

Beach Cities Health District
Los Angeles County, California

A Healthy Beach Community

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

Comprehensive Annual Financial Report

Fiscal Year ended June 30, 2019



Beach Cities
Health District

A Public Agency

BEACH CITIES HEALTH DISTRICT

Comprehensive Annual Financial Report

Year ended June 30, 2019



514 N. Prospect Avenue
Redondo Beach, California 90277

Prepared by:
Finance Department

Introductory Section

BEACH CITIES HEALTH DISTRICT
 Comprehensive Annual Financial Report
 Year ended June 30, 2019

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December 20, 2019

Letter of Transmittal

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, 2019. The District is committed to sound fiscal policies, responsible management and transparency in financial reporting.

Responsibility for the accuracy and completeness of the data presented herein, 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 the operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

Please refer 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 provide some additional information about the CAFR, the District and its services. The District’s MD&A is supplementary information required by *Government Auditing Standards*, issued by the Comptroller General of The United States, and provides information and analysis that users need to interpret the basic financial statements.

The BCHD CAFR is presented in four sections per standard practices: (1) Introductory, (2) Financials, (3) Required Supplemental Information, and (4) Statistical. (1) The introductory section, unaudited, includes in addition to this transmittal letter information about the District’s organization. (2) The financial statement section, audited, includes the independent auditor’s report, management’s discussion & analysis (MD&A), basic financial statements, related footnotes and other schedules that provide detailed information relative to the basic financial statements. (3) Required supplemental information, also audited, are additional information deemed relevant to the audit of the District. (4) The statistical section, unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Service Efforts and Accomplishments (<https://www.bchd.org/impact>). In Fiscal 2018-19, the District continued its work to achieve its purpose of filling unmet preventive health needs to achieve its vision of “A Healthy Beach Community” (pages xii-xiii for health service accomplishments). It delivered and funded within its annually approved budget (page xv-xvi and page 65) “aging in place” services and over 40 programs to its residents, schools, non-profit partnerships, and cities with its Health and Fitness operations, Volunteer Services and Life Spans departments; children, youth and adults and older adults, including the Blue Zones approach. All possible with support from Health Promotions, IT and back-office services, like HR, Finance and Executive Offices. Adhering to its health priorities (see Introductory Section pages xi-xii), financial strategies, policies and adopted financial budget as evidenced by the budget-to-actual discussion and reports presented in the MD&A, and the Required Supplementary section in this package.

Reporting Entity. This CAFR presents the financial status of the District comprised of one main General Fund and its component unit, Prospect One Corporation (POC).

The General Fund accounts for all the District's inflows of funds and outflowing operating and capital investment expenditures, including its assets and liabilities.

POC is a Special Revenue Fund consolidated with the District's reporting entity because its Board is comprised of all the District board members, and thus it is operationally and financially intertwined with the District. Therefore, POC is reported on a blended component unit basis as part of the primary government. As a Special Revenue Fund, it segregates activities related to Prospect One Corporation, established to construct and operate medical office building space on the main campus of the District. The Special Revenue Fund has no current activities.

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 Hermosa Beach, Manhattan Beach and Redondo Beach. At its inception, the District served as a general acute care hospital. Since 1994, the District has cost-effectively promoted public health and general welfare and is now one of the largest preventative health agencies in the nation. The District is providing health and wellness programs that promote aging in home, healthy lifestyles, physical fitness and social-emotional well-being. The District offers an extensive range of dynamic innovative services and facilities to promote health and prevent health in every lifespan—from toddlers and children to families, adults and older adults. Report #239, in August 2017, the Little Hoover Commission called out the District as a potential model for other healthcare districts "Beach Cities: Is this a Future of Healthcare Districts?"

District Services. The Beach Cities Health District services are based on the strategically developed Health Priorities page xi-xii (*2019-2022 Nutrition & Exercise, Social-Emotional Health, Substance Use and Cognitive Health*) reviewed and approved every three years. Delivery is organized around functional areas: Life Span Services, Health and Fitness Operations, Other Operations, Property Management and Support services (page x). Further see page xiv for programs and services by health priority and the latest and prior years analysis supporting the priorities can be found on the District website: <https://www.bchd.org/healthreport>.

The **Life Span Services Department** consists of the Youth, Adult and Older Adult Services, plus the Blue Zones projects that spans all age groups.

The Youth Services department provides School Health Services with a variety of physical, mental and social health programs for children and youth within the beach cities school setting. These include health education for elementary students; life skills and substance abuse education for middle school and high school students; and obesity prevention education at the elementary level. LiveWell Kids and LiveWell Tots programs 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 Health Priorities areas including nutrition education, physical activity, and counseling, and substance abuse, bullying, emotional and social Health education. The District has successfully engaged 85 students and created a Youth Advisory Council addressing Substance Use and Mental Health. In 2019, District management successfully leveraged the work of our

partnership for Youth Coalition with more than 200 community partners to apply for a \$600,000 federal drug free community grant that was awarded October 2019 of \$125,000 annually for the next five years.

Older Adult services focuses on aging at home by improving 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, assistance with participation in Covered California and access to District's Senior, Sick and Disabled Health Fund (for qualified residents).

Adult services and the Blue Zones project are multi-discipline efforts 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 groups engage in activities most likely to produce evidence-based outcomes to raise the health of the community. Year-over-year Gallup Polls, BMI (Body Mass Index) measurements, etc. have added data to help demonstrate effectiveness of the District services, like 60% decline in Childhood Obesity in the Redondo School District from 20% in 2007 to 6.4% in 2018.

The **Health and Fitness Operations** encompasses services provided at the Center for Health & Fitness at 514 Prospect Avenue in Redondo Beach, and AdventurePlex at 1701 Marine Avenue in Manhattan Beach, CA.

The Center for Health & Fitness (CHF) is a Certified Medical Fitness Facility is a community- based, health and fitness facility that emphasizes rehabilitation for individuals with chronic illnesses, cancer, general fitness for adults, and plus 65 adults. The Center welcomes underactive, first-time or inconsistent exercisers of all ages and offers very competitive monthly memberships to the general public. Programs offered include Pilates, yoga, group exercise classes, specialized personal training, small group training, nutrition, massage, and classes for Silver Sneakers.

AdventurePlex is a health, fitness and play center created especially for youth and toddlers. 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 a specially designed toddler playroom (a.k.a. Toddler Town). AdventurePlex also focuses on family fun with many special events throughout the year, an array of classes, private birthday parties and day camp sessions.

The **Other Operations and Services** include Health Promotions, Volunteer, Innovation and Information Technology operations and services. These department activities work together with and supplement all departments and deliver programs, like Free Fitness at the beach and in the park, ongoing wellness challenges for residents and staff, errand and companion volunteers, etc.

The **Property Management Department** provides around 32% of the District funding through leasing activities. The District owns approximately 262,000 sq. ft. of rental property. With the District oversight, the properties at the main campus on 514 Prospect Av. Redondo Beach are managed by a 3rd party Property Management company.

The **Support Services Departments** provides support through Human Recourses, Finance and Accounting, and Executive services. The funding from the Joint Ventures, Treasury and Property Tax resources are recognized in the Finance department. The Treasury investment portfolio has a value of \$27.8 million. The District uses a 3rd party Asset Management group to actively manage the portfolio.

The District Profile, Economic Condition and Outlook. The District serves the residents of the Cities of Hermosa Beach, Manhattan Beach and Redondo Beach, in Los Angeles County. The US Census Bureau recent updates estimates a combined population of these cities to be around 123,000. Redondo Beach being the largest with 55%, Manhattan Beach 29% and Hermosa Beach 16% of the population.

The District experiences the same economic pressures and improvements felt by many organizations locally, nationally and globally – low inflation and interest rates, improved property tax values, low unemployment rates, improved economic spending and increased employee salaries and benefits costs. While property values remained flat in 2008-09 through 2011-12, they are now continuing to trend higher and are increasing an average around 5-6% year-over-year. The District's investment income continue to be affected by prolonged low and slowly rising interest rates resulting in realized loss (\$108,000) but with the increased and inverted yield curve, the District also shows \$785,000 of unrealized gain in market value (discussed further in the MD&A). The District can manage its realized gains and losses by leveraging three to five-year maturity securities per its Investment Policy strategy.

Due to the District's aging not seismically retrofitted sixty-five (65) year-old building on 514 Prospect Ave. and consequently anticipated higher infrastructure and maintenance costs, plus loss of tenants will result in reduction of funds available for District programs and services, management is exploring a redesign of the campus, referred to as the Healthy Living Campus (<https://www.bchdcampus.org/>) that would replace the rental income with income from Residential Care for the Elderly (RCFE), including both Assisted and Dementia care. The District is currently in the Environmental Impact Report (EIR) analysis phase.

Governance of Financial Information. District management is responsible for establishing and maintaining an internal control framework that is designed to prevent fraud and protect the District's assets focusing on financial, operational, compliance and strategic objectives. 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 control framework adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Financial and operational controls are 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 accepted in the United States of America (US GAAP).

The District maintains budgetary, financial and operating controls. The objective of budgetary 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 budgeted expenditures, is established annually by resolution by the Board. As demonstrated by the statements and schedules in the financial section and required supplemental information of this report, the District continues to meet its responsibility for sound financial management. The objective of Financial controls is to provide Financial Statements that are presented fairly, completely and accurately, free from material misstatements. The objective of operational controls is to complement budgetary and financial controls and to ensure processes and procedures are performed according to the District's policies in the most efficient and cost-effective way.

Further as a government entity and 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 government accounting rules issued by the Government Accounting Standard Board (GASB), governmental laws, regulations and reporting requirements.

The District's elected at large five (5) member Board manages governance with monthly board meetings, several committees (Finance, Policy, Community Health, Properties, and Strategic Planning Committees) comprised of two board members and citizens from the three Beach Cities and a framework of policies. Policies are reviewed and updated regularly. The Board has established a specific reserve policy to ensure preservation of the District. The Principal Preservation policy was most recently updated in fiscal 2016-17 to establish a Committed Fund Balance adopted by resolution #541 for investments in long-term assets that will ensure future funding for the District's purpose and vision of creating "A Healthy Beach Community". The Board guides, reviews and oversees the strategic vision and mission of the District, and provides directives to the District's Chief Executive Officer and management.

Cash Management. The District's Investment Policy is reviewed and approved annually by the District's Finance Committee and Board of Directors. It instructs staff to invest funds in a manner that will provide for the highest degree of safety, liquidity and yield in that order while conforming to all statutes governing the investing of public funds per the California Government Code sections 53600, et seq. In 2018, the Board approved for the District to establish a 115 Trust and invest \$3 million to manage the growing District's Pension and Other Post-employment Benefits (OPEB) obligations by which the District recorded \$125,000 of incremental interest income in FY18-19.

Further, approved by the Board in April 2019, Management implemented Resolution #549 enabling the District in the future to reimburse itself from the proceeds of one or more tax-exempt financing for the expenditures related to the development of the Healthy Living Campus. This will allow the District to replenish and preserve its principal as established by Policy set by the Board.

Independent Audit. The accounting firm of Davis Farr, LLP was reelected by management and approved by the Board as the District independent auditor for the next five years. As Davis Farr, LLP was reelected for an additional five-year term, to maintain an independent and fresh perspective, the District has requested the partner be rotated. The auditor's report on the basic financial statements is included in the financial section of this report (pages 1-3).

Report Evaluation. This report seeks to meet established criteria for excellence in financial reporting, providing an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR)

whose contents conform to existing standards. This is reflected in earning the Outstanding Financial Reporting Award certificate issued by CA Society of Municipal Finance Officers (CSMFO) for many consecutive years and continued application for the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) a nationally recognized organization for Finance Officers. In 2018, the District also achieved “District Transparency Certificate of Excellence” from the Special District Leadership Foundation recognizing management and Board commitment to accountability and transparency (<https://www.bchd.org/transparency>).

Acknowledgements. Preparation of this report could not be accomplished without the efforts of the District management and staff and the staff of our independent auditors, Davis Farr, LLP Certified Public Accountants. We would like to express our appreciation to everybody who assisted and contributed to its preparation.

Without the continuing review, directives 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,



Ms. Monica Suua, CPA, CIA
Chief Financial Officer

District Officials

July 2019



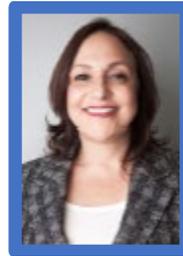
Noel Chun,
M.D. Q.M.E.
Board Member



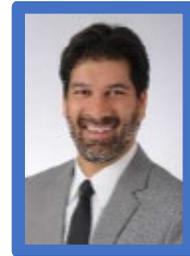
Vanessa I. Poster
President



Jane Ann Diehl
Board Member



Michelle Bholat,
M.D. MPH
President Pro Tem



Vish Chatterji
Secretary/Treasurer

BOARD OF DIRECTORS

Noel Chun, M.D., Q.M.E., Board Member
Vanessa I. Poster, President
Jane Ann Diehl, Board Member
Michelle Bholat, M.D. MPH, President Pro Tem
Vish Chatterji, Secretary/Treasurer

ELECTED

11/06, 11/10¹, 11/14, 11/18
11/96, 11/00, 11/04, 11/08, 11/12¹, 11/16
11/14¹, 11/16
11/14, 11/18
06/17¹, 11/18

DISTRICT EXECUTIVE LEADERSHIP

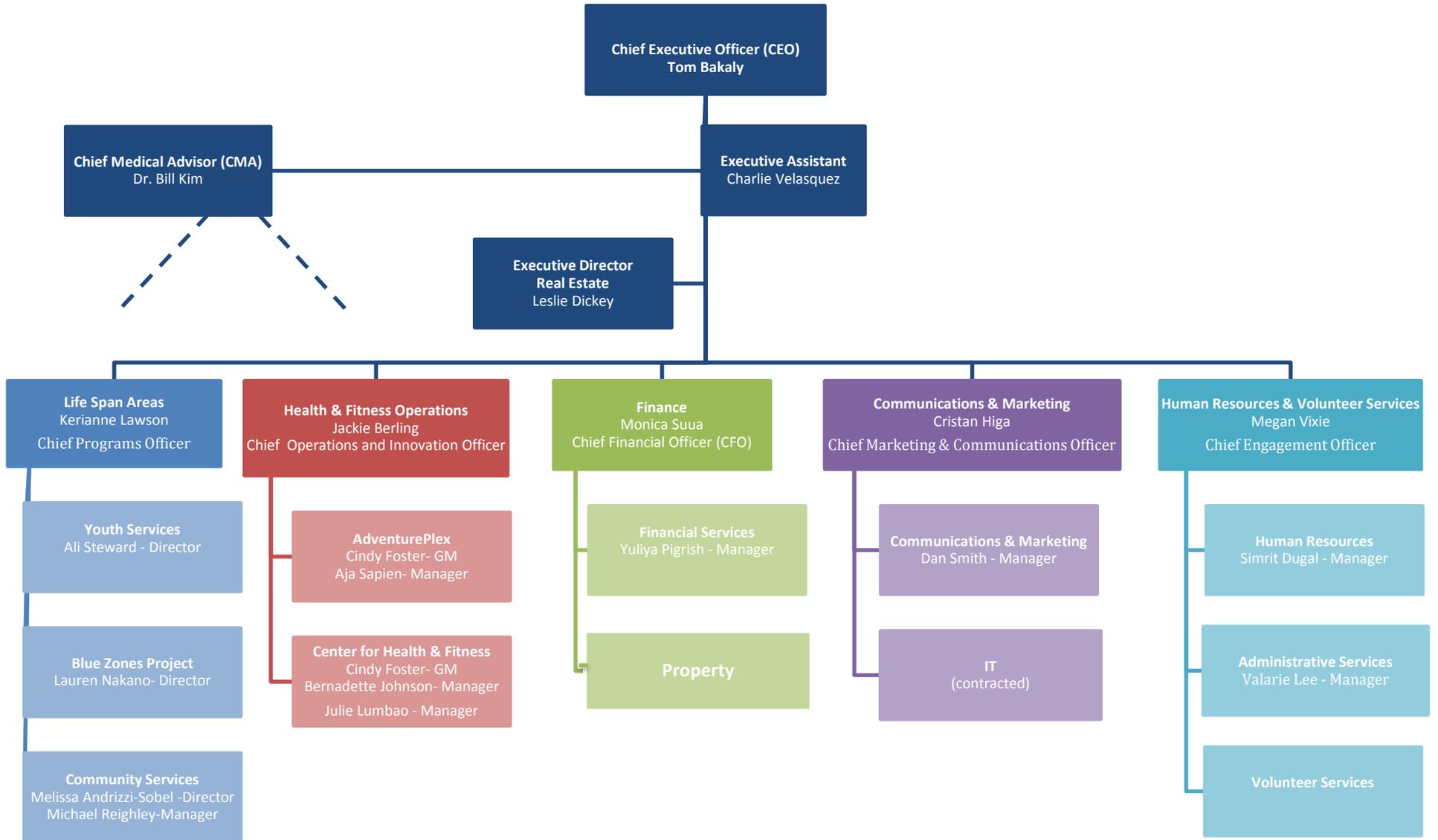
Tom Bakaly, Chief Executive Officer
William Kim, M.D., Chief Medical Advisor
Jackie Berling, Chief Wellness Officer
Monica Suua, CPA, CIA, Chief Financial Officer
Kerianne Lawson, Chief Programs Officer
Cristan Higa, Chief Marketing and Communications
Officer Megan Vixie, Chief Engagement Officer
Leslie Dickey, Executive Director of Real Estate

FINANCE DEPARTMENT

Yuliya Pigrish, Accounting Manager
Cindy Sheu, Senior Accountant
Charlnisha Garnett, Staff Accountant
Jessica Rodriguez, Finance Technician
DeeAnn Davis, Finance Assistant
Lisa Sheinberg, Volunteer

1) *Appointed in Lieu of Election.*

DISTRICT OVERALL





2019-2022 Health Priorities

Beach Cities Health District identified four health priorities for the next three years.



Nutrition and Exercise

- Increase fruit and vegetable consumption
- Increase exercise participation
- Reduce percentage of children who are obese or overweight
- Reduce percentage of adults who are obese or overweight



Social-Emotional Health

- Increase stress management across the lifespan
- Decrease bullying
- Decrease suicidal ideation



Substance Use

- Reduce alcohol and drug consumption in youth
- Reduce vaping in youth
- Maintain low percentage of adult smokers



Cognitive Health

- Promote brain health across the lifespan
- Support the cognitively frail

Note: These objectives are examples and do not represent an exhaustive list.



2016-2019 Health Priorities and Accomplishments

Since our previous Community Health Report in 2016, the following accomplishments have been achieved in each of the prior health priorities:

Nutrition and Exercise

- Decreased childhood obesity by 11%
- Decreased adults above normal weight by 11%
- Expanded school gardens to Hermosa Beach, Patricia Dreizler Continuation High School and Redondo Union High School
- Developed and implemented farm-to-table play curriculum for Toddler Town at AdventurePlex, resulting in 591 toddler memberships
- Increased insurance-based memberships at the Center for Health and Fitness by 18%
- Achieved medical fitness accreditation at the Center for Health and Fitness, the only Certified Medical Fitness Center in California

Social-Emotional Learning, Stress Reduction and Mindfulness

- Assisted in the establishment of district-wide social-emotional wellness councils in all three school districts
- Supported expanding recognition of mental health issues in youth and on-site counseling support for schools
- Developed and implemented mindfulness exercises for middle school students
- Established coordination of curriculum implementation and fidelity across all three school districts
- Supported students in developing and implementing Mental Health Awareness weeks on the high school campuses
- Hosted five community mindfulness workshops for nearly 650 participants

Substance Use Prevention (Youth)

- Founded the Beach Cities Partnership for Youth
- Established the Youth Advisory Council
- Partnered with South Bay Families Connected to present the Families Connected Speaker Series

Substance Abuse Prevention (Adults)

- Established Families Connected Parent Chat in collaboration with South Bay Families Connected and Thelma McMillen Center at Torrance Memorial Center
- Established Families Connected Parent Advisory Group and Parent Connection Group
- Introduced Small-Group Parent Workshops on the topics of cyber safety, anxiety and depression
- Reached 5,232 parents in parent education events

Evidence-Based Tobacco Control

- Decreased adult smokers by 2% from already low smoking rates
- Supported Hermosa Beach in 2016 as it expanded their smoke-free policy to ban smoking in all public places, including electronic smoking devices and marijuana
- Supported Hermosa Beach in 2019 as it adopted their tobacco retail license which curbs youth access to tobacco products, and prohibits the sale of flavored tobacco products and new retailers from being within 500 feet of youth-sensitive areas
- Hosted vaping education events for more than 1,000 students and families

Bullying

- Assisted in launching and maintaining character-and-skill-building programs, including MindUP and character recognition ceremonies for elementary schools
- Assisted in launching peer-mentoring programs, such as Link Crew and WEB (Where Everybody Belongs) for middle and high schools

End of Life Planning

- Hosted workshops with the Providence Institute of Human Caring for more than 300 community members

Dementia

- Founded the Dementia Education Consortium and provided six community lectures to 550 participants
- Initiated the Healthy Minds Initiative to study the effect of lifestyle interventions on cognitive health
- Hosted four Brain Health Workshops



“We tend to believe that America’s health problems are too big and intractable. You have proven that communities can take charge and reverse the trend.”

