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, 2018

BCHD Beach Cities Health District
A Public Agency

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

BEACH CITIES HEALTH DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

514 N. Prospect Avenue
Redondo Beach, California 90277

Prepared by:
Finance Department

Introductory Section

BEACH CITIES HEALTH DISTRICT
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

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November 15, 2018

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, 2018. 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. In Fiscal 2017-18, the District continues its work to achieve its purpose and vision "A Healthy Beach Community". It delivered and funded services and programs to its residents and citizens through the Health and Fitness operations and Life Spans departments; children, youth and adults and older adults, including the Blue Zones approach. Adhering to its health priorities, 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 1984, the District has 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 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 issues in every lifespan—from toddlers and children to families, adults and older adults.

District Services. The Beach Cities Health District services are based on the strategically developed Health Priorities and delivery is organized around functional areas: Life Span Services, Health and Fitness Operations, Other Operations, Property Management and Support services.

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 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.

Older Adult services improve the quality of life and maintain independence for older and disabled residents in the three Beach Cities: confidential in-home assessment, care planning, advocacy, referrals to health and community services, and volunteer services, assistance with participation in Covered California and access to District's Senior, Sick and Disabled Health Fund (for qualified residents).

The Blue Zones project is a multi-discipline effort acting in concert with the cities of Hermosa Beach, Manhattan Beach, Redondo Beach, the three school districts and many employers in these cities. Subject matter experts in worksites, public policy, restaurants, grocery stores, schools and citizen 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 2017.

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.

The Center for Health & Fitness (CHF) is a medically-based, health and fitness facility that targets adults and older adults from physician referrals and from the District at large. CHF provides affordable, age-appropriate physical activities to assist community members in their efforts to achieve optimal health. It offers such as cardio and strength equipment, a variety of fitness classes, including Silver Sneakers and Silver & Fit programs, Personal Training, Yoga, Pilates and Physical Therapy and Nutrition education.

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 play room (a.k.a. Toddler Town). AdventurePlex also focuses on family fun with many special events throughout the year, an array of classes and day camp sessions.

The **Other Operations and Services** include Health Promotions, Volunteer, Work Well 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, etc.

The **Property Management Department** provides around 33% 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 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 $27.7 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 131,000. Redondo Beach being the largest with 58%, Manhattan Beach 27% and Hermosa Beach 15% 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 6% year-over-year. The District's investment income continued to be affected by prolonged low and slowly rising interest rates offset by unrealized losses in market values. The District can manage its realized gains and losses by leveraging three to five-year maturity securities per its Investment Policy strategy but will see realized losses in the coming year as lower interest-premium instruments are replaced with higher interest-premium instruments.

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 Board manages governance with monthly board meetings, with several committees (Finance, Policy, Community Heath, Properties, and Strategic Planning Committees) comprised of two board members and citizens from the three Beach Cities and by 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 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 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.

Independent Audit. The accounting firm of Davis Farr, LLP (previously called Mayer Hoffman McCann P.C.), Certified Public Accountants, was selected by the BCHD Board for fiscal year 2013-14 audit and subsequent four years through fiscal 2017-18. While the District may retain Davis Farr, LLP for future audits, District management will be making an evaluation and providing the Board with a recommended firm for approval. 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 continued earning of the Outstanding Financial Reporting Award certificate issued by CA Society of Municipal Finance Officers (CSMFO) found in the introductory section on page vi.

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,

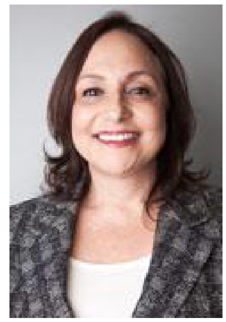
Ms. Monica Suua, CPA, CIA
Chief Financial Officer

