Principal payments on long-term debt	-	(565,000)	-	(565,000)
Interest payments and fees	-	(11,283,113)	-	(11,283,113)
Net cash provided/(used) by capital and related financing activities	(4,958,044)	(11,848,113)	-	(16,806,157)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(3,649,160)	(15,661,333)	(145,688,947)	(164,999,440)
Maturities/redemptions of investments	2,233,706	3,250,000	72,330,000	77,813,706
Sales of investments	-	15,082,249	100,214,151	115,296,400
Interest revenue	108,683	363,842	990,949	1,463,474
Net transfers from investments	71,557	-	1,510,970	1,582,527
Net cash provided/(used) by investing activities	(1,235,214)	3,034,758	29,357,123	31,156,667
Net increase (decrease) in cash and cash equivalents	(3,366,740)	-	-	(3,366,740)
CASH AND CASH EQUIVALENTS				
Beginning of year	22,512,646	-	-	$ 22,512,646
End of year	$ 19,145,906	$ -	$ -	$ 19,145,906

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