**- Dr. Vivek Murthy
Former U.S. Surgeon General**

BCHD Programs and Services

Nutrition & Exercise

YOUTH

LiveWell Tots
LiveWell Kids
8-Minute Morning Exercises
Walking School Bus
Classroom Activity Breaks
Streets for All
AdventurePlex

ADULTS / ADULTS 65+

Blue Zones Restaurants
Blue Zones Project – Moai Groups
Blue Zones Project – Built Environment Policy
Community Fitness/Nutrition Classes Free
Fitness Series – Yoga/Zumba
Free Fitness Weekends
CHF – MFA Programming

VOLUNTEER PROGRAMS

Errand Volunteers
Garden Angels
Nutrition Docents
MoveWell
Restaurant Ambassadors

Social-Emotional Health / Substance Use

YOUTH

Beach Cities Partnership for Youth MindUp
High School Purpose Series
Families Connected Speaker Series Families
Connected Parent Chat
Second Step
Where Everybody Belongs

ADULTS / ADULTS 65+

Mental Health & Happiness
Purpose Workshops
Purpose Moais
Mindfulness Workshops
Monthly Mindfulness Drop-in
Food & Tobacco Control Policy
Care Management – Medication Management
Worksite Wellness

VOLUNTEER PROGRAMS

Conversation Companions
Support Line
Campus Greeters
Power 9 Committee

Cognitive Health

ADULTS / ADULTS 65+

Care Management
Caregiver Support
Brain Buddies
Memory Club
Powerful Tools for Caregivers
Healthy Minds Study

Beach Cities Health District

Healthy Living Campus
Resource & Referrals
Covered California & Medical Insurance
Public Health Topics (e.g., Mental Health Awareness, Flu, etc.)
Grants
Worksite Wellness
Emergency Preparedness Innovation Initiatives

OTHER VOLUNTEER PROGRAMS

Holiday Gift Bags
Volunteer Day
Event Volunteers
Professional & Administrative

Indicates Programs and Service Priorities in FY 2019-20.



Live Well. Health Matters.

RESOLUTION NO. 550

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE BEACH CITIES HEALTH DISTRICT
ADOPTING THE FINAL OPERATING AND CAPITAL BUDGET FOR THE FISCAL YEAR 2019 - 2020

WHEREAS, a preliminary budget for Fiscal Year 2019-20, July 1, 2019 to June 30, 2020, has been prepared by the Chief Executive Officer and staff; and

WHEREAS, said budget incorporates expenditures for operating purposes, capital outlay and capital improvement projects; and

WHEREAS the Board of Directors of the Beach Cities Health District has examined the preliminary budget for Fiscal Year 2019-20.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF BEACH CITIES HEALTH DISTRICT HEREBY RESOLVES, DETERMINES, AND ORDERS AS FOLLOWS:

1. That the budget document which is on file with the Secretary to the Board, a summary of which is attached hereto as "Exhibit A," be and is adopted as the operating and capital budget for the District for FY 2019-20.
2. That the amounts designated in the final FY 2019-20 operating and capital budget are hereby appropriated and may be expended by the departments or funds for which they are designated, and such appropriation shall not be increased except as provided herein. Capital budget appropriation is authorized to completion of project, not limited to spending within fiscal years.
3. That the following controls are hereby placed on the use and transfer of budgeted funds:
 - (a) The Chief Executive Officer is responsible for keeping expenditures within budget allocations for positions, salaries, operational expenses and capital acquisitions and may adopt budget policies as necessary to carry out that responsibility. No expenditure of funds shall be authorized unless sufficient funds have been appropriated by the Board or Chief Executive Officer as described herein.
 - (b) The Chief Executive Officer may exercise discretion in administration of the budget to respond to changed circumstances, provided that any single increase in the overall budget in excess of \$10,000 shall require approval by the Board.
 - (c) The Chief Executive Officer may authorize transfers between lines and/or within funds or departments, within the limits imposed by the available funds in the operating and capital budget.
 - (d) Except as provided by Section 3(b) herein, the Board must authorize any increase in the overall operating budget and capital budget.
4. That this resolution shall become effective as of, on and after the 1st day of July 2019.

PASSED, APPROVED, AND ADOPTED THIS 22nd DAY OF MAY, 2019:

Vanessa Poster, President
Board of Directors
Beach Cities Health District

ATTEST:

Michelle Bholat, M.D. MPH President Pro Tem
Board of Directors
Beach Cities Health District

EXHIBIT A

**Beach Cities Health District
District Total Rollup
Budget 2019-20**

	Budget FY19-20	Budget FY18-19	\$ Variance	%
Property Tax Revenue	3,930,505	3,760,620	169,885	5%
Lease Revenue	3,822,207	3,712,742	109,465	3%
Tenant BOE Reimbursements	990,432	750,429	240,003	32%
Interest Revenue	965,860	1,000,840	(34,980)	-3%
Limited Partnership Revenue	2,162,000	2,161,680	320	0%
User Fees Revenue	2,994,398	2,880,985	113,413	4%
Other Revenue	52,315	52,315	-	0%
TOTAL REVENUE	14,917,717	14,319,611	598,106	4%
Payroll	6,865,096	6,400,076	(465,020)	-7%
Program Costs	258,822	258,112	(710)	0%
Human Resources Related	275,718	301,043	25,325	8%
Information Systems	205,495	194,433	(11,062)	-6%
Community Relations	561,582	587,045	25,463	4%
Facilities Expenses	1,517,303	1,518,659	1,356	0%
Professional Services	1,801,695	1,753,277	(48,418)	-3%
Interest and Other	1,019,036	1,007,122	(11,914)	-1%
Funds & Grants	1,494,558	1,494,558	-	0%
TOTAL OPERATING EXPENSES	13,999,305	13,514,325	(484,980)	-4%
NET INCOME (LOSS)	918,412	805,286	113,126	14%
New - Capital Expenditures	995,900	572,804	(423,096)	-74%
New - Healthy Living Campus	1,300,000	-	(1,300,000)	100%
Bike Path - Gross Cost	1,707,000	-	(1,707,000)	-100%
Bike Path - Grant Application 80%	(1,366,000)	-	1,366,000	100%
NET BIKE PATH BUDGET	341,000	-	(341,000)	-100%
TOTAL CAPITAL INVESTMENT BUDGET	2,636,900	572,804	(2,064,096)	-360%

Financial Section

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Beach Cities Health District
Redondo Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Beach Cities Health District ("District") as of and for the year ended June 30, 2019, 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 Sunrise Beach Cities Assisted Living, L.P., which represents 14.75%, 16.97%, and 12.66%, 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.

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 District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2019, reflect a prior period adjustment as discussed further in Note 13 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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, Budgetary Comparison Information, Schedule of Pension Plan Contributions, Schedule of the Plan's Proportionate Share of the Net Pension Liability, Schedule of Changes in OPEB Liability and Related Ratios, and the Schedule of OPEB Contributions* 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 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 20, 2019 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.



Irvine, California
December 20, 2019

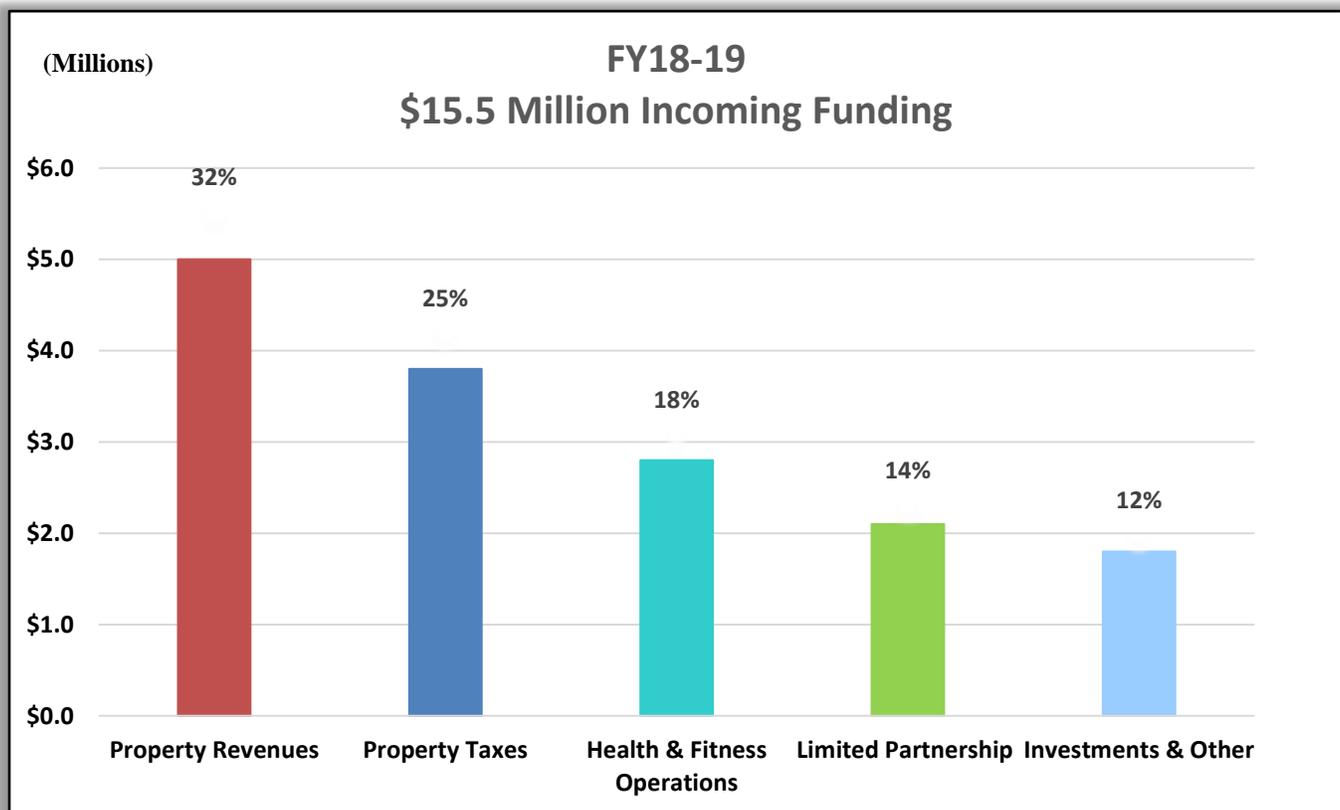
Management of the Beach Cities Health District (BCHD, the District) has prepared this Management Discussion and Analysis (MD&A) for readers of the District's financial statements. This narrative overview and analysis of the financial activities of the District is for the fiscal year ended June 30, 2019. Readers are encouraged to read this information alongside the District's audited financial statements that follow.

Financial Highlights

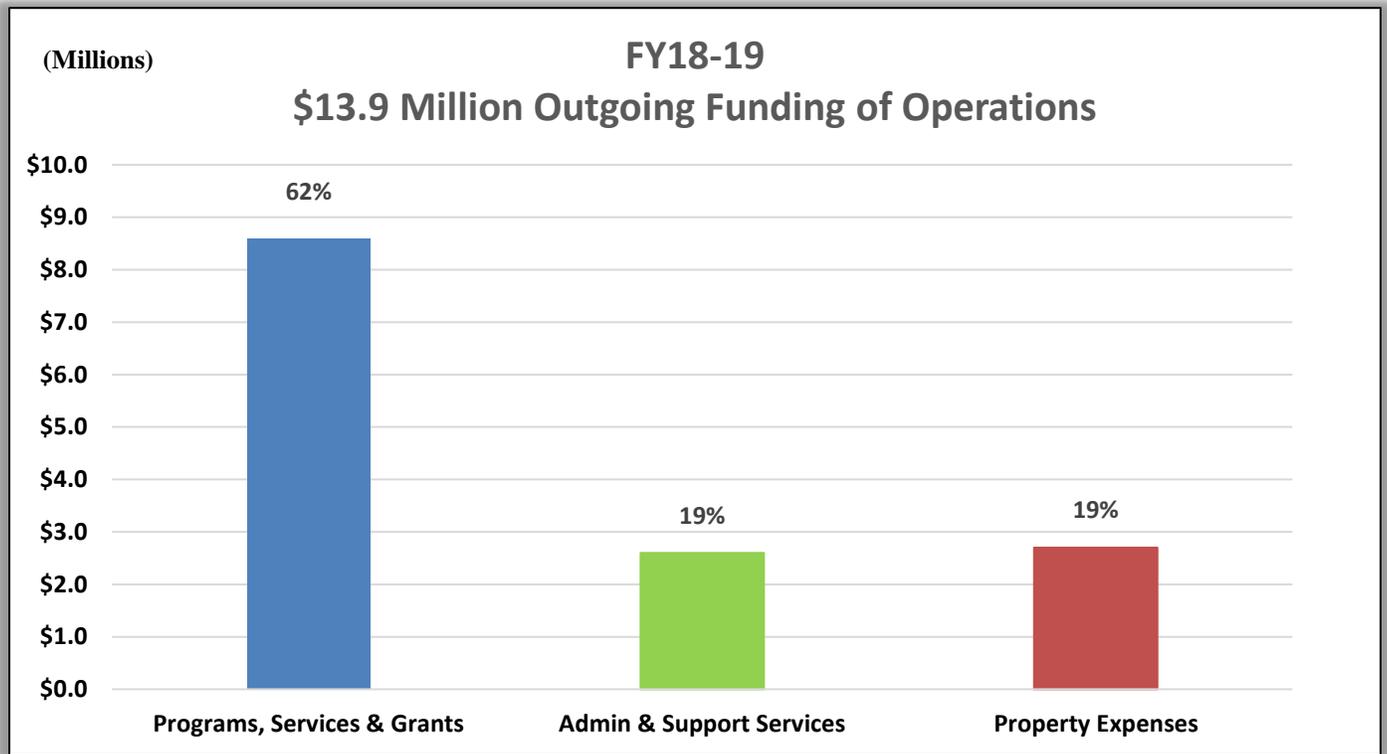
In FY18-19, Beach Cities Health District executed all its programs and services, invested \$1,820,000 in capital investments, set-up a 115 Trust for Pension and Other Post-Employment Benefits (OPEB) unfunded liabilities and maintained its obligations.

The District provided the Community with \$8.6 million in programs, services, and grants. \$1.4 million in direct payments for "aging in home" services, schools, cities and many non-profit organizations, in addition to providing \$7.2 million in services and programs by District staff addressing unmet preventive health needs in the Community as identified by health priorities updated every three years. (See Introductory Section for more details on services and programs by the health priorities.)

In FY18-19, the District's unique funding model, 75% of incoming funds are from other sources than property taxes:



In FY18-19, this funding structure allowed the District to provide the \$8.6 million in programs, services and grants that is 62% of the District's total operating expenditure of \$13.9 million. \$5 million of funding was generated by \$2.7 million of property operations expenses that is 19% of the District's operating expenditures and all supported by 19% administrative services of \$2.6 million.



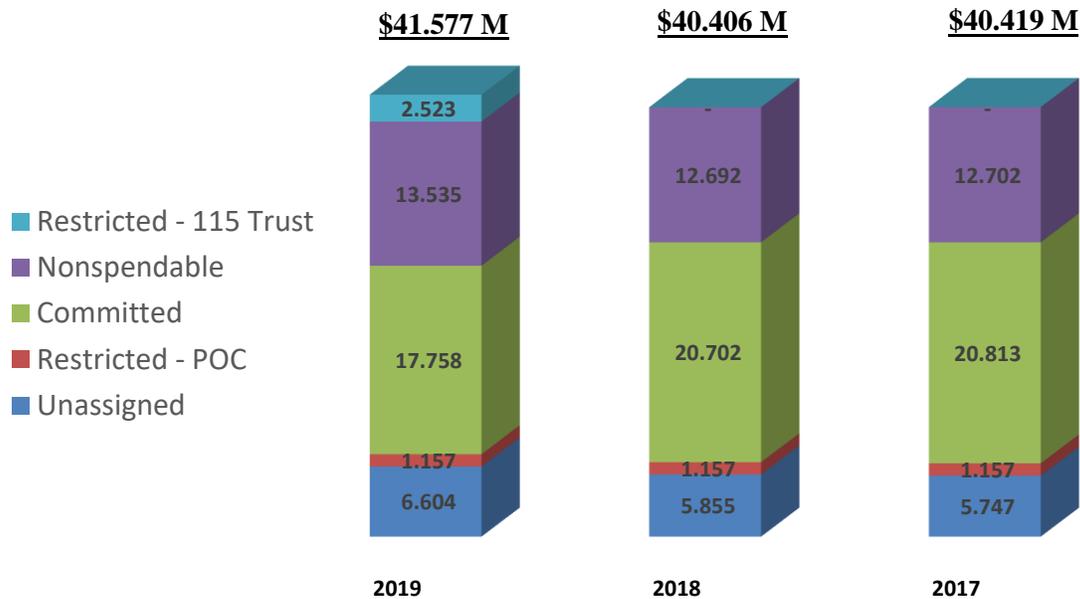
To ensure the District is able to maintain its \$5 million funding from investments in properties, in fiscal 2016-17, the Board adopted a resolution to maintain a Committed Fund balance to be used for investments in long-term capital assets that will ensure future preservation of BCHD Fund Balance and Net Position that will allow the District to meet ongoing and future preventative health services needs for the community. The Committed Fund Balance is the remaining funds after deducting Nonspendable and Restricted funds, and funds to cover 50% of the current fiscal year operating expenses.

In FY18-19, while the District Fund Balance grew due to a prior period adjustment to the amortized purchase discount value of the Ducot Notes Receivable (see note 13 to the financial statements), current year Fund Balance was decreased by total year expenditures due to the continued investment in long-term asset of \$1.8 million. The District Fund Balance changed as follows:

- Total BCHD Fund Balance \$41.6 million increased by \$1,171,000
 - Prior period adjustment increase of \$1,448,000
 - Current year decrease in Fund Balance of \$277,000
- Nonspendable Fund Balance \$13.5 million increase by \$843,000
 - Prepaid items are \$101,000, decreased by \$200,000
 - Note receivable is \$3.2 million, increased by \$1,000,000 (prior period adjustment net of interest and current year amortization)
 - Investment in limited partnerships is \$10.2 million, no change
- Available Fund Balance \$24.4 million decreased by \$2.2 million:
 - Committed Fund Balance is \$17.8 million, decreased by \$2.9 million
 - Unassigned Fund Balance is \$6.6 million, increased by \$750,000
- Restricted (for medical building purposes) Fund Balance \$1.2 million, no change
- Restricted (for 115 Pension Trust) Fund Balance \$2.5 million, new fund balance

(Millions)

Fund Balance by Fiscal Years



The District also presents its financial statements according to GAAP (Generally Accepted Accounting Principles) called, Government-wide financial statements. The District's Government-wide financial statements convert the Government Fund Financial Statements that depicts current financial resources to a long-term economic resources measurement basis adding capital assets and noncurrent assets and liabilities to the balance sheet.