Beach Cities Health District
District Officials
June 2018

Noel Chun
M.D.
President

Vanessa I. Poster
President
Pro Tem

Jane Ann Diehl
Secretary -
Treasurer



Michelle Bholat
M.D.
Director

Vish Chatterji
Director

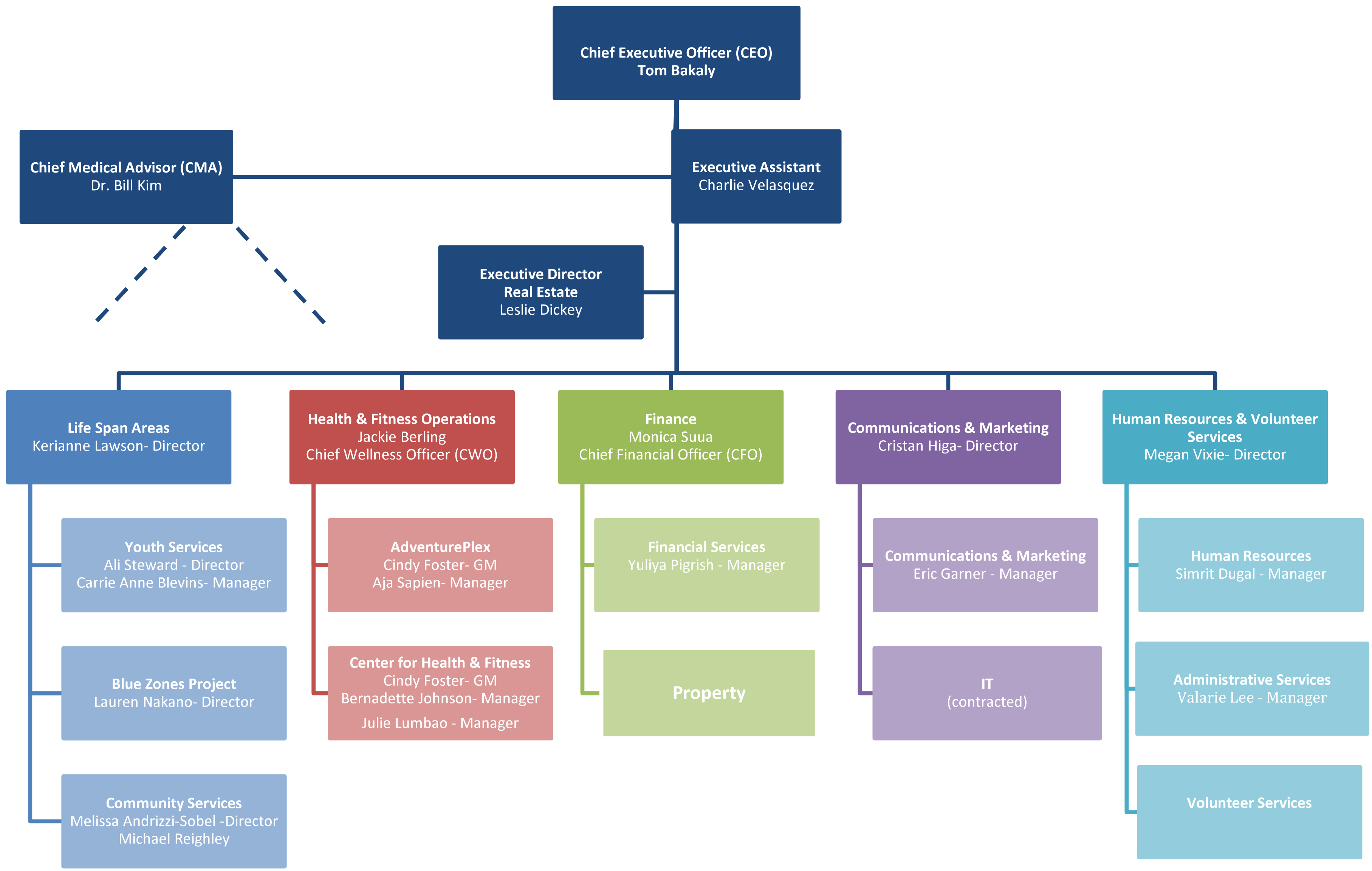
BOARD OF DIRECTORS	ELECTED
Noel Chun, M.D. President	11/06, 11/10[1], 11/14
Vanessa I. Poster, President Pro Tem	11/96, 11/00, 11/04, 11/08, 11/12[1], 11/16
Jane Ann Diehl, Secretary-Treasurer	11/14[1], 11/16
Michelle Bholat, M.D., Director	11/14
Vish Chatterji, Director	06/17[1]

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

FINANCE DEPARTMENT
Yuliya Pigrish, Accounting Manager
Paul Belknap, Business & Data Operations Analyst
Patty Cortez, Payroll Accountant
Charlnisha Garnett, Staff Accountant
Jessica Rodriguez, Finance Assistant
Lisa Sheinberg, Volunteer

1) Appointed in Lieu of Election.