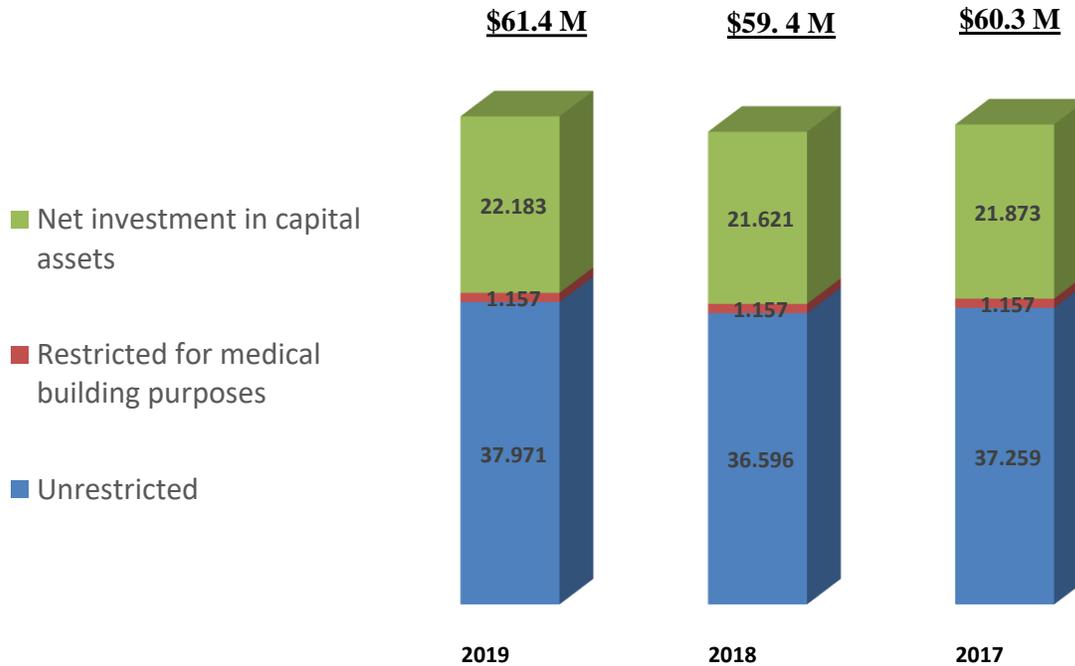
FY18-19 total Government-wide District assets totals \$70,478,000 (including deferred balances), compared to prior year balance of \$68,306,000. The \$2,172,000 increase is due to improved market values resulting in an increase in unrealized and realized gains in investments and prior period adjustment in Notes Receivable (see note 13 to the financial statements) resulting in the increase in Net Position.

FY18-19 total Government-wide District liabilities total \$9,167,000 (including deferred balances), compared to prior year balance of \$8,933,000. The \$234,000 increase is mainly due to holding invoices for payment in accounts payables and receiving unearned payments from tenants for following years rents offsetting the asset increase noted in the change in Net Position as follows.

- Total Net Position of \$61.4 million increased by \$1,937,000,
 - Net capital investments of \$22.2 million increased by \$562,000 (net of additions, deletions, depreciation and capital lease debt) due to continued investment in long-term assets, like the Healthy Living Campus.
 - Special Revenue fund of \$1.2 million had no change, and
 - Unrestricted funds \$38.0 million increased by \$1,375,000.
 - \$1,448,000 increase due to the prior period adjustment to the amortized purchase discount value of the Ducot Notes Receivable originally recorded in 2002 (note 13, page 59)
 - \$600,000 decrease Other Post-Employment Benefits (OPEB)
 - \$527,000 increase due to the asset increase.

(Millions)

Net Position



Overview of the Financial Statements

The MD&A is intended to serve as an introduction to and overview of the Beach Cities Health District's financial statements. The District's financial statements are comprised of three components: 1) Government-wide financial statements, 2) Government Fund financial statements, with a reconciliation of the Government Fund financial statements to the Government-wide financial statements, and 3) notes to the financial statements. Accompanying these three basic audited financial statements are required supplemental information (RSI).

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances and financial position, in a manner similar to private-sector businesses. The Government-wide Financial Statements can be found on pages 20-21 of this report.

The Statement of Net Position is like a balance sheet in the private sector presenting information on all the District's assets and liabilities, using the economic resources measurement focus and full accrual basis of accounting, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position (i.e. equity or net assets) can serve as a useful indicator of whether the financial position of the District is improving or declining keeping in mind that the accounting rules (GAAP) requires land and fixed assets to be measured on a historical cost basis. In other words, while current and other assets are valued at Market, capital assets are valued at Cost.

The Statement of Activities is similar to a profit and loss statement in the private sector presenting information showing how the District's Net Position changed during the most recent fiscal year. Changes in Net Position are reported as soon as an event occurs, regardless of the timing of related cash collections or disbursements. Rather than reporting capital investments as expenditures, the capital investment is capitalized and depreciation expense is recorded over the life of the asset. Revenues and expenses are therefore reported in this statement for some items that will result in cash flows in future fiscal periods (i.e.

receivables are setup for revenues earned but not yet received and accrued liabilities are setup for expenses incurred but not yet paid 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 budgetary controls adopted and reviewed by the District’s Board of Directors elected by the residents of the Beach Cities and with other finance-related legal requirements. The Fund Financial Statements can be found on pages 22-25 of this report and comparison of the actual and budget revenues, expenditures and changes in Fund Balance can be found on page 65.

Governmental funds account for essentially the same functions and operations 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 for use 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 fund activities and balances with similar information presented for government-wide activities and net position.

To make both basic financial statements presentations more clear, effective June 30, 2013, GASB 63 started requiring governments to explicitly identifying deferred outflows and inflows of recourses in the basic financial statements. Deferred outflows and inflows are non-available assets and liabilities designated for future consumption (i.e. future expense) and receipts (i.e. future revenues) of recourses.

To facilitate the comparison between the governmental *fund balance* and governmental-wide *net position*, the financial statements herein include a reconciliation between the two on page 25. In addition, to provide a comparison between the *net change of activities in government fund balance* and the *net change in government-wide net position* activities, the financial statements herein also include a reconciliation between the two on page 23.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the balances and activities presented in both the government-wide and government fund financial statements. The notes to the financial statements can be found on pages 26-59.

Required supplementary information – The MD&A and certain other information as applicable to the District are required to be presented with the basic audited financial statements. Information such as net pension liability, pension contributions and budgetary comparisons are required information for the District to be included. The required supplemental information can be found on pages 60-67.

Government-wide Financial Analysis

As noted previously, net position can serve over time as an indicator of overall financial position, keeping in mind that the accounting rules requires land and fixed assets to be measured on a historical cost basis and current and other assets are valued at market values. See Government-wide Financial Statements on pages 20-21.

The District’s Net Position (page 20), assets plus deferred outflows exceeded liabilities and deferred inflows by \$61.4 million and \$59.4 million at the close of the fiscal year ended June 30, 2019 and 2018, respectively. Net Position in FY18-19 increased by \$1.9 million mainly due to prior period adjustment, plus increased in unrealized and realized gains, and in FY17-18 decreased by \$0.9 million due to depreciation expense of capital assets being greater than net new additions of capital investments and increases in Pension and OPEB liabilities.

Summarized and illustrated below.

- Total assets of \$68.9 million increased by \$1.7 million
 - Cash, Investments and Restricted Cash increased by \$1,069,000
 - \$2.4 million was invested in FY18-19 in a 115 Pension Trust
 - Prepaid items decreased by \$200,000
 - Investment in Limited Partnership decreased by \$1,000
 - Accounts Receivable and Amortization of Notes Receivable decreased \$287,000,
 - Construction-in-Progress (CIP) increased by \$898,000; and
 - Capital assets net of accumulated depreciation of \$1.7 million decreased by \$803,000
- Deferred Outflows of \$1.6 million increased by \$453,000.
- Total liabilities of \$8.8 million increased by \$203,000:
 - Long-term liabilities decreased by \$476,000
 - Current Liabilities, short term payables, increased by \$679,000
- Deferred outflows of \$0.4 million increased by \$31,000

Summary Statement of Net Position
(\$ Millions)

	Governmental Activities			
	2019	2018	Inc / (Dec)	2017
<u>Assets</u>				
Current and other assets	\$ 43.5	\$ 41.9	\$ 1.6	\$ 41.7
Capital assets	25.4	25.3	0.1	26.0
Total assets	<u>68.9</u>	<u>67.2</u>	<u>1.7</u>	<u>67.7</u>
 <u>Deferred Outflows of Resources</u>				
Pension and OPEB Contributions	1.6	1.1	0.5	1.0
Total Assets & Deferred Outflows	<u>70.5</u>	<u>68.3</u>	<u>2.2</u>	<u>68.7</u>
 <u>Liabilities</u>				
Long-term debt (incl. current year)	6.8	7.3	(0.5)	7.0
Other liabilities	1.9	1.2	0.7	1.2
Total liabilities	<u>8.7</u>	<u>8.5</u>	<u>0.2</u>	<u>8.2</u>
 <u>Deferred Inflows of Resources</u>				
Pension and OPEB Contributions	0.4	0.4	0.0	0.2
 <u>Net Position</u>				
Net investment in capital assets	22.2	21.6	0.6	21.8
Restricted	1.2	1.2	-	1.2
Unrestricted	38.0	36.6	1.4	37.3
Total Net Position	<u>\$ 61.4</u>	<u>\$ 59.4</u>	<u>\$ 2.0</u>	<u>\$ 60.3</u>
Total Liabilities & Deferred Inflows	<u>70.5</u>	<u>68.3</u>	<u>2.2</u>	<u>68.7</u>

A significant portion of the District's \$61.4 million Net Position, \$22.2 million or 36.2%, reflects its net investment at cost in capital assets (land, buildings, land and building improvements, furniture, fixtures, computer equipment, fitness equipment, etc.) after depreciation and any liabilities outstanding. The District leverages these capital assets to provide programs and services to the Beach Cities residents. Further the District's "net investment in capital assets" is reported net of related capital lease debt and the resources needed to repay this debt, which must be provided from other unrestricted sources, since the capital assets are in use themselves and cannot be used to liquidate these liabilities.

Besides the investments in capital assets, \$1.2 million represent resources specifically for Prospect One Corporation restricted for the purpose of constructing and owning medical office buildings, a component unit of Beach Cities Health District. Therefore, the remaining balance of unrestricted net assets, \$38.0 million, is used to meet the District's ongoing operations (including maintaining debt service) and services to its citizens net of deducting funds tied to intangible assets, such as prepaid items and notes receivables.

The Statement of Activities illustrates the Government-wide presentation of revenues and expenses on page 21. FY18-19 total revenues are \$15.2 million compared to prior year of \$14.0 million. The main drivers of the \$1.2 million or 9% revenue increase in FY18-19 are the Unrealized Gain of \$785,000 in the investment portfolio, \$125,000 of interest from the 115 Pension Trust not in place prior year, plus collection of \$221,000 of tenant building operating reimbursement from prior year accounted for in the income from leases. Other revenue increases in property taxes, program income collections and tenant rent increase are off-set by the decrease in the Joint Venture Partnership income. Compared to prior year income increase of \$800,000 or 7% that mainly came from the \$472,000 increase in partnership income, property tax increase of \$237,000, and lease income of \$143,000 from normal rate increases, off-set by decreases of \$52,000 in other income and program income combined.

FY18-19 total expenses are \$14.8 million compared to prior year of \$14.7 million. The main driver of the \$100,000 or 1% increase is the \$190,000 every other year cost of November 2018 elections. While the District incurred higher legal fees, marginal increase in wages, etc. these increases were offset by not having a write-off expense for capital assets incurred in prior year. Compared to the FY17-18 expense increase of \$1.1 million or 8.2% from the previous year with increases mainly in pension and OPEB expenses and professional services (property and engineering expenses, and new Healthy Minds Initiative).

On a Government-wide basis, the FY18-19 excess of revenues over expenses resulted in an increase in net position of \$489,000, compared to prior year excess of expenses over revenues which reduced the net position of \$636,000. In addition, beginning net position for the District was restated by the prior period correction of an error (see note 13) for \$1,448,000 increase from \$59,373,000 to \$60,821,000. Therefore, net position ending June 30, 2019 for the District is \$61,310,000.

Summary Statement of Activities
(\$ Millions)

	Governmental Activities			
	2019	2018	Inc / (Dec)	2017
Revenues				
Program Revenues				
Charges for services	\$ 2.8	\$ 2.7	\$ 0.1	\$ 2.7
General Revenues				
Lease	4.8	4.6	0.2	4.4
Property taxes	3.8	3.6	0.2	3.4
Investment earnings	1.7	0.6	1.1	0.6
Income from Limited Partnership	2.1	2.5	(0.4)	2.0
Other revenue	0.1	0.1	0.0	0.0
Total Revenues	15.3	14.1	1.2	13.1
Expenses				
Preventative Health Services	14.5	14.4	0.1	13.2
Interest on long-term debt	0.3	0.3	(0.0)	0.3
Total Expenses	14.8	14.7	0.1	13.5
Excess (deficiency) of revenues over expenses	\$ 0.5	\$ (0.6)	\$ 1.1	\$ (0.4)
Net position, beginning of year, as restated (note 13)	60.8	60.0	0.8	60.7
Net position, end of year	\$ 61.3	\$ 59.4	\$ 1.9	\$ 60.3

Governmental Funds Financial Analysis

The Beach Cities Health District uses fund accounting to report on services provided to its citizens and to ensure and demonstrate compliance with the Board approved budgets and governmental financial reporting requirements. 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 short-term liquidity and financing requirements.

The net Fund balances are near-term available funds for the Board and staff to manage and protect. The District's has the following fund balances:

- **Non-spendable** – Are assets tied to intangible assets like prepaid items, notes receivable and investments in partnerships.
- **Committed** – On July 26, 2017, the District Board adopted resolution 541 to set aside funds dedicated to future Capital Investments in long-term assets to ensure preservation of Fund Balance and funds for future needs of preventative health services to the community.
- **Unassigned** – Are the District's net resources available if needed for ongoing operating expenses at the end of the fiscal year.

- Restricted –
 - For medical building purposes used in the Special Revenue fund administered as a 501.C.4.
 - New in FY18-19 is the Fund Balance Restricted for the 115 Pension Trust. In September 2018, the Board approved Resolution #546 adopting the trust administered by Public Agency Retirement Services (PARS) where the District transferred \$2.4 million to offset the unfunded pension liability.

As of June 30, 2019, the District’s governmental summary fund balances are as follows:

Governmental Funds				
(\$ Millions)				
Fund Balances				
	<u>2019</u>	<u>2018</u>	<u>Inc / (Dec)</u>	<u>2017</u>
Nonspendable:				
Prepaid items	0.1	0.3	(0.2)	0.1
Note receivable	3.2	2.2	1.0	2.4
Investment in limited partnerships	10.2	10.2	(0.0)	10.1
	<u>13.5</u>	<u>12.7</u>	<u>0.8</u>	<u>12.6</u>
Committed:				
Capital investment	17.8	20.7	(2.9)	20.8
Restricted for 115 Trust - Pension	2.5	-	2.5	-
Restricted for medical building purpose	1.2	1.2	-	1.2
Unassigned	6.6	5.8	0.8	5.7
Total Fund Balances	<u>\$ 41.6</u>	<u>\$ 40.4</u>	<u>\$ 1.2</u>	<u>\$ 40.3</u>

FY18-19 total Fund Balance of \$41.6 million compared to prior year increased by \$1.2 million due to the prior period restatement of \$1.5 million offset by the current fund balance change of a negative \$0.3 million. Prior year total fund balance decreased by \$13 thousand from the year before.

In FY18-19, 42.7% or \$17.8 million is Committed to be available for future capital investments in long-term assets compared to 51.2% or \$20.7 million prior year. A decrease due to continued investment in the long-term project Healthy Living Campus.

15.9% or \$6.6 million compared to 14.5% or \$5.9 million prior year is Unassigned and are available funds for operating expenditures, which the Board has directed by policy to be a minimum of 50% of the District’s Operating cost.

8.9% or \$3.7 million are restricted by resolution of the Board. \$2.5 million or 6.1% set aside in the Pension Trust to manage the \$2.6 million Pension liability and \$1.2 million or 2.8% for medical building purposes, unchanged from prior year restricted balance of \$1.2 million or 2.9%.

The remainder of the fund balance, 32.6% or \$13.5 million compared to 31.4% or \$12.7 million of assets are Non-Spendable: a) \$10.2 million are invested in limited partnerships and remained unchanged, b) \$0.1 million are pre-paid items which decreased by \$200,000 holding payables higher and c) \$3.2 million in Notes Receivables that increased net by \$1 million (net \$1.4 million positive prior period restatement and \$0.4 million reduction in tenant receivables due to collections of prior period building operating expense reimbursements).

General Fund. The General Fund is the only operating fund of the District. At the end of the current fiscal year, the General Fund balance is \$40.4 million compared to prior year General Fund balance of \$39.2 million, increase of \$1.2 million and a decrease of \$13 thousand from the previous year, respectively, as discussed above.

In FY18-19, the District had an operating surplus of \$2.3 less capital expenditures of \$1.8 and debt service of \$0.7, resulting in a reduced current year fund balance of \$0.2 off-set by prior period correction of a positive \$1.4 netting to the final increase in ending General Fund balance of \$1.2. In FY17-18, the District had an operating surplus of \$2.1 million less capital expenditures of \$1.4 million and debt service expenditures of \$0.7 million, resulting in the \$13 thousand decrease in Fund Balance.

As a measure of the district's liquidity, available funds for FY18-19 and prior year FY17-18, Committed and Unassigned fund balances are 155% and 191%, respectively, of current total General Fund expenditures (operating, capital and debt service expenditures). The District is expecting the liquidity measure to continue decreasing as the District's operating expenditures increase and further investments are being made in long-term assets in Construction-in-Progress utilizing the Committed Fund Balance. However, the continued investment in long-term assets will ensure continued funding of the District programs and services, and the District will reach a more balanced liquidity measure of at least 50% currently required by Policy.

Special Revenue Fund. Beach Cities Health District's special revenue fund segregates activity related to Prospect One Corporation (a 501.C.4 entity), established to construct and operate medical office building space on the main campus of the District. There was no activity in the Special Revenue fund in the current fiscal year.

Fund balance of the Special Revenue Fund at the end of the current and prior year was \$1.2 million.

General Fund FY2018-19 Budgetary Highlights versus Actual FY2017-18

In May 2018, the Board of Directors approved a balanced budget for the fiscal year 2018-2019 that forecasted an operating surplus, before capital expenditures, of \$805,000. The approved FY2018-19 budget allowed the District to maintain all commitments to preventative health programs and services, improve and add some new programs, like parent engagement and youth mental health programs, Medical Fitness Accreditation (MFA) application and worksite wellness pilot program initiative and continue investing in the Healthy Minds study and Capital improvements to ensure continued future funding. See page 65 for FY2018-19 budgeted "Net Changes In Fund Balance" of <\$3,303,000> adding back capital investments of \$4,108,000 (including carry-over capital commitments from prior years), resulting in an operating surplus of \$805,000.

The District final budgeted FY2018-19 operating revenues of \$14,320,000 was increased by 3% or \$463,000 greater than total actual FY2017-18 of \$13,857,000. While property tax receipts continue to stay strong with especially strong local real estate market budget increase was 5% and Program income budget included new programming budget increase was 8% increase, other categories like income from Limited Partnerships and Investment earnings budget show conservative increase in revenues due to greater fluctuations in prior years resulting in the 3% combined increase.

The income from Limited Partnerships budget is mainly affected by the results from the Sunrise Senior Living 80% joint venture where occupancy can vary significantly year to year due to unanticipated larger move outs, competition, management turnover, etc.

Investment earnings budget was materially affected by the extended low interest rates affecting market values on debt securities held on hand resulting in material changes in Realized and Unrealized investment earnings. While District does not budget for the changes in Realized or Unrealized gains, interest rates are anticipated to remain low.

The District budgeted operating expenditures of \$13,514,000 excluding capital investments, increased by \$688,000 or 9% compared to prior year FY2017-18 actual expenses. In general, expenses are anticipated to increase around 3% (with a little more pressure from inflation rates than prior year) except for greater increases in payroll and related expenses to accommodate increased services and programming, like the parent engagement programs, retain talent with greater competition due to low employment rates and comply with CA minimum wage increase requirements, price increases in home health program services and additional professional services required for the management of the 514 Prospect Avenue property and legal review of new initiatives. In addition, every other year, the District incurs fees for election of board members around \$140,000 included in the FY18-19 budget.

In FY18-19, expenditures for Capital Outlay, the District's investments in long-term capital assets, were \$4,109,000. This included projects carried over from prior years of \$3,536,000 and \$573,000 in new investments (\$119,000 for IT software and FF&E, and \$454,000 in improvements for existing buildings.) Due to the aging 514 Building, the District is continuing to require investing in infrastructure, plus it is continuing to evaluate the Healthy Living Campus concept to replace the aging 514 Prospect building rolled out in FY16-17 but with no further new budget added in FY18-19.

General Fund FY2018-19 Fiscal Year Actual Performance Highlights Compared to Budget

The District's current actual fiscal change in General Fund Balance is <\$277,000> compared to a budgeted negative net change of <\$3,303,000>. (Page 65.) Most of the difference is due to ongoing Capital Investment projects of \$3,495,000 moved to future years. Actual capital expenditures normally vary from budget largely due to timing of project spending from year to year.

Actual revenues of \$15,472,000 compared to the budget of \$13,857,000 are positive by \$1,152,000 or 8% as follows:

- Financing and Rental income exceeded budget by \$529,000 due greater BOE reimbursements from tenants not budgeted,
- Property taxes collected were within 1% of the budget, and exceeded budget by \$33,000,
- User fees from the Health and Fitness operations were down \$72,000 due to lesser memberships and fee-based classes like yoga, camps, etc. off-set some by higher than budget income at Toddler Town, programming,
- Income from Limited Partnerships was down \$90,000 equally from both partners, Sunrise Senior Living, LLC 80% partner and the Beach District Surgery Center 5% partner,
- Investment earnings were favorable by \$699,000 mainly due to unbudgeted Realized Loss of \$108,000 offset by Unrealized Gain of \$785,00 in the investment portfolio.
- Other sources increased by \$51,000 due to renewed receipt of unbudgeted grant from CA Mental Health Services and a settlement collection from a prior tenant.

Actual expenditures of \$15,749,000 compared to the budget of \$17,623,000 are positive by \$1,874,000 mainly due to capital investments moved to future years. Excluding capital expenditures, the District's actual operating expenditures are \$13,928,000, \$414,000 over the operating expenditures budget of \$13,514,000. Overage is mainly in payroll due to \$600,000 unbudgeted expenditure for funding the 115 Trust for the Other Post-Employment Benefits (OPEB). There were also overages in Facility expenditures of \$81,000 due to building maintenance and repair requirements including engineering wages plus higher property insurance expense and \$200,000 overage in Community relations due to election expense of \$190,000 budgeted in Professional Services. See page 65 and page 67 for actual to budget comparisons.

General Fund FY2018-19 Actual Performance Highlights Compared to FY2017-18 Actual

In FY18-19, excluding the prior period adjustment, actual expenditures exceeded actual revenues resulting in the Fund Balance decrease of \$277,000 compared to FY17-18 decrease of \$13,000 (See Financial Statements page 24).

Total District's FY18-19 revenue inflows of \$15.5 million increased by 12% or \$1,615,000 compared to FY17-18 revenues that increased \$799,000 or 6.1% with changes in the sources of funds as follows:

- Investment earnings increased by \$1,145,000 compared to a decrease in prior year of \$64,000. Current year positive change is due to Unrealized Gains in the investment portfolio market value and interest from the 115 Pension Trust not received in prior year, off-set some by interest earnings from the investment portfolio and amortization of the Notes Receivable. Prior year incurred Unrealized and Realized losses in the investment portfolio.
- Financing and Rental income increased by \$496,000 compared to prior year increase of \$143,000. Current year larger increase is due to the collection of prior years' building operating expenditures reimbursements from tenants and both years includes tenant increases in the normal course of business.
- Property taxes increased \$201,000 or 6% compared to \$237,000 or 7% due to increases in property tax base,
- User fees from the Health and Fitness operations increased \$137,000 due to Personal Training and Toddler Town programs, while prior year incurred a decrease of \$31,000 due to drop in memberships,
- Income from Limited Partnerships decreased by \$402,000 due to reduced operating results from the Sunrise Senior Living, LLC and Beach District Surgery Center partnerships, where the District owns 80% and 5%, respectively, as opposed to prior year increase of \$472,000 from much improved operating results incurred by the Sunrise Senior Living, LLC, and
- Other sources, like Grants, etc. received increased by \$38,000 due to prior tenant lease settlement. Prior year also saw a similar increase of \$42,000 due renewed service agreement with the City of Manhattan Beach and grant received from CA Mental Health Services department.

75% of the District's services and operations are financed with funding sources other than taxes noted above. The amount financed by taxpayers through property taxes in fiscal 2018-19 was \$3.8 million, 25% of total revenues.

Total District's FY18-19 outflows of \$15.8 million increased by \$1,879,000 or 13.5% compared to FY17-18 expenses that increased \$819,000 or 6.3% with changes in the main categories of expenses as follows:

- Capital investments increased by \$380,000 versus prior year increase of \$604,000 from major capital improvements required for the 514 Prospect building and investments in the Healthy Living Campus project,
- Professional Fees increased by \$131,000 mainly due to legal reviews, youth services programming and property management versus prior year increase of \$269,000 from increased property management and engineering fees, and investment in the Healthy Minds initiative,
- Community relations increased by \$230,000 mainly due to every other year election fee for board members of \$190,000 not included in prior year, which had decreased by \$140,000 due non-election year.
- Salaries and related expenses increased by \$1,057,000, included \$600,000 expenditure for setting up 115 OPEB (Other Post-Employment Benefits) Trust for the unfunded liability, and \$457,000 or 3% for Wages and Benefits increases compared to prior year increase of \$44,000 or 1% due to short staffing levels.
- Other operating expenditures combined, including, Health programs, Support Services and Other Property expenditures, increased by \$81,000 for building repairs, utility rate and usage increases, janitorial services versus prior year increase of \$42,000 due to Health program rate increases.

See table below with dollars in millions for changes in revenues, expenditures and fund balance. For exact dollars see Financial Statements page 24.

Governmental Funds				
(\$ Millions)				
Revenues, Expenditures and Changes in Fund Balances				
	2019	2018	Inc / (Dec)	2017
Revenues				
Leasing Revenue	\$ 5.0	\$ 4.5	\$ 0.5	\$ 4.4
Property Taxes	3.8	3.6	0.2	3.4
Program Income	2.8	2.7	0.1	2.7
Limited Partnership	2.1	2.5	(0.4)	2.0
Investment Earnings	1.7	0.6	1.1	0.6
Other	0.1	0.0	0.1	0.0
Total Revenues	<u>15.5</u>	<u>13.9</u>	<u>1.6</u>	<u>13.1</u>
Expenditures				
Current				
Salaries & related	6.8	5.8	1.1	5.7
Grants & projects	1.4	1.4	(0.1)	1.4
Professional Fees	1.7	1.6	0.1	1.3
Facilities Management	1.6	1.5	0.1	1.5
Community Relations	0.8	0.6	0.2	0.7
Human Resources	0.4	0.2	0.2	0.3
General & Administrative	0.2	0.4	(0.2)	0.3
Information Systems	0.2	0.1	0.0	0.1
Cost of Goods Sold	0.0	0.0	(0.0)	0.0
Other	0.1	0.1	(0.0)	0.1
Capital Outlay	1.8	1.4	0.4	0.9
Debt Service				
Interest and other fiscal	0.4	0.4	0.0	0.4
Principal Retirement	0.3	0.3	(0.0)	0.4
	<u>15.7</u>	<u>13.9</u>	<u>1.9</u>	<u>13.1</u>
Excess of revenues over (under) expenditures	<u>(0.2)</u>	<u>(0.0)</u>	<u>(0.2)</u>	<u>(0.0)</u>
Other finance resources	-	-	-	-
	<u>(0.2)</u>	<u>(0.0)</u>	<u>(0.2)</u>	<u>(0.0)</u>
Beginning Fund Balance	40.4	40.4	(0.0)	40.4
Prior period adjustment	1.4	-	1.4	-
Ending Fund Balance	<u>\$ 41.6</u>	<u>\$ 40.4</u>	<u>\$ 1.2</u>	<u>\$ 40.4</u>

Capital Asset and Debt Administration

The District's gross investment in capital assets, page 45 (Note 5), as of June 30, 2019 is \$56.1 million at historical cost; \$4.4 million in Land, \$2.7 million in Construction in Progress and \$49.0 million in Buildings and FF&E, which are being depreciated at a current rate of \$1.7 million per year.

Net depreciable capital assets after depreciation is \$18.0 million. Total \$25.4 million of net capital investments include CIP (Construction in Progress) , land, buildings, furniture, fixtures, equipment, and land and building improvements all measured at historical cost. In FY18-19 the District added \$1.8 million, net \$898,000 addition in CIP and \$719,000 building improvements and \$203,000 in Equipment, Furniture and Fixtures. The net value of capital assets increased by \$95,000 or 0.4% net of additions and depreciation expense.

Capital asset additions of \$1,820,000 for the year:

• CIP - Healthy Living Campus	1,031,000
• CIP – Artesia and 601 PCH Tenant Improvement	17,000
• CIP - 514 Center for Excellence-Asset Activation	11,000
• CIP - Great Plains Project Tracking Software	8,000
• IT Workstations & Server	31,000
• Youth Services Stat Software	8,000
• Liability Waiver Hardware and Software	6,000
• APLEX Upgrades	26,000
• 514 Center for Excellence-Asset Activation	36,000
• 514 Prospect Avenue Building Improvements	505,000
• CO - Care Mgt Software	10,000
• BCHD Offices HVAC & Camera Upgrades	131,000

The District's debt on Capital Leases is \$3,200,000 as of June 30, 2019 (See note 7.) In FY18-19, the District paid down its capital lease debt by \$468,000 in principle for the Prospect South Bay Parking. In FY18-19, the District completed its lease payments for Fitness Equipment leaving only the annual Prospect South Bay Parking lease payment of \$720,000 inclusive of both principle and interest.

Economic Outlook

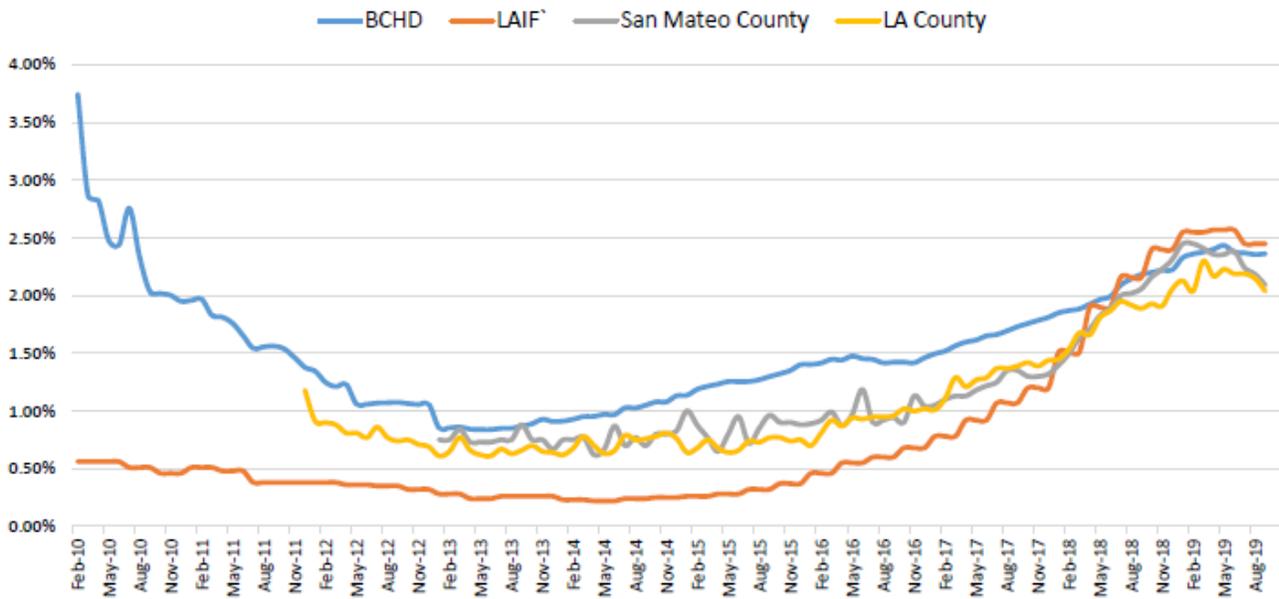
The US economy continued to improve in 2019 while slightly slower than in 2018. GDP grew 2.00% compared to prior year 4.2% in the 2nd quarter of 2018 and 2019, respectively (per the Bureau of Economic Analysis.) Inflation rate while still low has increased compared from prior year of 1.8% to 2.1% for the twelve-month ending November 2019 per the US Inflation Calculator. It was 2.1% for 2016 and 2017, 1.8% in 2018. Last year there were predictions of a continued steady interest hike from the Federal Reserve, while we now know that this didn't completely materialize. In 2018 interest rates were increased four times but in 2019 the Federal Reserve backed off and has now instead cut rates.

In FY18-19 District wide Real Property values still increased by a healthy 5.8% in FY18-19, and prior year saw an increase of 6.6%. With consistently improving local property values, the District's Property Tax revenue has seen continued increases year-over-year by approximately 6% (5.6% in FY18-19 versus FY17-18, 6.4% FY17-18 versus FY16-17 and 6.7% FY2016-17 versus FY2015-16) per year since 2011-12 after remaining flat from 2008-2011.

With continued strong economic indicators, the District anticipates the Property tax revenue to remain stable and increase between 4-5% in the next few years, lease income is expected to marginally increase with contractual rental increases and continued higher tenant reimbursements of BOE (Building Operating Expenses). Program fees are expected to remain flat with a continued emphasis on keeping fees low for the Community while balancing increased costs. Partnership income decreased in FY18-19 compared FY17-18,

while prior year FY17-18 saw a big increase; therefore, the District continues to budget Partnership income conservatively. During FY18-19 investments income while incurring Realized Losses, Unrealized market value of the Portfolio experienced a complete inverse relationship of Unrealized Gains, due to the behavior of the Government Treasury market in short-term versus long-term borrowing and inverted yield curve. The District 3rd Party Asset Management company charted the Districts portfolio's yield in comparison to LAIF, San Mateo County and LA County since Feb 2010. The District shows a slight advantage over those portfolios over time mainly due to its longer investment strategy of duration to maturity of 3-5 years versus the shorter-term public agency portfolios.

Monthly Yield Data
February 2010 – September 2019



Notes:
 • Source: BCHD – monthly statements.
 • Source: LAIF- California State Treasurer website, San Mateo County Treasurer website, LA County Treasurer website.
 • The information is for general information only.



The District projects investment earnings to continue decreasing mainly due to its future Capital Investment requirements. By setting up the 115 Trust for both Pension and OPEB, the District will be able to take advantage of securities with higher earnings and interest potentials offsetting some of the decrease anticipated. The District's asset managers monitor rates and manages each sale and purchase individually to ensure the best possible realized return on investments when traded.

Beach Cities Health District will continue to pursue increased funding through expansion of user fee services for good value and investment opportunities in the open market. If the economy continues to be strong and improve, the District funding will continue to increase alongside for a couple more years. Per the District's estimates, in approximately 2-3 years, rental income will start to decline due to the aging building and loss of tenants. Therefore, the District is continuing to invest in the Healthy Living Campus Master Plan project that will take an estimated 5-15 years to complete. The long-term assets will replace future declining rental income and will allow the District's services to continue to be financed with three quarters of its funding from sources other than taxes ensuring the Beach Cities residents continue to see value for its property tax dollars.

Requests for Information

This Comprehensive Annual Financial Report (CAFR) is designed to provide a general overview of the Beach Cities Health District's financial activities and position. 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 Street, Redondo Beach, CA 90277.

BEACH CITIES HEALTH DISTRICT

Statement of Net Position

As of June 30, 2019
(with comparative data for prior year)

	Governmental Activities	
	2019	2018
ASSETS		
Cash and investments (note 2)	\$ 26,962,516	28,416,243
Restricted cash and investments - pension (note 2)	2,522,893	-
Accounts receivable - net	281,360	487,158
Interest receivable	114,237	144,575
Taxes receivable	91,146	142,099
Prepaid items	100,827	301,035
Notes receivable - net investment (note 4)	3,218,642	2,175,441
Investment in limited partnerships (note 6)	10,215,614	10,216,731
Capital assets not being depreciated (note 5)	7,093,359	6,195,385
Capital assets - net of accumulated depreciation (note 5)	<u>18,289,983</u>	<u>19,093,419</u>
TOTAL ASSETS	<u>68,890,577</u>	<u>67,172,086</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related (note 9)	943,405	1,114,965
OPEB Related (note 11)	<u>643,863</u>	<u>19,039</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,587,268</u>	<u>1,134,004</u>
LIABILITIES		
Current liabilities:		
Accounts payable	550,022	292,637
Accrued liabilities	366,710	225,693
Accrued payroll	284,925	256,735
Deposits	180,407	180,407
Unearned service fees	541,555	289,177
Noncurrent liabilities:		
Due within one year (note 7)	622,845	770,077
Due in more than one year (note 7)	2,907,480	3,200,264
Net pension liability (note 9)	2,559,376	2,659,667
Net OPEB liability (note 11)	<u>737,375</u>	<u>672,827</u>
TOTAL LIABILITIES	<u>8,750,695</u>	<u>8,547,484</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related (note 9)	306,066	300,868
OPEB Related (note 11)	<u>110,667</u>	<u>84,662</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>416,733</u>	<u>385,530</u>
NET POSITION		
Net investment in capital assets	22,183,078	21,620,650
Restricted for medical building purposes	1,156,708	1,156,708
Unrestricted	<u>37,970,631</u>	<u>36,595,718</u>
TOTAL NET POSITION	<u>\$ 61,310,417</u>	<u>59,373,076</u>

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Statement of Activities

For Year Ended June 30, 2019
(with comparative data for prior year)

Functions	Expenses	Program Revenues	Governmental Activities	
			Charges for Services	Net (Expense) Revenue and Change in Net Position
			2019	2018
Primary government:				
Preventive health services	\$ 14,482,760	2,809,085	(11,673,675)	(11,666,669)
Interest on long-term debt	<u>273,537</u>	<u>-</u>	<u>(273,537)</u>	<u>(307,507)</u>
 Total	 \$ <u>14,756,297</u>	 <u>2,809,085</u>	 <u>(11,947,212)</u>	 <u>(11,974,176)</u>
 General revenues:				
			4,766,430	4,649,091
			3,793,278	3,591,891
			2,071,315	2,473,590
			1,700,327	555,677
			<u>105,551</u>	<u>68,292</u>
			<u>12,436,901</u>	<u>11,338,541</u>
			489,689	(635,635)
			<u>60,820,728</u>	<u>60,008,711</u>
			<u>\$ 61,310,417</u>	<u>59,373,076</u>

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT
Governmental Funds

Balance Sheet

As of June 30, 2019
(with comparative data for prior year)