DISTRICT OVERALL



2016-2019: Health Priorities

YOUTH	ADULTS	ADULTS 65+
Nutrition and Exercise	Nutrition and Exercise	Nutrition and Exercise
Mindfulness, Social Emotional Learning and Stress Reduction	Mindfulness, Social Emotional Learning and Stress Reduction	Mindfulness, Social Emotional Learning and Stress Reduction
Substance Use Prevention	Substance Abuse Prevention	Substance Abuse Prevention
Support Evidence-Based Tobacco Control Policies	Support Evidence-Based Tobacco Control Policies	Support Evidence-Based Tobacco Control Policies
Bullying Prevention	End of Life Planning x	Dementia

BCHD Beach Cities Health District

A Public Agency

Live Well. Health Matters.

RESOLUTION NO. 541

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE BEACH CITIES HEALTH DISTRICT
ADOPTING A COMMITTED FUND BALANCE

WHEREAS, the Chief Executive Officer and staff have prepared an annual capital investment budget.

WHEREAS, said capital investment budget funds are drawn from the Committed Fund balance.

WHEREAS the Board of Directors of the Beach Cities Health District can authorize exceptions causing increases or decreases to the Committed Fund balance during the course of the fiscal year.

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

1. That the Beach Cities Health District management will establish a Committed Fund balance at each fiscal year end. Such Committed Fund balance shall be available for use with items on the Board of Directors' approved annual capital investment budget and shall be placed in such investments as determined by the Board of Directors. The Committed Fund balance shall not be used for any other purpose unless the Board of Directors removes or changes the specified use.

2. The Committed Fund balance will be included in the Beach Cities Health District annual audited financial statements.

3. The Committed Fund balance shall be determined at the end of each fiscal year as all funds and other investments held by the Beach Cities Health District, other than an operating reserve equal to fifty percent (50%) of the current year's operating expenses. Such reserve amount shall be the Uncommitted Fund balance.

4. That this resolution shall become effective as of, on and after the 30th day of June, 2017.

PASSED, APPROVED, AND ADOPTED THIS 26th DAY OF JULY, 2017.

Dr. Michelle Bholat

Dr. Michelle Bholat, President
Board of Directors
Beach Cities Health District

ATTEST:

Vanessa Poster

Vanessa Poster, Secretary-Treasurer
Board of Directors
Beach Cities Health District

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting
Fiscal Year 2016-2017

Presented to the

Beach Cities Health District

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

March 19, 2018

Drew Corbett
CSMFO President

Craig Boyer, Chair
Professional Standards and
Recognition Committee

Dedicated Excellence in Municipal Financial Reporting

Financial Section

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
2301 Dupont Drive | Suite 200 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Beach Cities Health District
Redondo Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Beach Cities Health District ("District") as of and for the fiscal year ended June 30, 2018, 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 15.13%, 17.11%, and 16.58%, 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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2018, reflect a certain prior period adjustment as discussed further in note 14 to the financial statements. The prior period adjustment is the result of the District implementing Governmental Accounting Standards Board (GASB) Statement No. 75 related to other post-employment benefits. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

We have previously audited the District's 2017 financial statements, and we expressed an unmodified opinion on the respective governmental activities and each major fund in our report dated January 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 GASB, 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 November 19, 2018 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.