	General Fund	Prospect One Fund	Totals	
			2019	2018
<u>ASSETS</u>				
Cash and investments (note 2)	\$ 25,805,808	1,156,708	26,962,516	28,416,243
Restricted cash and investments - pension	2,522,893	-	2,522,893	-
Account receivable - net	281,360	-	281,360	487,158
Interest receivable	114,237	-	114,237	144,575
Notes receivable - net investment (note 4)	3,218,642	-	3,218,642	2,175,441
Taxes receivable	91,146	-	91,146	142,099
Prepaid items	100,827	-	100,827	301,035
Investment in limited partnerships (note 6)	10,215,614	-	10,215,614	10,216,731
TOTAL ASSETS	\$ 42,350,527	1,156,708	43,507,235	41,883,282
<u>LIABILITIES</u>				
Accounts payable	\$ 550,022	-	550,022	292,637
Accrued expenses	366,710	-	366,710	225,693
Accrued payroll	284,925	-	284,925	256,735
Deposits	180,407	-	180,407	180,407
Unearned service fees	541,555	-	541,555	289,177
TOTAL LIABILITIES	1,923,619	-	1,923,619	1,244,649
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue	6,593	-	6,593	232,190
TOTAL DEFERRED INFLOWS OF RESOURCES	6,593	-	6,593	232,190
<u>FUND BALANCES</u>				
Nonspendable:				
Prepaid items	100,827	-	100,827	301,035
Note receivable	3,218,642	-	3,218,642	2,175,441
Investment in limited partnerships	10,215,614	-	10,215,614	10,216,731
Committed:				
Capital investment	17,758,195	-	17,758,195	20,701,869
Restricted:				
Pension Trust	2,522,893	-	2,522,893	-
Medical building	-	1,156,708	1,156,708	1,156,708
Unassigned	6,604,145	-	6,604,145	5,854,660
TOTAL FUND BALANCES	40,420,315	1,156,708	41,577,023	40,406,443
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 42,350,527	1,156,708	43,507,235	41,883,282

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

June 30, 2019

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 41,577,023
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 unavailable revenue in the fund.	6,593
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	(3,200,264)
Compensated absences	(330,061)
Net pension and OPEB liabilities and related deferred inflows of resources are not due and payable in the current period. Deferred outflow of resources is not considered a current asset or financial resource. As a result, these items are not reported in the governmental funds (notes 9 & 11).	
Deferred outflows - pension related	943,405
Deferred inflows - pension related	(306,066)
Net pension liability	(2,559,376)
Deferred outflows - OPEB	643,863
Deferred Inflows - OPEB	(110,667)
OPEB Liability	(737,375)
Capital assets, net of accumulated depreciation, have not been included as financial resources in governmental funds.	<u>25,383,342</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 61,310,417</u>

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For Year Ended June 30, 2019
(with comparative data for prior year)

	General Fund	Prospect One Fund	Totals	
			2019	2018
REVENUES				
Financing and rental income related to leases	\$ 4,992,027	-	4,992,027	4,495,927
Property taxes	3,793,278	-	3,793,278	3,591,891
Program income	2,809,085	-	2,809,085	2,671,695
Income from limited partnership	2,071,315	-	2,071,315	2,473,590
Investment earnings	1,700,327	-	1,700,327	555,677
Other revenues	38,907	-	38,907	20,306
Intergovernmental	66,644	-	66,644	47,986
TOTAL REVENUES	<u>15,471,583</u>	<u>-</u>	<u>15,471,583</u>	<u>13,857,072</u>
EXPENDITURES				
Current:				
Salaries and related expenses	6,827,699	-	6,827,699	5,771,049
Health programs	1,367,437	-	1,367,437	1,430,245
Professional fees	1,745,219	-	1,745,219	1,613,841
Facilities management	1,599,239	-	1,599,239	1,530,223
Community relations	786,681	-	786,681	556,361
General and administrative	398,781	-	398,781	372,449
Human resources	212,553	-	212,553	181,568
Information services	172,013	-	172,013	146,959
Cost of goods sold	28,875	-	28,875	34,840
Other	69,792	-	69,792	71,784
Capital outlay	1,820,366	-	1,820,366	1,440,938
Debt service:				
Principal retirement	446,463	-	446,463	412,493
Interest and other fiscal charges	273,537	-	273,537	307,507
TOTAL EXPENDITURES	<u>15,748,655</u>	<u>-</u>	<u>15,748,655</u>	<u>13,870,257</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(277,072)</u>	<u>-</u>	<u>(277,072)</u>	<u>(13,185)</u>
NET CHANGES IN FUND BALANCES	<u>(277,072)</u>	<u>-</u>	<u>(277,072)</u>	<u>(13,185)</u>
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED (NOTE 13)	<u>40,697,387</u>	<u>1,156,708</u>	<u>41,854,095</u>	<u>40,419,628</u>
FUND BALANCES, END OF YEAR	<u>\$ 40,420,315</u>	<u>1,156,708</u>	<u>41,577,023</u>	<u>40,406,443</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 Year Ended June 30, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (277,072)

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	1,820,366
Depreciation expense	(1,725,828)

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.	467,890
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To record as a revenue the net change in compensated absences in the Statement of Activities.	(27,874)
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Revenues that are measurable but not available are recorded as unavailable revenue under the modified accrual basis of accounting.	(225,597)
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The net pension liability included in the Statement of Activities does not provide (require) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(76,467)
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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>534,271</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 489,689</u>
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See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2019

(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 (U.S. 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 District and Prospect One Corporation (Corporation). The 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. The 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 GASB Statement No. 14, as amended by GASB 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 Basic 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

Major funds are defined as funds that have assets, liabilities, revenues or expenditures equal to at least ten percent of their fund-type total and at least five percent of the grand total of all fund types. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds. The District reports the following major governmental funds:

- *General Fund* – The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.
- *Prospect One Fund* – The Prospect One Fund accounts for all activities of the Prospect One Corporation.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

(e) Cash and Investments

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code §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 needs 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 Securities and Exchange Commission (SEC)-registered securities exchanges or National Association of Securities Dealers Automated Quotations System (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) Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect an entity's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include an entity's own data.

(g) Receivables and Payables

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

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

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

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

- *Tax Collections* – Collection of taxes is 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 Fiscal Year 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.

(h) 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.

(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 estimated acquisition value if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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.

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

<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. As of June 30, 2019, the balance of vacation leave is \$330,061.

(k) Long-Term Obligations

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

(l) Deferred Outflows/Inflows of Resources

When applicable, the Statement of Net Position and Balance Sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, are not recognized as an expense or expenditure until that time. The Statement of Net Position has two items that qualify for reporting in this category: Pension Related and OPEB Related Deferred Outflows.

When applicable, the Statement of Net Position and the Balance Sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. One of these items arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only on the Balance Sheet for the governmental funds. The governmental funds report unavailable revenue related to items received outside of the District’s availability period of 60 days. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Statement of Net Position has two items that qualify for reporting in this category: Pension Related and OPEB Related Deferred Outflows.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(m) Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees Retirement System (CalPERS) Financial Office. For this purpose, benefit payments, including refunds of employee contributions, are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	June 30, 2017 to June 30, 2018

(n) Other Postemployment Benefits (OPEB)

For purposes of measuring the OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

U.S. GAAP requires that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	June 30, 2017 to June 30, 2018

(o) Fund Balances

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

- *Nonspendable* – 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 Basic Financial Statements

(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

- *Restricted* – this includes amounts that can be spent only for specific purposes stipulated by legal requirements imposed by other governments, external resource providers, or creditors. Board of Directors imposed restrictions do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.
- *Committed* – this includes amounts that can be used only for the specific purposes determined by a formal action of the Board. It includes legislation (Board action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Board action limiting the use of the funds is separate from the action (legislation) that created (enabled) the funding source, then it is committed, not restricted. For the District, a resolution is the highest level of decision-making authority that is used to establish a commitment of fund balance.
- *Assigned* – 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* – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the District's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned and unassigned resources, in the absence of a formal policy adopted by the Board of Directors.

(p) Net Position

In the government-wide financial statements, net position represents the difference between assets and liabilities and deferred inflows and outflows and is classified into three categories:

- *Net Investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted for medical building purposes* – represents the net position that is restricted for medical building purposes and is not accessible for general use because their use is subject to restrictions enforceable by third parties.
- *Unrestricted net position* – represents those assets that are available for general use.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first.

(q) Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

(r) Prior Year Data

Selected information from the prior years has been included in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2018 from which this selected financial data was derived. Certain minor reclassifications of prior year data have been made in order to enhance its comparability with current year figures.

(2) Cash and Investments

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$26,962,516
Restricted cash and investments - pension	<u>2,522,893</u>
Total cash and investments	<u>\$29,485,409</u>

Cash and investments as of June 30, 2019 consist of the following:

Petty cash	\$ 3,450
Deposits with financial institutions	1,670,340
Investments	<u>27,811,619</u>
Total cash and investments	<u>\$29,485,409</u>

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(2) Cash 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
LAIF	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	180 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 of the State of California	5 years	25%	None
Indebtedness of any local agency within the State of California	5 years	25%	None
Repurchase agreements	90 Days	20%	None
Medium term notes	5 years	30%	None
Obligations of the International Bank for Reconstruction and Development, the International Finance Corporation, and the Inter-American Development Bank	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.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments (Continued)

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:

Investment Type	Totals	Remaining maturity (in Months)		
		12 Months or Less	13 to 36 Months	37 to 60 Months
U.S Treasury bonds	\$ 11,050,902	-	1,423,534	9,627,368
Medium term notes	6,661,671	1,383,592	3,067,945	2,210,134
Certificates of deposit	2,520,047	250,682	2,269,365	-
Supra-national agency bonds/notes	1,708,210	-	1,708,210	-
Asset-backed security/collateralized mortgage obligation	1,192,600	338	754,211	438,051
CAMP	788,796	788,796	-	-
Federal agency bond/notes	469,608	-	469,608	-
LAIF	379,015	379,015	-	-
Municipal bonds/notes	259,683	259,683	-	-
Federal agency collateralized mortgage obligation	258,194	398	124,393	133,403
Held by Trust:				
PARS pooled trust - pension	<u>2,522,893</u>	<u>2,522,893</u>	-	-
Totals	<u>\$ 27,811,619</u>	<u>5,585,397</u>	<u>9,817,266</u>	<u>12,408,956</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 on the following page 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.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments (Continued)

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year End				
			AAA	AA	A	BBB	Not Rated
U.S. Treasury bonds	\$11,050,902	AA	11,050,902	-	-	-	-
Medium term notes	6,661,671	A	-	1,082,267	4,470,521	1,108,883	-
Certificate of deposit	2,520,047	A	-	1,331,366	1,188,681	-	-
Supra-national agency bonds/notes	1,708,210	AA	1,708,210	-	-	-	-
Asset-backed security/collateralized mortgage obligations	1,192,600	AA	1,192,600	-	-	-	-
CAMP	788,796	N/A	-	-	-	-	788,796
Federal agency bonds/notes	469,608	N/A	469,608	-	-	-	-
LAIF	379,015	N/A	-	-	-	-	379,015
Municipal bonds/notes	259,683	N/A	-	-	259,683	-	-
Federal agency collateralized mortgage obligations	258,194	N/A	258,194	-	-	-	-
Held by trust:							
PARS pooled trust - pension	<u>2,522,893</u>	N/A	<u>2,522,893</u>	-	-	-	-
Total	<u>\$27,811,619</u>		<u>17,202,407</u>	<u>2,413,633</u>	<u>5,918,885</u>	<u>1,108,883</u>	<u>1,167,811</u>

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, 2019, 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:

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments (Continued)

<u>Investment Type</u>	<u>Reported Amount</u>
U.S Treasury bonds	\$11,050,902
Medium term notes	6,661,671
Certificates of deposit	2,520,047
Supra-national agency bonds/notes	1,708,210
Asset-backed security/collateralized mortgage obligations	1,192,600
CAMP	788,796
Federal agency bonds/notes	469,608
LAIF	379,015
Municipal bonds/notes	259,683
Federal agency collateralized mortgage obligations	258,194

Investment in State Investment Pool

The District is a voluntary participant in 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.

Investment in CAMP

The District is a voluntary participant in the CAMP, which is an investment pool offered by the California Asset Management Trust. The trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500, et seq.) for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. In accordance with Section 53601(p) of the California Government Code, CAMP's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601. The District reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2019, fair value approximated cost and had an average maturity of less than 60 days.

Cash and Investments - OPEB and Pension Trusts

The District pre-funds the District's pension plans and OPEB health plan through tax qualified irrevocable trusts, organized under Internal Revenue Code Section 115. Pension and OPEB trust fund assets are held on behalf of the District by the Public Agency Retirement Services (PARS). The District provides investment direction and determines the amount and timing of disbursements for PARS trust fund assets.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments (Continued)

Those guidelines are as follows:

Risk Tolerance	Moderate
Risk Management	The portfolio is constructed to control risk through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.
Investment Objective	To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.
Strategic Ranges	<u>OPEB</u> 0% - 10% Cash 40% - 60% Fixed Income 40% - 60% Equity <u>Pension</u> 0% - 10% Cash 45% - 65% Fixed Income 30% - 50% Equity

Fair Value Measurement

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2019:

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments (Continued)

Investment Type	Fair Value Hierarchy				Fair Value
	N/A	Level 1	Level 2	Level 3	
U.S. Treasury bonds	\$ -	11,050,902	-	-	11,050,902
Medium term notes	-	-	6,661,671	-	6,661,671
Certificates of deposit	-	-	2,520,047	-	2,520,047
Supra-national agency bonds/notes	-	-	1,708,210	-	1,708,210
Asset-backed security/collateralized mortgage obligations	-	-	1,192,600	-	1,192,600
CAMP	788,796	-	-	-	788,796
Federal agency bonds/notes	-	-	469,608	-	469,608
LAIF	379,015	-	-	-	379,015
Municipal bonds/notes	-	-	259,683	-	259,683
Federal agency collateralized mortgage obligations	-	-	258,194	-	258,194
Held by trust:					
PARS pooled trust - pension	<u>2,522,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,522,893</u>
Total investments	<u>\$ 3,690,704</u>	<u>11,050,902</u>	<u>13,070,013</u>	<u>-</u>	<u>27,811,619</u>

(3) Operating Leases as Lessor

South Bay Family Health Care Center

The District entered into a lease agreement with South Bay Family Healthcare Center 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 is adjusted by the cost of living adjustment. As of the most recent cost of living adjustment, the monthly base rent has increased to \$13,372.

Torrance Health Association (formerly Cancer Care Associates Medical Group)

The District entered into a lease agreement dated December 8, 1999, with Cancer Care Associates Medical Group to lease 10,886 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 and commenced on 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 in April 2011 and November 1, 2016. As of the most recent addendum, the monthly base rent has increased to \$33,588.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(3) Operating Leases as Lessor (Continued)

Sunrise Beach Cities Assisted Living, LP

The District has entered into a lease agreement dated December 11, 1997, with Sunrise Beach Cities 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 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 to 10 years as detailed in the lease agreement. As of the most recent cost of living adjustment, the monthly base rent has increased to \$23,333.

U.S. Renal Care, Inc.

The District and U.S. Renal Care, Inc. (formerly 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 of 514 North Prospect Avenue, Redondo Beach. The sixth amendment to the lease dated January 10, 2013, increased the monthly base rent to \$6,022, effective on January 1, 2013, and will increase base rent annually by 3% each remaining year of the lease. As of June 30, 2019, the base rent has increased to \$6,705 per month.

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 that commenced on March 1, 2005, and the monthly lease payment is \$36,036. The lease term has been extended through February 28, 2020, and the base rent has increased to \$42,544. The base rent will be adjusted by a factor of 3% of the base rent paid in the immediate preceding 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, Inc. to lease 35,008 square feet located at 514 N. Prospect Ave. The lease is for a term of 10 years and commenced in May 2006. At the start of the lease agreement, the base rent for the lease 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 July 2019 changed the base rent to \$75,441 per month.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(3) **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 and commenced in April 2012. At the start of the lease agreement, the base rent for both the lease and a reimbursement to the District for common area operating expenses was a total of \$24,382 per month. The base rents 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. As of June 30, 2019, the monthly base rent has increased to \$27,993.

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 and commenced in 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. As of June 30, 2019, the monthly base rent has increased to \$14,578.

SafetyBeltSafe U.S.A.

The District entered into a lease agreement dated August 1, 2016, with SafetyBeltSafe U.S.A., to lease L6 (Lower Level) approximately 682 square feet at 514 N. Prospect Avenue, Redondo Beach. The lease is for a term of 5 years and commenced on October 1, 2016 and expired on September 30, 2021. Per the lease agreement, the base rent for the lease and reimbursement to the District for common area operating expenses was a total of \$1,364 per month payable on the 1st day each month following the commencement date of the lease. The base rent is to increase annually according to the provision provided in Exhibit B of the lease agreement during the duration of the lease. As of June 30, 2019, the monthly base rent is \$1,507.

California State University Dominguez Hills

The District entered into a lease agreement dated May 25, 2016, with California State University Dominguez Hills, to lease approximately 1,280 square feet of space located at 514 N. Prospect Avenue, Redondo Beach. The lease is for a term of 5 years and commenced in July 1, 2016. Per the lease agreement, the base rent for the lease is a total of \$3,264 per month payable on the 1st day each month following the commencement date of the lease.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(3) **Operating Leases as Lessor (Continued)**

Leaps and Bounds Child Development Center

The District entered into a lease agreement dated May 18, 2006, with Leap and Bound Child Development Center, LLC, to lease the 2-story building consisting of approximately 6,200 square feet situated on approximately 15,808 square feet of land including parking area located at 601 South Pacific Coast Highway, Redondo Beach. The lease is for a term of 10 years and commenced in May 18, 2006. The base rent for the lease and reimbursement to the District for common area operating expenses was a total of \$12,400 per month and is increased annually at the rate of 2% annually. As of June 30, 2019, the monthly base rent is \$15,390.

Beach District Surgery Center

The District entered into a lease agreement dated January 25, 2005, with Beach District Surgery Center, LP, to lease the first floor consisting of approximately 13,104 square feet located at 514 N. Prospect Avenue, Suite 100, Redondo Beach. The lease is for a term of 5 years and commenced in March 1, 2005. The base rent for the lease and reimbursement to the District for common area operating expenses was a total of \$36,036 per month payable on the 1st day each month following the commencement date of the lease. As of June 30, 2019, the monthly base rent is \$42,545.

(4) **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, 2019, the note had an unpaid balance of \$5,145,380 and a remaining unamortized purchase discount of \$2,016,696, resulting in the reporting of an investment in note receivable at a net cost of \$3,218,684.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(4) Notes Receivable (Continued)

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 776,988	380,671	1,157,659
2021	840,976	316,683	1,157,659
2022	910,234	247,425	1,157,659
2023	985,195	172,464	1,157,659
2024	1,066,330	91,329	1,157,659
2025	<u>565,657</u>	<u>13,172</u>	<u>578,829</u>
Totals	<u>\$ 5,145,380</u>	<u>1,221,744</u>	<u>6,367,124</u>

On January 5, 2011, the District executed a standard industrial/commercial single tenant lease agreement and a revolving promissory note with Beach Cities Child Development Center for the premises located at 514 Prospect Avenue, Redondo Beach. 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 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 outstanding amount under the 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, 2019, the note has a balance of \$88,266. Principal and interest to be received on the note are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 57,812	4,347	62,159
2021	<u>30,454</u>	<u>625</u>	<u>31,079</u>
Totals	<u>\$ 88,266</u>	<u>4,972</u>	<u>93,238</u>

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(4) Notes Receivable (Continued)

As of June 30, 2019, the District's net investment in notes receivable was:

Ducot note – unpaid balance	\$ 5,145,380
Ducot note – unamortized purchase discount	<u>(2,016,696)</u>
Net investment in notes receivable	3,128,684
Note – Beach Cities Child Development Center	88,266
Other Notes Receivable	<u>1,692</u>
Total net investment in notes receivable	<u>\$ 3,218,642</u>

(5) Capital Assets

Changes in capital assets for governmental activities for the fiscal year ended June 30, 2019 were as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Capital assets not being depreciated:				
Land	\$ 4,401,926	-	-	4,401,926
Construction in progress	<u>1,793,459</u>	<u>1,067,548</u>	<u>(169,574)</u>	<u>2,691,433</u>
Total capital assets not being depreciated	<u>6,195,385</u>	<u>1,067,548</u>	<u>(169,574)</u>	<u>7,093,359</u>
Capital assets being depreciated:				
Buildings and improvements	47,022,867	719,533	-	47,742,400
Equipment, furniture and fixtures	<u>1,066,822</u>	<u>202,859</u>	<u>-</u>	<u>1,269,681</u>
Total capital assets being depreciated	<u>48,089,689</u>	<u>922,392</u>	<u>-</u>	<u>49,012,081</u>
Less accumulated depreciation for:				
Buildings and improvements	(28,172,722)	(1,605,909)	-	(29,778,631)
Equipment, furniture and fixtures	<u>(823,548)</u>	<u>(119,919)</u>	<u>-</u>	<u>(943,467)</u>
Total accumulated depreciation	<u>(28,996,270)</u>	<u>(1,725,828)</u>	<u>-</u>	<u>(30,722,098)</u>
Capital assets being depreciated, net	<u>19,093,419</u>	<u>(803,436)</u>	<u>-</u>	<u>18,289,983</u>
Capital assets, net	<u>\$ 25,288,804</u>	<u>264,112</u>	<u>(169,574)</u>	<u>25,383,342</u>

Depreciation expense was charged to Preventive Health Services in the amount of \$1,725,828.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(6) 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. 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 June 30, 2019, after allocation of partnership income (loss) and distributions from the partnership to the District, the investment in the Sunrise Beach Cities Assisted Living, L.P. was \$10,160,800. Financial statements may be obtained by sending a written request to Sunrise Senior Living, LLC, 7902 Westpark Drive, McLean, VA 22102.

Beach District Surgery Center, LLC

In August 2004, the District executed an agreement to enter into a partnership with Beach District Surgery Center, LLC and contributed \$52,500 to acquire a 5% limited partnership interest. The Beach District Surgery Center, LLC is currently leasing a surgical space in the District's building located at 514 N. Prospect Ave, Redondo Beach. The partnership is managed by Beach District Surgery Center, LLC, and additional information regarding the partnership can be obtained by contacting the District. As of June 30, 2019, after allocation of partnership income (loss) and distributions from the partnership to the District, the investment in the Beach District Surgery Center, LLC, was \$54,814. Financial statements may be obtained by sending a written request to Beach District Surgery Center, LLC, 514 N. Prospect Ave Suite 100, Redondo Beach, CA 90277.

(7) Long-Term Liabilities

The following is a summary of changes in Governmental Activities long-term debt for the fiscal year ended June 30, 2019:

	<u>Balance as of July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2019</u>	<u>Due Within One Year</u>
Capital leases payable	\$ 3,668,154	-	(467,890)	3,200,264	483,232
Compensated absences payable	<u>302,187</u>	<u>166,369</u>	<u>(138,495)</u>	<u>330,061</u>	<u>139,613</u>
Total	<u>\$ 3,970,341</u>	<u>166,369</u>	<u>(606,385)</u>	<u>3,530,325</u>	<u>622,845</u>

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Liabilities (Continued)

Capital Leases 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 year ended June 30, 2019, the District made the principal payment of \$467,890. The outstanding balance was \$3,200,264 at June 30, 2019. The following is a summary of future minimum lease payment requirements:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 483,232	236,768	720,000
2021	523,028	196,972	720,000
2022	566,102	153,898	720,000
2023	612,723	107,277	720,000
2024	663,184	56,816	720,000
2025	<u>351,995</u>	<u>5,675</u>	<u>357,670</u>
Totals	<u>\$ 3,200,264</u>	<u>757,406</u>	<u>3,957,670</u>

(8) Operating Leases as Lessee

Administrative Office – The District entered into an operating lease agreement with Redondo Beach Unified School District to lease 6,954 square feet located at 1200 Del Amo Street, Redondo Beach. The lease is for a term of sixteen 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 to December 31, 2044, and January 1, 2045 to December 31, 2059. The base rent will be adjusted by a factor of 3% biennially on the anniversary of the rent date. However, the base rent will be reduced for the last 10 years of the original term by an amount equal to the amortized tenant improvements, 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:

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(8) Operating Leases as Lessee (Continued)

<u>Fiscal Year Ended June 30,</u>	<u>Annual Payment</u>
2020	\$ 78,106
2021	67,760
2022	69,008
2023	70,256
2024	71,510
2025-2030	<u>416,906</u>
Total	<u>\$ 773,546</u>

(9) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous and PEPRM Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by CalPERS.

Benefit provisions under the Plans are established by State statute and Local Government resolution. A full description of the pension plan benefit provisions, assumptions (for funding purposes but not accounting purposes), and membership information is listed in the June 30, 2016 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan (Continued)

	<u>Miscellaneous</u>	<u>PEPRA</u>
	Prior to	On or after
	January 1, 2013	January 1, 2013
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-60	52-62
Monthly benefits, as a percentage of eligible compensation	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	6.886%	6.250%
Required employer contribution rates	7.612%	6.555%

Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. The Plan’s actuarially is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contributions rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions used to determine Total Pension Liability

The June 30, 2017 valuation was rolled forward to determine the June 30, 2018 total pension liability, based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal in accordance with GASB 68
Asset valuation method	Market value of assets
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Payroll growth	Varies by entry age and service
Investment rate of return	7.15% net pension plan investment and administrative expenses; includes inflation
Mortality rate table ¹	Derived using CalPERS’ membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

¹ The mortality table used was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(9) **Defined Benefit Pension Plan (Continued)**

For more details on this table, please refer to the 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1 – 10 ²	Real Return Years 11+ ³
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92)%

¹ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan (Continued)

Allocation of Net Pension Liability and Pension Expense to Individual Employers

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer’s share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations of individual plan amounts as of the valuation date are used where not available.

The following table shows the Plan’s proportionate share of the net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2017 (MD)	\$ 12,837,263	10,177,596	2,659,667
Balance at: 6/30/2018 (MD)	14,276,403	11,717,027	2,559,376
Net Changes during 2017-18	1,439,140	1,539,431	(100,291)

The District’s proportionate share of the net pension liability as of June 30, 2017 and 2018 was as follows:

	Miscellaneous
Proportion – June 30, 2017 (MD)	0.06747%
Proportion – June 30, 2018 (MD)	0.06791%
Change – Increase (Decrease)	0.00044%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan’s net pension liability	\$ 4,490,562	2,559,376	965,214

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan (Continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The EARSL for PERF C for the measurement date ending June 30, 2017 is 3.8 years, which was obtained by dividing the total service years of 516,14 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (June 30, 2017), the NPL was \$2,659,667. For the measurement period ending June 30, 2018 (the measurement date), the District recognized pension expense of \$375,227 for the Plan (the pension expense for the risk pool for the measurement period is \$584,881,668).

As of June 30, 2018, the District reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 291,776	71,509
Differences between Expected and Actual Experience	98,199	33,416
Differences between Projected and Actual Investment Earnings	12,653	-
Differences between Employer's Contributions and Proportionate	-	201,141
Change in Employer's Proportion	242,018	-
Pension Contributions Made Subsequent to Measurement Date	298,759	-
Totals	\$ 943,405	306,066

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan (Continued)

The \$201,141 deferred inflows of resources are derived from the difference between actual contributions made by the employer and the employer’s proportionate share of the risk pool’s total contributions. The employer’s pension expense is adjusted for the amortization of this additional deferral. This item is required to be amortized over the plan’s Expected Average Remaining Service Lives (EARSL). The \$298,759 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows / (Inflows) of Resources
2020	\$ 272,733
2021	163,850
2022	(74,984)
2023	<u>(23,019)</u>
Total	<u>\$ 338,580</u>

(10) 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 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 Basic Financial Statements

(Continued)

(10) 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. The District makes no contribution to the plan on behalf of the members.

(11) Other Post-Employment Benefits (OPEB)

Plan Description

The District provides health care benefits for retired employees and their beneficiaries through an agent-multiple employer defined retiree healthcare plan. The Other Postemployment Benefits Plan (the Plan) is administered by CalPERS.

In 2018, the District established a trust with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for the District’s OPEB plan under Section 115 of the Internal Revenue Code. Contributions to the OPEB Trust and earnings on those contributions are irrevocable.

The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. Copies of PARS’s annual financial report may be obtained from its executive office at 4350 Von Karman Ave. Suite 100, Newport Beach, California 92660.

The District’s OPEB Plan does not issue a separate financial report.

Benefit’s provided

For all covered employees, the District contributes the actual cost of insurance up to the legally required Public Employees Medical & Hospital Care Act (PEMHCA) minimum contribution (\$136 per year in 2019). Benefits vary by hire date, employment status and employment classification and continue to the surviving spouses.

The District makes medical insurance available after the age of 50 to all employees, who meet the requirement of 5 years of service.

Employees Covered

As of the June 30, 2018 measurement date, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	65
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to, but not yet receiving benefits	<u>13</u>
Total	<u><u>83</u></u>

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(11) Other Post-Employment Benefits (OPEB) (Continued)

Contributions

The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019, the District’s cash contributions were \$7,477 in benefit payments and the estimated implied subsidy was \$11,449 resulting in total payments of \$18,926.

OPEB Liability

The District’s OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the OPEB Liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.87% at June 30, 2018 (Bond Buyer 20-Bond Index) 3.58% at June 30, 2017 (Bond Buyer 20-Bond Index)
Inflation	2.75% annually
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality Rate ⁽¹⁾	Derived using CalPERS’ Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS’ Membership Data for all funds
Healthcare Trend Rate	Non-Medicare: 7.5% for 2019 decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare: 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years

⁽¹⁾ Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

⁽²⁾ The pre-retirement turnover information was developed based on CalPERS’ specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(11) Other Post-Employment Benefits (OPEB) (Continued)

Changes in the OPEB Liability

The changes in the OPEB Liability for the HC Plan are as follows:

	Total OPEB Liability
Balance at June 30, 2018 (<i>Valuation Date June 30, 2017</i>)	\$ 672,827
Changes recognized for the measurement period:	
Service cost	94,484
Interest	27,131
Changes of assumptions	(38,141)
Benefit payments	(18,926)
Net Changes	64,548
Balance at June 30, 2019 (<i>Measurement Date June 30, 2018</i>)	\$ 737,375

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB Liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
OPEB Liability	\$881,288	\$737,375	\$624,412

Sensitivity of the OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the OPEB Liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease	Current Trend	1% Increase
OPEB Liability	\$596,663	\$737,375	\$927,457

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(11) Other Post-Employment Benefits (OPEB) (Continued)

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years	
All other amounts		Expected average remaining service lifetime (EARSL) (10.8 Years at June 30, 2018)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$109,592. As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions Employer Contributions Made Subsequent to Measurement Date	\$ - 643,863	110,667 -
Totals	\$ 643,863	110,667

The \$643,863 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the OPEB Liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ (12,136)
2021	(12,136)
2022	(12,136)
2023	(12,136)
2024	(12,136)
Thereafter	<u>(49,987)</u>
Total	\$ <u>(110,667)</u>

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(12) 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 and 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 \$250 comprehensive and \$500 collision deductibles.

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(12) Risk Management (Continued)

Property and Earthquake Insurance

The coverage of this insurance includes all risk of direct physical loss or damage including earthquake and flood, boiler and 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, \$3,500,000 earthquake and flood limit but only for locations 9, 12 & 13 of the Alliant Property Schedule and \$100,000,000 of boiler and machinery loss limit per occurrence. The primary terrorism limit is shared by all of the insured per the Public Entity Property Insurance Program (PEPIP). The deductible amounts per occurrence are \$25,000 for all risk, 5% per unit of insurance subject to \$100,000 minimum for Earthquake, \$250,000 for Flood in Zones A & V, \$100,000 for Flood in zones other than A & V, \$25,000 for boiler and machinery, and \$25,000 for primary terrorism.

(13) Restatements of Prior Year Financial Statements

During the year ended June 30, 2019, the district corrected an error associated with the prior amortization of the Ducot note receivable discount. The effect of this restatement is as follows:

	Governmental Activities Net Position	General Fund Fund Balance
As previously reported	\$ 59,373,076	39,249,735
Adjustment	<u>1,447,652</u>	<u>1,447,652</u>
As restated	<u>\$ 60,820,728</u>	<u>40,697,387</u>

Required Supplemental Information

BEACH CITIES HEALTH DISTRICT

Schedule of the Plan's Proportionate Share of the Net Pension Liability
and Related Ratios as of the Measurement Date

Year Ended June 30, 2019

(With comparative information for the last 10 years) *

	Measurement Date				
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Plan's proportion of the net pension liability (asset)	0.0291%	0.0566%	0.0637%	0.0675%	0.0679%
Plan's proportionate share of the net pension liability (asset)	\$ 1,806,648	\$ 1,552,792	\$ 2,212,946	\$ 2,659,667	\$ 2,559,376
Plan's covered payroll	\$ 3,370,822	\$ 3,443,030	\$ 3,666,056	\$ 3,865,015	\$ 3,948,862
Plan's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	53.5967%	45.0996%	60.3631%	68.8139%	64.8130%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's proportionate share total pension liability	81.1494%	80.4073%	79.2817%	26.1326%	21.8432%
Plan's proportionate share of aggregate employer contributions	\$ 221,150	\$ 312,865	\$ 338,198	\$ 385,083	\$ 446,314

* The fiscal year ended June 30, 2015 was the first year of implementation, therefore information for the period previous to that measurement date is unavailable.

BEACH CITIES HEALTH DISTRICT

Schedule of Pension Plan Contributions

Year Ended June 30, 2019

(With comparative information for the last 10 years) *

	Fiscal Year				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Actuarially determined contribution	\$ 284,802	246,826	269,230	271,274	298,759
Contributions in relation to the actuarially determined contribution	<u>(284,802)</u>	<u>(246,826)</u>	<u>(269,230)</u>	<u>(271,274)</u>	<u>(298,759)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 3,443,030	3,666,056	3,865,015	3,948,862	4,213,339
Contributions as a percentage of covered payroll	8.27%	6.73%	6.97%	6.87%	7.09%

* The fiscal year ended June 30, 2015 was the first year of implementation, therefore information for the period previous to that measurement date is unavailable.

BEACH CITIES HEALTH DISTRICT

Schedule of the Plan's Proportionate Share of the OPEB Liability
and Related Ratios as of the Measurement Date
Year Ended June 30, 2019

(With comparative information for the last 10 years) *

	Measurement Period	
	2016-2017	2017-2018
Total OPEB Liability		
Service cost	\$ 109,329	\$ 94,484
Interest on the total OPEB liability	21,440	27,131
Actual and expected experience difference	-	-
Changes in assumptions	(93,266)	(38,141)
Changes in benefit terms	-	-
Benefit payments	(15,287)	(18,926)
Net change in total OPEB liability	22,216	64,548
Total OPEB liability - beginning	650,611	672,827
Total OPEB liability - ending	\$ 672,827	\$ 737,375
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered payroll	\$ 3,948,862	\$ 3,948,380
OPEB liability as a percentage of covered payroll	17.04%	18.68%

* The fiscal year ended June 30, 2018 was the first year of implementation, therefore information for the period previous to that measurement date is unavailable.

Notes to Schedule:

Changes in assumptions. The discount rate was changed from 3.58 percent to 3.87 for the measurement period ended June 30, 2018.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

BEACH CITIES HEALTH DISTRICT

Schedule of OPEB Plan Contributions

Year Ended June 30, 2019

(With comparative information for the last 10 years) *

	Fiscal Year	
	2017-2018	2018-2019
Actuarially Determined Contribution (ADC)	\$ 130,769	\$ 121,615
Contributions in relation to the ADC	(18,926)	(643,863)
Contribution deficiency (excess)	<u>\$ 111,843</u>	<u>\$ (522,248)</u>
Covered payroll	\$ 3,865,015	\$ 3,948,380
Contributions as a percentage of covered payroll	0.49%	16.31%

* The fiscal year ended June 30, 2018 was the first year of implementation, therefore information for the period previous to that measurement date is unavailable.

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019 were from the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	N/A
Inflation	2.75%
Payroll Growth	3% per annum, in aggregate
Investment Rate of Return	N/A
Healthcare cost-trend rates	Non-Medicare: 7.5% for 2019 decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare: 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Retirement Age	Tier 1 employees - 2.5% @55 and Tier 2 employees - 2.0% @62 The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

BEACH CITIES HEALTH DISTRICT
General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual

For Year Ended June 30, 2019
(with comparative data for prior year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2018 Actual
REVENUES:					
Financing and rental income related to lease	\$ 4,463,171	4,463,171	4,992,027	528,856	4,495,927
Property taxes	3,760,620	3,760,620	3,793,278	32,658	3,591,891
Program income	2,880,985	2,880,985	2,809,085	(71,900)	2,671,695
Income from limited partnership	2,161,680	2,161,680	2,071,315	(90,365)	2,473,590
Investment earnings	1,000,840	1,000,840	1,700,327	699,487	555,677
Other revenue	52,315	52,315	38,907	(13,408)	20,306
Intergovernmental	-	-	66,644	66,644	47,986
TOTAL REVENUES	14,319,611	14,319,611	15,471,583	1,151,972	13,857,072
EXPENDITURES:					
Current:					
Salaries and related expenses	6,400,076	6,400,076	6,827,699	(427,623)	5,771,049
Health programs	1,494,558	1,494,558	1,367,437	127,121	1,430,245
Professional fees	1,753,277	1,753,277	1,745,219	8,058	1,613,841
Facilities management	1,518,659	1,518,659	1,599,239	(80,580)	1,530,223
Community relations	587,045	587,045	786,681	(199,636)	556,361
General and administrative	441,966	441,966	398,781	43,185	372,449
Human resources	301,043	301,043	212,553	88,490	181,568
Information services	194,433	194,433	172,013	22,420	146,959
Cost of goods sold	31,268	31,268	28,875	2,393	34,840
Other	72,000	72,000	69,792	2,208	71,784
Capital outlay	4,160,804	4,108,595	1,820,366	2,288,229	1,440,938
Debt service:					
Principal retirement	446,463	446,463	446,463	-	412,493
Interest and other fiscal charges	273,537	273,537	273,537	-	307,507
TOTAL EXPENDITURES	17,675,129	17,622,920	15,748,655	1,874,265	13,870,257
NET CHANGES IN FUND BALANCE	(3,355,518)	(3,303,309)	(277,072)	3,026,237	(13,185)
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED (NOTE 14)	40,697,387	40,697,387	40,697,387	-	39,262,920
FUND BALANCE AT END OF YEAR	\$ 37,341,869	37,394,078	40,420,315	3,026,237	39,249,735

BEACH CITIES HEALTH DISTRICT

Notes to Required Supplementary Information

Year ended June 30, 2019

(1) Pension Information

Summary of Changes of Benefits or Assumptions

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Summary of Actuarial Methods and Assumptions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were from the June 30, 2016 public agency valuations.

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.375%
Inflation	2.50%
Projected Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract Cola up to 2.0% until Purchasing Power Protection Allowance flow on Purchasing Power applies, 2.50% thereafter

(2) Budgetary Information

The Board of Directors of the Beach Cities Health District (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.