Davis Farr LLP

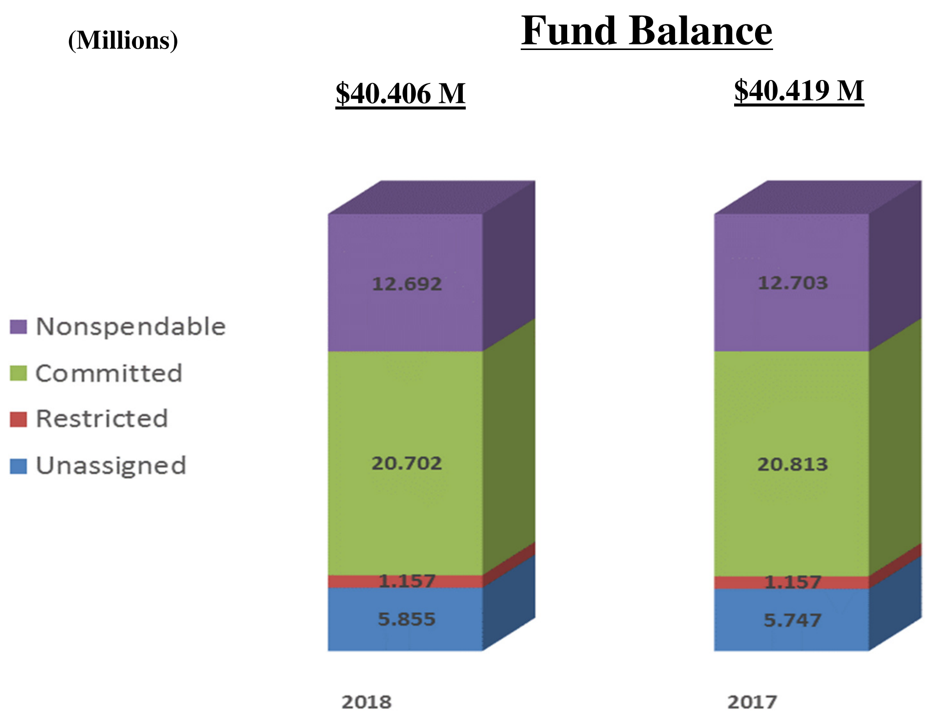
Irvine, California
November 19, 2018

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, 2018. Readers are encouraged to read this information alongside the District's audited financial statements that follow.

Financial Highlights

Beach Cities Health District executed all its services, invested $1,440,000 in capital investments and maintained its obligations using primarily current year's inflows. In fiscal 2016-17 the Board adopted a resolution to maintain a Committed Fund balance to be used for capital investments that will ensure future preservation of BCHD principal and ongoing preventative health services 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.

- Total BCHD Fund Balance $40.4 million decreased by $13,000.
- Nonspendable Fund Balance $12.7 million decreased by $9,000.
    - Prepaid items are $301,000, increased by $180,000
    - Note receivable is $2.2 million, decreased by $270,000
    - Investment in limited partnerships is $10.2 million, increased by $81,000
- Available Fund Balance $26.6 million decreased by $4,000:
    - Committed Fund Balance is $20.7 million, decreased by $112,000
    - Unassigned Fund Balance is $5.9 million, increased by $108,000
    - Restricted (for medical building purposes) Fund Balance $1.2 million, no change.



Total District's FY17-18 inflows of $13.9 million increased by $799,000 compared to FY16-17 with changes in the sources of funds as follows:

- Property taxes increased by $237,000 due to increase in property tax base,
- User fees from the Health and Fitness operations decreased $31,000 due to drop in memberships,
- Financing and Rental income increased by $143,000 due to rental increases and temporary rental of the empty lot on Flagler street,
- Income from Limited Partnerships increased by $472,000 due to much improved operating income from the 80% partnership with Sunrise Senior Living, LLC.
- Investment earnings decreased by $64,000 due to the change in Unrealized/Realized Losses in the investment portfolio market value off-set by interest earnings from the investment portfolio, and
- Other sources increased by $42,000 due renewed service agreement with the City of Manhattan Beach and grant received from CA Mental Health Services department.

74% 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 2017-18 was $3.6 million, 26% of total revenues.

Total District's FY17-18 outflows of $13.9 million increased by $819,000 compared to FY16-17 with changes in the main categories of expenses as follows:

- Capital investments increased by $604,000 from major capital improvements required for the 514 Prospect building and investments in the Healthy Living Campus project,
- Professional Fees increased by $269,000 from increased property management and engineering fees, and investment in the Healthy Minds initiative,
- Direct payment of Health programs increased by $68,000 due to increased pricing of home help services and expansion of programs, and
- Other operating expenses combined, including payroll, administration, community outreach, IT, etc. decreased by $122,000.