BEACH CITIES HEALTH DISTRICT

Notes to Required Supplementary Information

Year ended June 30, 2019

(Continued)

(2) Budgetary Information (Continued)

The following are expenditures exceeded appropriations in the General Fund for the fiscal year ended June 30, 2019:

	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Expenditures in Excess of Appropriation</u>
General Fund:			
Salaries and related expenses	\$ 6,400,076	6,827,699	(427,623)
Facilities management	1,518,659	1,599,239	(80,580)
Community relations	<u>587,045</u>	<u>786,681</u>	<u>(199,636)</u>
Total expenditures	<u>\$ 8,505,780</u>	<u>9,213,619</u>	<u>(707,839)</u>

Statistical Section

Beach Cities Health District
Government-wide Financial Statement
Statement of Activities
Current and Prior Ten Years

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Revenues												
Financing and Rental Income ¹	2,075,747	2,123,750	2,196,821	2,074,595	2,041,241	2,591,094	2,657,864	4,076,146	4,116,447	4,394,800	4,649,091	4,766,430
Property Taxes	2,310,323	2,431,068	2,442,334	2,465,284	2,499,090	2,734,979	2,874,045	2,960,181	3,145,703	3,355,324	3,591,891	3,793,278
Program Revenues	2,658,807	2,605,809	2,370,140	2,395,112	2,431,990	2,417,327	2,806,501	2,376,262	2,572,774	2,702,307	2,671,695	2,809,085
Income from Limited Partnerships	1,023,918	1,223,811	1,204,270	1,136,200	1,151,587	1,574,326	2,134,248	1,919,408	2,083,332	2,001,129	2,473,590	2,071,315
Earnings on Investment	2,544,024	2,400,700	2,651,449	2,032,734	1,854,308	1,037,688	1,235,885	917,677	1,301,865	619,756	555,677	1,700,327
Other Income	171,004	274,302	194,278	143,759	133,951	239,430	170,706	110,180	75,955	26,113	68,292	105,551
Total Revenues	10,783,823	11,059,440	11,059,292	10,247,684	10,112,167	10,594,844	11,879,249	12,359,854	13,296,076	13,099,429	14,010,236	15,245,986
Expenses												
Government Activities												
Salaries & related	4,879,115	5,231,198	5,095,077	5,102,909	5,038,939	5,167,681	5,493,593	5,420,574	5,079,186	5,510,905	6,294,225	6,397,769
Health Programs	1,771,475	1,603,432	1,466,357	1,413,255	1,321,735	1,484,011	1,309,116	1,345,957	1,269,788	1,362,201	1,430,245	1,367,437
Professional Fees	950,711	752,736	748,723	1,290,224	1,517,613	1,501,649	1,233,726	1,274,132	1,349,459	1,344,893	1,613,841	1,745,219
Facilities Management ¹	503,298	354,479	528,665	592,614	458,825	333,023	558,702	1,457,267	1,627,570	1,502,474	1,530,223	1,577,812
Community Relations	493,778	406,189	322,529	259,174	197,270	321,082	538,505	748,104	538,321	695,570	556,361	786,681
G & A Miscellaneous	555,255	1,112,549	597,704	594,454	650,302	742,973	457,203	299,102	352,838	276,885	315,722	398,781
Human Resources	154,983	148,591	143,746	131,924	160,070	184,585	194,802	281,259	255,180	275,356	181,568	212,553
Information Systems	81,438	84,254	77,812	108,083	130,722	112,203	166,911	118,294	157,465	148,804	146,959	172,013
Cost of Goods Sold	306,452	257,085	148,077	147,862	124,192	137,891	117,052	47,843	32,958	35,655	34,840	28,875
Other	36,650	270,326	45,694	65,453	54,383	51,895	45,471	58,475	59,445	59,160	71,784	69,792
Interest Cost	533,052	517,680	500,993	482,956	470,530	450,756	419,436	394,683	367,891	338,893	307,507	273,537
Total Activity Expenses	10,266,207	10,738,519	9,675,377	10,188,908	10,124,581	10,487,749	10,534,517	11,445,690	11,090,101	11,550,796	12,483,275	13,030,469
Net Operating Income/<Loss> bf Depreciation	517,616	320,921	1,383,915	58,776	(12,414)	107,095	1,344,732	914,164	2,205,975	1,548,633	1,526,961	2,215,517
Depreciation on Fixed Assets	2,622,145	1,921,110	1,837,173	1,826,248	1,837,610	1,766,544	1,773,383	1,911,166	1,954,717	1,983,688	1,986,001	#####
Net Capital Assets Written-Off											176,595	
Changes in Net Position	(2,104,529)	(1,600,189)	(453,258)	(1,767,472)	(1,850,024)	(1,659,449)	(428,651)	(997,002)	251,258	(435,055)	(635,635)	489,689

1) Starting FY14-15 BOE (Building Operating Expense) Reimbursements from tenants have been reclassified to revenues from expenses in the Audited Financial Statements

Beach Cities Health District
Government-wide Financial Statement
Change in Net Position
Current and Prior Ten Years

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 ¹	2018-19 ²
Beginning Net Position												
Net Investment in Capital Assets	30,281,172	29,642,282	28,704,953	27,835,813	26,650,904	25,352,715	24,157,514	23,675,147	22,754,628	22,572,806	21,873,088	21,620,650
Restricted	-	-	-	-	-	-	-	1,206,766	1,206,761	1,206,761	1,156,708	1,156,708
Unrestricted	47,531,870	46,384,937	45,702,207	46,778,285	46,262,427	45,710,592	39,828,027	36,587,345	36,510,867	36,943,947	37,258,663	36,595,718
	77,813,042	76,027,219	74,407,160	74,614,098	72,913,331	71,063,307	63,985,541	61,469,258	60,472,256	60,723,514	60,288,459	59,373,076
Change in Net Position - By Function												
Operating Income / <Loss>	517,616	320,921	1,383,915	58,776	(12,414)	107,095	1,344,732	914,164	2,205,975	1,548,633	1,526,961	2,215,517
Depreciation/Write-Off of Capital	(2,622,145)	(1,921,110)	(1,837,173)	(1,826,248)	(1,837,610)	(1,766,544)	(1,773,383)	(1,911,166)	(1,954,717)	(1,983,688)	(2,162,596)	(1,725,828)
Current Year Income / <Loss>	(2,104,529)	(1,600,189)	(453,258)	(1,767,472)	(1,850,024)	(1,659,449)	(428,651)	(997,002)	251,258	(435,055)	(635,635)	489,689
Prior Period Audit Restatements	318,706	(19,870)	660,196	66,705	-	(5,418,317)	(2,087,632)				(279,748)	1,447,652
	(1,785,823)	(1,620,059)	206,938	(1,700,767)	(1,850,024)	(7,077,766)	(2,516,283)	(997,002)	251,258	(435,055)	(915,383)	1,937,341
Change in Net Position - By Type												
Net Investment in Capital Assets	(638,890)	(937,329)	(869,140)	(1,184,909)	(1,298,189)	(1,195,201)	(482,367)	(920,519)	(181,822)	(699,718)	(252,438)	562,428
Restricted	-	-	-	-	-	-	1,206,766	(5)	-	(50,053)	-	-
Unrestricted	(1,146,933)	(682,730)	1,076,078	(515,858)	(551,835)	(5,882,565)	(3,240,682)	(76,478)	433,080	314,716	(662,945)	1,374,913
	(1,785,823)	(1,620,059)	206,938	(1,700,767)	(1,850,024)	(7,077,766)	(2,516,283)	(997,002)	251,258	(435,055)	(915,383)	1,937,341
Ending Net Position												
Net Investment in Capital Assets	29,642,282	28,704,953	27,835,813	26,650,904	25,352,715	24,157,514	23,675,147	22,754,628	22,572,806	21,873,088	21,620,650	22,183,078
Restricted	-	-	-	-	-	-	1,206,766	1,206,761	1,206,761	1,156,708	1,156,708	1,156,708
Unrestricted	46,384,937	45,702,207	46,778,285	46,262,427	45,710,592	39,828,027	36,587,345	36,510,867	36,943,947	37,258,663	36,595,718	37,970,631
	76,027,219	74,407,160	74,614,098	72,913,331	71,063,307	63,985,541	61,469,258	60,472,256	60,723,514	60,288,459	59,373,076	61,310,417

1) Beach Cities Health District implemented GASB Statement No. 75 requiring reporting the District's OPEB liability on the Financial Statement resulting in a retroactive restatement of Net Position

2) During the year ended June 30, 2019, the District corrected an error associated with the prior amortization of the Ducot notes receivable discount.

Beach Cities Health District

Fund Financial Statements

Statement of Revenues, Expenditures and Change in Fund Balance

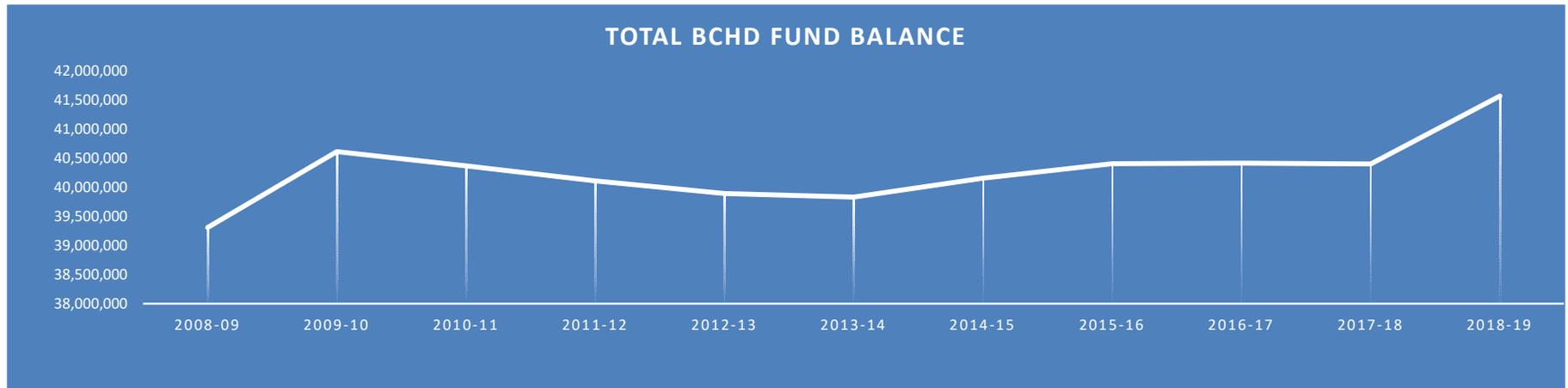
Current and Prior Ten Years

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Revenues											
Financing and Rental Income ¹	2,123,750	2,196,821	2,074,595	2,041,241	2,591,094	2,874,045	4,479,867	4,244,939	4,353,249	4,495,927	4,992,027
Property Taxes	2,431,068	2,442,334	2,465,284	2,499,090	2,734,979	2,806,501	2,960,181	3,145,703	3,355,324	3,591,891	3,793,278
Program Income	2,605,809	2,370,140	2,395,112	2,431,990	2,417,327	2,512,897	2,376,262	2,572,774	2,702,307	2,671,695	2,809,085
Income from Limited Partnership	1,223,811	1,204,270	1,136,200	1,151,587	1,574,326	2,134,248	1,919,408	2,083,332	2,001,129	2,473,590	2,071,315
Investment Earnings	2,400,700	2,651,449	2,032,734	1,854,308	1,037,688	1,235,885	917,677	1,301,865	619,756	555,677	1,700,327
Other Revenue	274,302	194,278	143,759	133,951	239,430	170,706	110,180	75,955	26,251	68,292	105,551
Total Revenues	11,059,440	11,059,292	10,247,684	10,112,167	10,594,844	11,734,282	12,763,575	13,424,568	13,058,016	13,857,072	15,471,583
Expenditures											
Salaries & related	5,231,198	5,062,404	5,069,437	5,005,276	5,133,437	5,464,969	5,420,574	5,392,860	5,726,966	5,771,049	6,827,699
Health Programs	1,603,432	1,466,357	1,413,255	1,321,735	1,501,649	1,309,116	1,345,957	1,269,788	1,362,201	1,430,245	1,367,437
Professional Fees	752,736	748,723	1,290,224	1,517,613	1,484,011	1,233,726	1,274,264	1,349,459	1,344,893	1,613,841	1,745,219
Facilities Management ¹	354,479	528,665	592,614	458,825	333,023	558,702	1,457,267	1,627,570	1,502,474	1,530,223	1,599,239
Community Relations	406,189	322,529	259,174	197,270	321,082	538,505	748,104	538,321	695,570	556,361	786,681
General & Administrative	910,229	378,696	357,410	393,737	465,278	483,255	389,897	428,946	342,506	372,449	398,781
Human Resources	148,591	143,746	131,924	160,070	184,585	194,802	281,259	255,180	275,356	181,568	212,553
Information Systems	84,254	77,812	108,083	130,722	112,203	166,911	118,294	157,465	148,804	146,959	172,013
Cost of Goods Sold	257,085	148,077	147,862	124,192	137,891	117,052	47,843	32,958	35,655	34,840	28,875
Other	270,326	45,694	65,453	54,383	51,895	45,471	58,475	59,445	59,085	71,784	69,792
Principal Retirement	202,320	219,008	237,043	266,715	292,957	300,564	325,317	352,109	381,107	412,493	446,463
Interest & Other Fiscal charges	517,680	500,993	482,956	470,530	450,756	419,436	394,683	367,891	338,893	307,507	273,537
Total Expenditures	10,738,519	9,642,704	10,155,435	10,101,068	10,468,767	10,832,509	11,861,934	11,831,992	12,213,510	12,429,319	13,928,289
Contribution to Fund Balance from Operation	320,921	1,416,588	92,249	11,099	126,077	901,773	901,641	1,592,576	844,506	1,427,753	1,543,294
Capital Investments	781,461	768,895	404,297	371,137	278,386	964,399	573,916	1,344,677	837,317	1,440,938	1,820,366
Excess (deficiency) of Revenue over (under) Expenditures	(460,540)	647,693	(312,048)	(360,038)	(152,309)	(62,626)	327,725	247,899	7,189	(13,185)	(277,072)
Other Financing Sources											
Proceeds from Capital Lease	-	-	-	98,431	-	-	-	-	-	-	-
Net Change in Fund Balances	(460,540)	647,693	(312,048)	(261,607)	(152,309)	(62,626)	327,725	247,899	7,189	(13,185)	(277,072)

1) Starting FY14-15 BOE (Building Operating Expense) Reimbursements from tenants have been reclassified to revenues from expenses in the Audited Financial Statements

**Beach Cities Health District
Fund Financial Statements
Change in Fund Balance
Current and Prior Ten Years**

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Beginning BCHD Fund Balance	39,773,988	39,313,448	40,621,337	40,375,994	40,114,387	39,899,441	39,836,815	40,164,540	40,412,439	40,419,628	40,406,443
Change in Fund Balance											
Operating Income	320,921	1,416,588	92,249	11,099	126,077	901,773	901,641	1,592,576	844,506	1,427,753	1,543,294
Capital Outlay	(781,461)	(768,895)	(404,297)	(371,137)	(278,386)	(964,399)	(573,916)	(1,344,677)	(837,317)	(1,440,938)	(1,820,366)
	(460,540)	647,693	(312,048)	(360,038)	(152,309)	(62,626)	327,725	247,899	7,189	(13,185)	(277,072)
Proceeds from Capital Lease	-	-	-	98,431	-	-	-	-	-	-	-
Restatements per audit	-	660,196	66,705	-	(62,637)	-	-	-	-	-	1,447,652
	(460,540)	1,307,889	(245,343)	(261,607)	(214,946)	(62,626)	327,725	247,899	7,189	(13,185)	1,170,580
General Fund											
Reserved	12,821,687	13,291,295	-	-	-	-	-	-	-	-	-
Unreserved	25,371,285	26,175,875	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	13,635,475	15,364,615	13,984,428	13,657,807	13,362,216	13,096,740	12,702,714	12,693,207	13,535,083
Committed	-	-	-	-	-	-	-	-	20,813,451	20,701,868	17,758,194
Unassigned	-	-	25,564,580	23,558,417	24,708,247	24,972,242	25,595,563	26,108,938	5,746,755	5,854,660	6,604,145
	38,192,972	39,467,170	39,200,055	38,923,032	38,692,675	38,630,049	38,957,779	39,205,678	39,262,920	39,249,735	37,897,422
Special Revenue Funds											
Restricted for medical building purposes	1,120,476	1,154,167	1,175,939	1,191,355	1,206,766	1,206,766	1,206,761	1,206,761	1,156,708	1,156,708	1,156,708
Restricted for 115 Trust - Pension	-	-	-	-	-	-	-	-	-	-	2,522,893
Ending BCHD Fund Balance	39,313,448	40,621,337	40,375,994	40,114,387	39,899,441	39,836,815	40,164,540	40,412,439	40,419,628	40,406,443	41,577,023

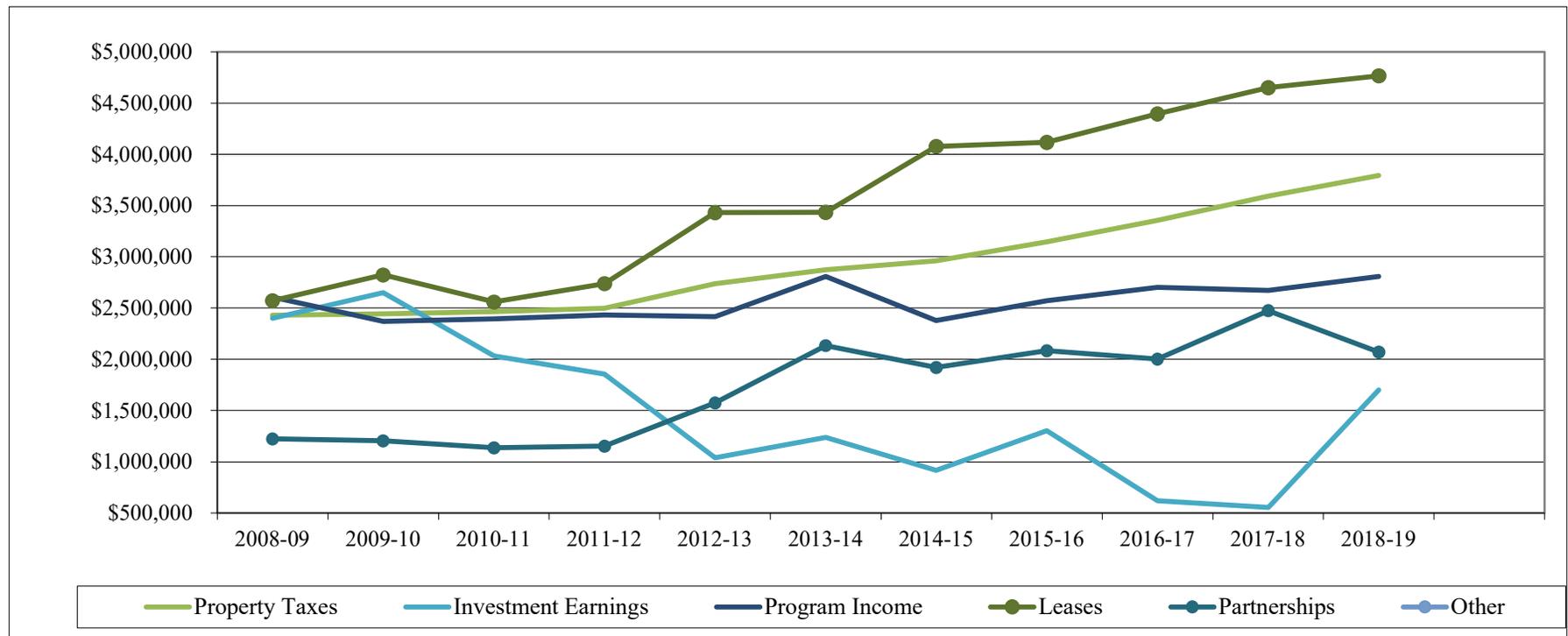


- 1) Categories of Fund Balance were revised in compliance with GASB Statement No. 54 beginning in Fiscal Year 2010-11
- 2) Beach Cities Health District Board of Directors enacted Resolution No. 541 to establishing a "Committed Fund Balance" dedicated to capital investments for 2016-17.
- 3) During the year ended June 30, 2019, the District corrected an error associated with the prior amortization of the Ducot notes receivable discount.

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

TREND BY FUNDING SOURCE

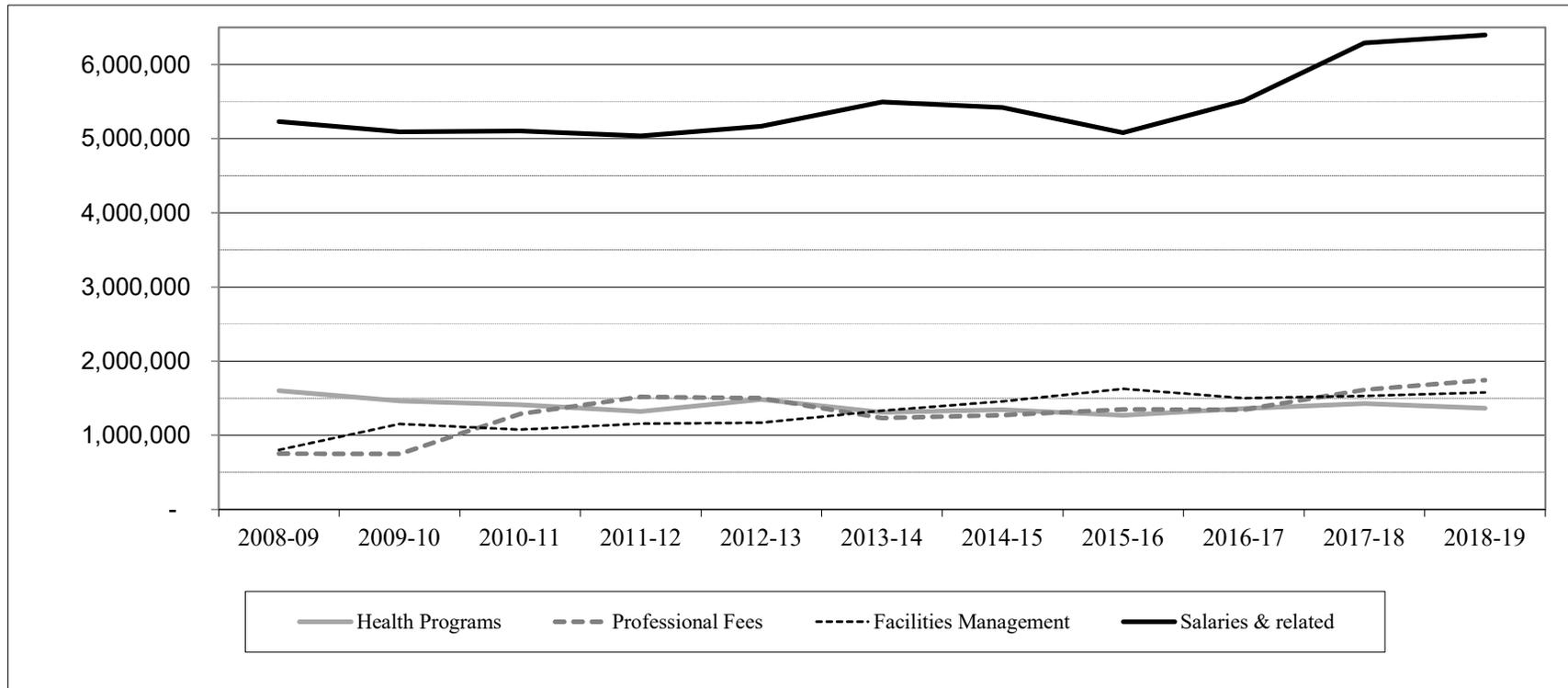
Fiscal Year	Property Taxes	Investment Earnings	Program Income	Leases	Partnerships	Other	Total
2008-09	2,431,068	2,400,700	2,605,809	2,572,590	1,223,811	274,302	11,508,280
2009-10	2,442,334	2,651,449	2,370,140	2,823,318	1,204,270	194,278	11,685,789
2010-11	2,465,284	2,032,734	2,395,112	2,560,192	1,136,200	143,759	10,733,281
2011-12	2,499,090	1,854,308	2,431,990	2,738,616	1,151,587	133,951	10,809,542
2012-13	2,734,979	1,037,688	2,417,327	3,430,176	1,574,326	239,430	11,433,926
2013-14	2,874,045	1,235,885	2,806,501	3,432,690	2,134,248	170,706	12,654,075
2014-15	2,960,181	917,677	2,376,262	4,076,146	1,919,408	110,180	12,359,854
2015-16	3,145,703	1,301,865	2,572,774	4,116,447	2,083,332	75,955	13,296,076
2016-17	3,355,324	619,756	2,702,307	4,394,800	2,001,129	26,113	13,099,429
2017-18	3,591,891	555,677	2,671,695	4,649,091	2,473,590	68,292	14,010,236
2018-19	3,793,278	1,700,327	2,809,085	4,766,430	2,071,315	105,551	15,245,986



Source: Audited Financial Statements

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

Fiscal Year	General Fund										
	Salaries & related	Health Programs	Professional Fees	Community Relations	Facilities Management	General & Administrative	Human Resources	Information Systems	Cost of Goods Sold	Other	Total
2008-09	5,231,198	1,603,432	752,736	406,189	803,319	1,112,549	148,591	84,254	257,085	270,326	10,669,679
2009-10	5,095,077	1,466,357	748,723	322,529	1,155,162	597,704	143,746	77,812	148,077	45,694	9,800,881
2010-11	5,102,909	1,413,255	1,290,224	259,174	1,078,211	594,454	131,924	108,083	147,862	65,453	10,191,549
2011-12	5,038,939	1,321,735	1,517,613	197,270	1,156,200	650,302	160,070	130,722	124,192	54,383	10,351,426
2012-13	5,167,681	1,484,011	1,501,649	321,082	1,172,105	742,973	184,585	112,203	137,891	51,895	10,876,075
2013-14	5,493,593	1,309,116	1,233,726	538,505	1,333,528	457,203	194,802	166,911	117,052	45,471	10,889,907
2014-15	5,420,574	1,345,957	1,274,132	748,104	1,457,267	299,102	281,259	118,294	47,843	58,475	11,051,007
2015-16	5,079,186	1,269,788	1,349,459	538,321	1,627,570	352,838	255,180	157,465	32,958	59,445	10,722,210
2016-17	5,510,905	1,362,201	1,344,893	695,570	1,502,474	276,885	275,356	148,804	35,655	59,160	11,211,903
2017-18	6,294,225	1,430,245	1,613,841	556,361	1,530,223	315,722	181,568	146,959	34,840	71,784	12,175,768
2018-19	6,397,769	1,367,437	1,745,219	786,681	1,577,812	398,781	212,553	172,013	28,875	69,792	12,756,932

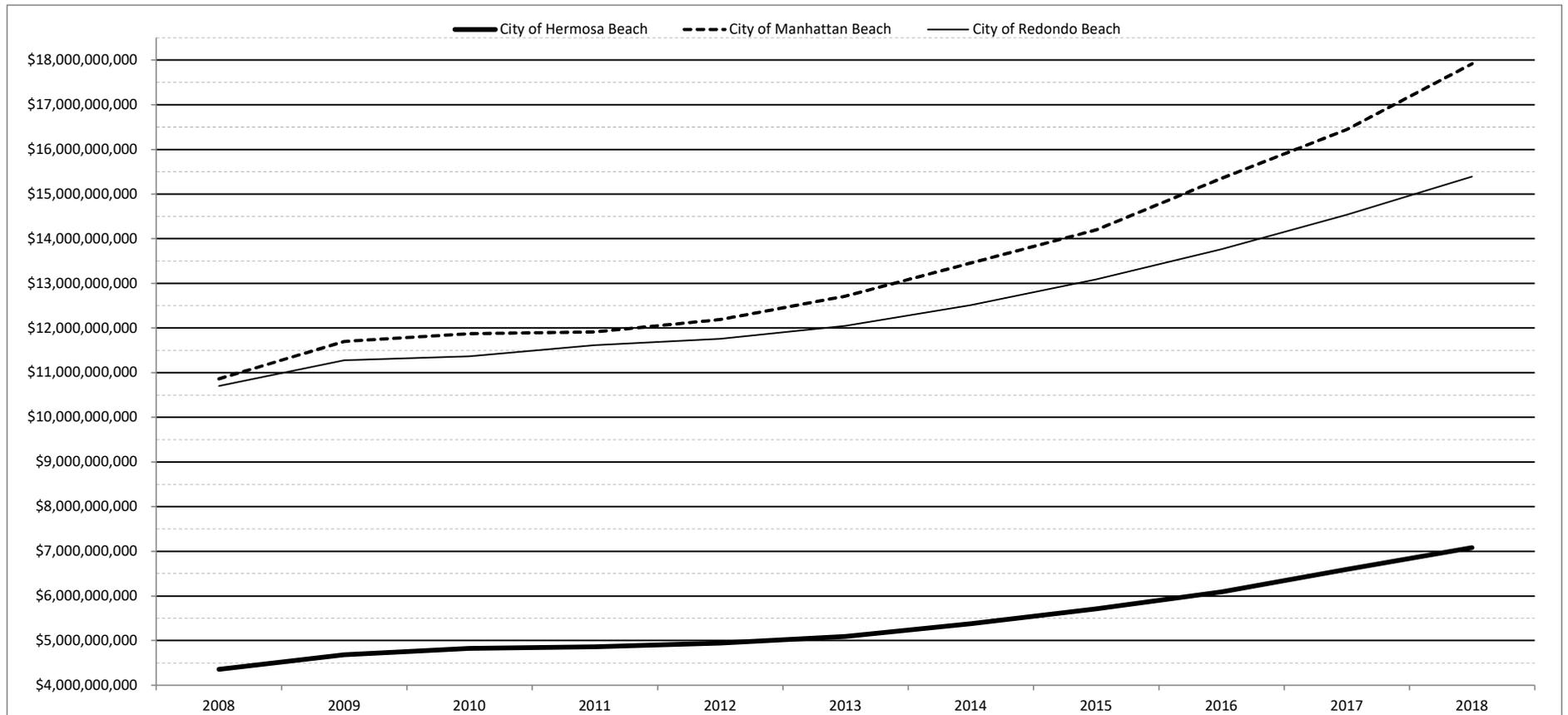


Source: Audited Financial Statements

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

Total Taxable Assessed Value

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City of Hermosa Beach	4,358,357,000	4,681,750,000	4,823,728,000	4,862,223,000	4,944,941,000	5,093,190,000	5,379,727,000	5,711,041,000	6,089,086,000	6,593,784,000	7,082,716,000
City of Manhattan Beach	10,861,350,753	11,697,899,600	11,871,677,111	11,913,602,319	12,190,853,653	12,713,329,765	13,453,303,900	14,196,903,333	15,352,495,483	16,442,347,904	17,917,796,182
City of Redondo Beach	10,702,653,367	11,277,756,486	11,366,238,160	11,615,436,098	11,761,105,629	12,050,139,612	12,512,913,143	13,091,580,729	13,761,158,329	14,535,268,607	15,388,290,107
Total	\$25,922,361,120	\$27,657,406,086	\$28,061,643,271	\$28,391,261,417	\$28,896,900,282	\$29,856,659,377	\$31,345,944,043	\$32,999,525,062	\$35,202,739,812	\$37,571,400,511	\$40,388,802,289
<i>Percentage Increase</i>	<i>19.91%</i>	<i>6.69%</i>	<i>1.46%</i>	<i>1.17%</i>	<i>1.78%</i>	<i>3.32%</i>	<i>4.99%</i>	<i>5.28%</i>	<i>6.68%</i>	<i>6.73%</i>	<i>7.50%</i>
BCHD Property Tax Collected	\$ 2,431,068	\$ 2,442,334	\$ 2,465,284	\$ 2,499,090	\$ 2,734,979	\$ 2,874,045	\$ 2,960,181	\$ 3,145,703	\$ 3,355,324	\$ 3,591,891	\$ 3,793,278
BCHD Effective Property Tax %	0.009378%	0.008831%	0.008785%	0.008802%	0.009465%	0.009626%	0.009444%	0.009533%	0.009531%	0.009560%	0.009392%



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

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 Ten Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City of Hermosa Beach Residents - Total	1.038106%	1.037724%	1.036418%	1.037907%	1.037488%	1.040540%	1.038968%	1.035651%	1.036693%	1.04137%	1.06494%
City of Hermosa Beach *	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Overlapping - Hermosa Beach Residents											
Los Angeles County *	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Hermosa Beach Unified School District	0.017139	0.016398	0.017250	0.018067	0.016904	0.018550	0.017970	0.014729	0.015746	0.014928	0.040245
El Camino community College District	0.016467	0.017026	0.014868	0.016140	0.016884	0.018490	0.017498	0.017422	0.017447	0.022942	0.021199
Metro Water District	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500
City of Redondo Beach Residents - Total	1.0494%	1.0685%	1.0744%	1.0896%	1.1067%	1.1036%	1.1134%	1.1178%	1.1127%	1.1172%	1.1110%
City of Redondo Beach *	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City of Redondo direct rate	0.1872%	0.1861%	0.1877%	0.1882%	0.1858%	0.1875%	0.1578%	0.1623%	0.1625%	0.1627%	0.16206%
Redevelopment Agency	1.004500	1.004300	1.004300	1.003700	1.003700	-	-	-	-	-	-
Overlapping - Redondo Beach Residents											
Los Angeles County *	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Flood Control	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Metropolitan Water District	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500
El Camino Community College District	0.016470	0.017030	0.014870	0.016140	0.016880	0.018490	0.017500	0.017420	0.017450	0.022940	0.021200
Redondo Beach Unified School District	0.028440	0.047140	0.055190	0.069770	0.086100	0.081620	0.092420	0.096890	0.091740	0.090790	0.086300
City of Manhattan Beach Residents - Total	1.05800%	1.12188%	1.11576%	1.14884%	1.11970%	1.15891%	1.16402%	1.09278%	1.08753%	1.09412%	1.11931%
City of Manhattan Beach *	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City of Manhattan Beach Direct Rate	0.1676%	0.1586%	0.1584%	0.1562%	0.1593%	0.1595%	0.1601%	0.1606%	0.1613%	0.1619%	0.1625%
Overlapping - Manhattan Beach Residents											
Los Angeles County *	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Colleges & School Districts	0.053500	0.117580	0.111460	0.145140	0.116000	0.155410	0.1605200	0.0892800	0.0840300	0.0906200	0.1158100
Metro Water District	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.0035000	0.0035000	0.0035000	0.0035000	0.0035000
Flood Control District	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000

* Property Tax Assessment for Beach Cities Health District is included in Los Angeles County Property Tax since 2008 rolled into the 1% General Levy

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			Population Beach Cities Total (1)	Per Capita Personal Income			Per Capita Beach Cities Personal Income Average	Total Beach Cities Income (in thousands) (1) * (2)	Unemployment Rate			Beach Cities Unemployment Rate Average
	City of Redondo Beach (1)	City of Hermosa Beach (1)	City of Manhattan Beach (1)		City of Redondo Beach (2)	City of Hermosa Beach (2)	City of Manhattan Beach (2)			City of Redondo Beach (3)	City of Hermosa Beach (3)	City of Manhattan Beach (3)	
2008	67,099	19,527	36,258	122,884	61,243	42,265	74,345	59,284	7,285,096	6.6%	2.9%	2.6%	4.0%
2009	67,646	19,491	36,583	123,720	40,867	40,867	72,692	51,475	6,368,528	10.8%	4.7%	4.1%	6.5%
2010	66,748	19,599	36,773	123,120	41,025	40,867	76,960	52,951	6,519,286	11.5%	5.5%	4.5%	7.2%
2011	66,970	19,510	35,239	121,719	42,564	42,564	79,541	54,890	6,681,115	11.9%	5.5%	4.4%	7.3%
2012	67,007	19,574	35,423	122,004	44,474	42,564	80,467	55,835	6,812,093	11.2%	4.9%	3.2%	6.4%
2013	67,396	19,653	35,619	122,668	46,530	42,564	82,687	57,260	7,024,011	9.6%	4.5%	2.6%	5.6%
2014	67,717	19,750	35,633	123,100	49,400	46,530	80,386	58,772	7,234,833	8.7%	3.6%	3.4%	5.2%
2015	68,095	19,772	35,297	123,164	53,521	49,400	82,335	61,752	7,605,623	7.4%	3.1%	2.7%	4.4%
2016	68,844	19,801	35,488	124,133	57,160	53,521	83,689	64,790	8,042,577	5.6%	2.2%	2.1%	3.3%
2017	68,907	19,616	35,991	124,514	60,087	55,624	86,192	67,301	8,379,917	5.0%	1.9%	2.6%	3.2%
2018**	68,677	19,673	35,991	124,341	<i>60,087</i>	58,419	<i>86,192</i>	68,233	8,484,118	3.9%	2.2%	2.6%	2.9%

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

** In 2018, if number is in italics and repeated from prior year, the data was not available.

Sources: 1) Hermosa, Manhattan and Redondo Beach Annual Financial Statements
2) U.S. Census Bureau

Beach Cities*
Principal Employers
2018

Employer	Employees	Percentage of
1 Northrop Grumman	8,195	14.74%
2 Redondo Beach Unified School District	783	1.41%
3 Skechers USA, Inc.	779	1.40%
4 Manhattan Beach Unified School District	764	1.37%
5 Target Corporation	622	1.12%
6 Kinecta Federal Credit Union	550	0.99%
7 City of Redondo	439	0.79%
8 City of Manhattan Beach	274	0.49%
9 Fry's Electronics	264	0.47%
10 Cheesecake Factory	261	0.47%
11 United States Postal Service	260	0.47%
12 Marriott MB	233	0.42%
13 DHL	227	0.41%
14 Macy's	176	0.32%
15 24 hour fitness	176	0.32%
16 Ralph's Grocery	167	0.30%
17 Frontier	166	0.30%
18 H T Grill	160	0.29%
19 City of Hermosa	158	0.28%
20 Bristol Farms	129	0.23%
All Others	40,798	73.40%
Total	<u>55,581</u>	100.00%

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

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

Beach Cities Health District

FTE Personnel Summary by Department

Department	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Support Services:													
Business Development and Innovation													0.3
Executive Admin Support	4.0	4.2	2.0	2.0	2.0	2.0	2.0	2.0	2.2	3.7	3.3	3.3	3.4
HR & Volunteer Services	2.0	2.0	5.0	5.0	5.0	5.0	5.0	5.0	3.0	3.0	4.0	5.2	5.6
Finance Services	4.0	4.0	4.0	4.0	4.0	4.0	5.0	4.5	4.5	4.5	4.5	4.7	5.3
Total	10.0	10.2	11.0	11.0	11.0	11.0	12.0	11.5	9.7	11.2	11.8	13.2	14.5
Other Operations													
Health Promotions	2.0	3.0	2.8	3.0	3.0	3.0	3.0	3.0	5.0	5.5	5.6	6.3	5.9
Information Systems	1.0	1.0	-	-	-	-	-	-	-	-	0.2	0.7	0.2
Work Well	-	-	-	-	-	-	-	-	-	0.3	0.3	0.9	0.8
Total	3.0	4.0	2.8	3.0	3.0	3.0	3.0	3.0	5.0	5.8	6.1	7.9	6.9
Property Operations													
Property Management	3.0	4.0	3.0	3.6	3.6	3.0	3.0	3.0	3.0	1.9	1.9	1.6	1.6
BCHD Café	3.0	4.0	-	-	-	-	-	-	-	-	-	-	-
Total	6.0	8.0	3.0	3.6	3.6	3.0	3.0	3.0	3.0	1.9	1.9	1.6	1.6
Health & Fitness Operations													
Adventureplex	22.0	20.0	22.0	22.1	22.1	22.1	20.6	21.9	20.0	19.7	23.5	21.2	19.9
Center for Health & Fitness	19.0	19.0	18.0	17.3	17.3	17.3	17.4	16.1	19.0	16.7	17.9	16.8	19.2
Total	41.0	39.0	40.0	39.4	39.4	39.4	38.0	38.0	39.0	36.3	41.4	38.0	39.1
Life Span Services													
Life Span Admin Services	4.3	5.0	7.0	5.0	5.0	5.0	0.8	0.8	1.0	2.0	3.0	2.0	1.0
Blue Zones Project	-	-	-	1.0	1.0	1.0	2.0	6.0	5.0	5.0	4.0	4.0	4.7
Care Management	8.0	8.0	8.0	8.5	8.5	8.5	10.5	10.3	12.3	11.5	10.2	9.9	10.5
Youth Services	4.0	5.0	6.0	6.3	6.3	6.3	7.8	8.1	5.0	5.1	4.8	4.8	7.0
Total	16.3	18.0	21.0	20.8	20.8	20.8	21.0	25.2	23.3	23.6	21.9	20.7	23.2
Total Positions	76.3	79.2	77.8	77.7	77.7	77.1	77.0	80.7	79.9	78.8	83.1	81.2	85.2

Source: BCHD Annual Budget



Live Well. Health Matters.

DUCOT Capital Lease Liability				
Due Date	Applied to Principal	Applied to Interest	Amortized Balance	Total Annual Payment
30-Jun-19			\$ 3,200,265	
30-Jun-20	483,232	236,768	2,717,033	720,000
30-Jun-21	523,028	196,972	2,194,005	720,000
30-Jun-22	566,102	153,898	1,627,903	720,000
30-Jun-23	612,723	107,277	1,015,180	720,000
30-Jun-24	663,184	56,816	351,996	720,000
30-Jun-25	351,996	8,004	0	360,000
	\$ 3,200,265	\$ 759,735		\$ 3,960,000