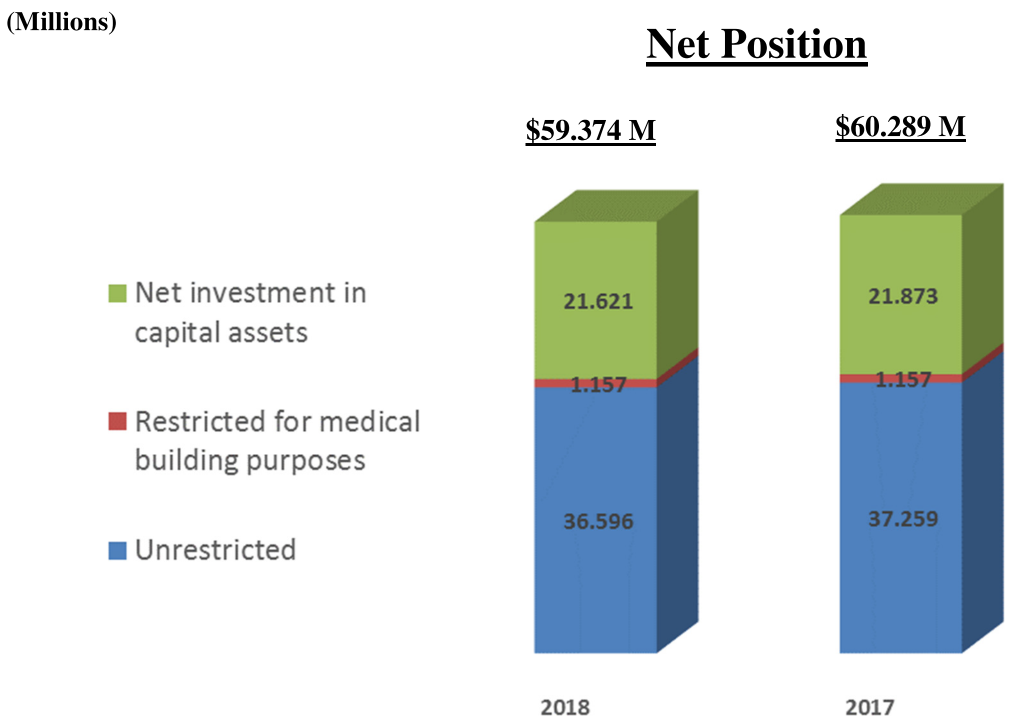
The District also presents its financial statements according to GAAP (Generally Accepted Accounting Principles) called, Government-wide financial statements. The District's Government-wide financial statements convert the Government Fund Financial Statements that depicts current financial resources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

While the District's Cash balance increased by $242,000, total assets decreased by $430,000 (inclusive of deferred balances). Investments in Capital decreased by $722,000, (net of additions, deletions and depreciation) contributing to the main decrease in Net Position.

Total liabilities increased by $485,000 (inclusive of deferred balances.) While the District didn't take on any new debt, noncurrent liabilities increased by $462,000 due to changes in Pension and Other Post-Employment Benefits (OPEB) liabilities.

- Total Net Position of $59.4 million decreased by $915,000,
    - Net capital investments of $21.6 million decreased by $252,000 (net of additions, deletions, depreciation and debt),
    - Special Revenue fund of $1.2 million had no change, and

- Unrestricted funds $36.6 million decreased by $663,000.
  - $280,000 decrease from restating the beginning fund balance due to implementation of GASB Statement No.75 requiring the District to account for the Unfunded Actuarial Accrued Liability, which is the difference between actual plan assets and the actuarial calculated liability, for Other Post-Employment Benefits (OPEB),
  - $499,000 decrease due to increased Pension liability, offset by
  - $116,000 increase due to savings in other operating expenses.



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).

<u>Government-wide financial statements</u> – 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 17-18 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 balance 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 19-23 of this report.

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 20. 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 22.

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 23-59.

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 60-65.

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 page 17-18.

The District's Net Position (page 17), assets plus deferred outflows exceeded liabilities and deferred inflows by $59.4 million at the close of the fiscal year ended June 30, 2018. Which is a decrease in Net Position from prior fiscal year 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 $67.2 million decreased by <$558,000>:
    - Cash and Investments increased $242,000
    - Prepaid items increased by $180,000
    - Investment in Limited Partnership increased by $81,000
    - Accounts Receivable and Amortization of Notes Receivable decrease <$339,000>,
    - Construction-in-Progress (CIP) increased by $1,087,000
    - Capital assets net of accumulated depreciation decreased by <$1,809,000>
- Deferred Outflows of $1.1 million increased by $128,000.
- Total liabilities of $8.5 million increased by $320,000:
    - Current Liabilities, short term payables, increased by $24,000
    - Long-term liabilities increased by $296,000
- Deferred outflows of $0.4 million increased by $166,000

Statement of Net Position
($ Millions)

	Governmental Activities 2018	Governmental Activities 2017	Increase (Decrease)
Assets			
Current and other assets	$ 41.9	$ 41.7	$ 0.2
Capital assets	25.3	26.0	(0.7)
Total assets	67.2	67.7	(0.5)
Deferred Outflows of Resources			
Pension and OPEB Contributions	1.1	1.0	0.1
Liabilities			
Long-term debt outstanding	7.3	7.0	0.3
Other liabilities	1.2	1.2	0.0
Total liabilities	8.5	8.2	0.3
Deferred Inflows of Resources			
Pension and OPEB Contributions	0.4	0.2	0.2
Net Position			
Net investment in capital assets	21.6	21.9	(0.3)
Restricted	1.2	1.2	-
Unrestricted	36.6	37.3	(0.7)
Total Net Position	$ 59.4	$ 60.3	$ (0.9)

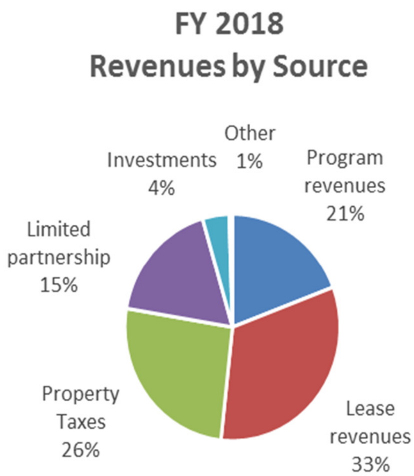
A significant portion of the District's Net Position of $59.4 million, $21.6 million or 36.4%, reflects its net investment at cost in Capital Assets (land, buildings, land and building improvements, furniture, fixtures, computer equipment, fitness equipment, etc.) after depreciation and any liabilities outstanding. The District leverages these capital assets to provide 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.

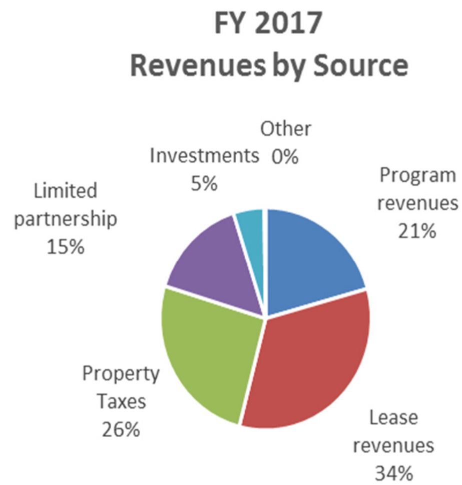
Besides the investments in capital assets, $1.2 million represent resources specifically for Prospect One Corporation restricted for the purpose of constructing and owning medical office buildings, a component unit of Beach Cities Health District. Therefore, the remaining balance of unrestricted net assets, $36.6 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 18. FY17-18 incurred gross expenses including interest on long-term debt and depreciation expense for capital assets of $14.6 million, an 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).

Further in the Statement of Activities, the amount financed by taxpayers through property taxes was $3.6 million, compared to $3.4 million in the prior year. This represents 26% of total revenues; 74% of the Districts services are financed with other funding sources.

As shown in the following chart another 21% of the cost of services was paid by Program Revenues (user fees), those directly benefiting from programs. Program Revenues remained flat compared to prior year at $2.7 million. The remaining 53% ($7.7 million) are revenues generated from District owned resources (property lease revenues, limited partnership income and interest and earnings from investments).





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

As June 30, 2018, pages 19-22, the District's governmental funds reported combined ending fund balances of $40.4 million, a decrease of $13,000 from prior year. 51.2% or $20.7 million is Committed to be available for future capital investments and 14.5% or $5.9 million is Unassigned or available funds for other operating expenditures. The remainder of the fund balance, 34.3% or $13.8 million of assets are Non-spendable: a) $10.2 million are invested in limited partnerships, b) $2.5 are pre-paid items and net notes receivable, and c) $1.2 million is for Prospect One Fund designated a Special Revenue Fund restricted for medical building purposes.

<u>General Fund.</u> The General Fund is the only operating fund of the District. At the end of the current fiscal year, the General Fund balance is $39.3 million, decrease of $13,000 from the

previous year.

The District had an operating surplus of $2.148 million less capital expenditures of $1.441 million and debt service expenditures of $0.720 million, resulting in the $13,000 decrease in Fund Balance.

As a measure of the district's liquidity, i.e. available funds, Committed and Unassigned fund balances represent 191% of current total General Fund expenditures (operating, capital and debt service expenditures).

Special Revenue Fund. Beach Cities Health District's special revenue fund segregates activity related to Prospect One Corporation, established to construct and operate medical office building space on the main campus of the District. 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 year was $1.2 million.

General Fund FY2017-18 Budgetary Highlights versus Actual FY2016-17

In May 2017, the Board of Directors approved a balanced budget for the fiscal year 2017-2018 that forecasted an operating surplus, before capital expenditures, of $501,000. The approved FY2017-18 budget allowed the District to maintain all commitments to preventative health programs and services, improve and add some new programs, like the Garden Program expansion and the Healthy Minds initiative and continue investing in Capital improvements to ensure continued future funding. See page 64 for FY2017-18 budgeted "Net Changes In Fund Balance" of <$4,726,000> adding back capital investments of $5,227,000 (including carry-over capital commitments from prior years), resulting in an operating surplus of $501,000.
The District final budgeted FY2017-18 operating revenues of $13,327,000 was increased by 2% or $269,000 greater than total actual FY2016-17 of $13,058,000. Due to recent fluctuations in both the Income from Limited Partnerships and Investment earnings, the District wanted to show a conservative increase in revenues.

The income from Limited Partnerships budget is mainly affected by the results from the Sunrise Senior Living 80% joint venture that had recently incurred lower occupancy then in prior years due to turnover and required room renovations (i.e. resulting in less rooms available to rent).

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.

The District budgeted operating expenditures of $12,826,000 excluding capital investments, increased by $612,000 or 5% compared to prior year FY2016-17 actual expenses. In general, expenses are anticipated to increase around 2% (considering low inflation rates) except for greater increases in payroll and related expenses to fill open positions 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 the new Healthy Minds Initiative.

Expenditures for Capital Outlay, District's long-term investments in capital assets, of $5,228,000 were included in this FY2017-18 budget. This included projects carried-over from prior years of $2,296,000 and $2,932,000 in new investments ($1,250,000 for the Healthy Living Campus, $77,000 for equipment, and $1,605,000 in improvements for existing buildings.) The District is continuing its Capital improvements in the 514 Prospect building, plus further investments in the Healthy Living Campus. FY16-17 Capital Outlay was $837,317, $365,000 in CIP for Healthy Living Campus, and $383,000 investments in existing buildings and $89,000 in new equipment.

General Fund FY2017-18 Fiscal Year Actual Performance Highlights Compared to Budget

The District's current actual fiscal change in General Fund Balance is <$13,000> compared to a budgeted negative net change of <$4,426,000>. (Page 58.) Most of the difference is due to ongoing Capital Investment projects of $3,787,000 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 $13,857,000 compared to the budget of $13,327,000 are positive by $530,000 as follows:

- Financing and Rental income exceeded budget by $164,000 due greater BOE reimbursements from tenants and rental income from the Flagler street lot not budgeted,
- Property taxes exceeded budget by $213,000 due to improved property values,
- User fees from the Health and Fitness operations were <$90,000> due to lesser memberships, personal training classes and camps than anticipated,
- Income from Limited Partnerships increased by $612,000 due to much improved operating income from the 80% partnership with Sunrise Senior Living, LLC.,
- Investment earnings were <$420,000> due to another year of experiencing Realized and Unrealized Losses in investment portfolio market value of $513,000 combined off-set some by interest earnings from the investment portfolio and notes-receivable, and
- Other sources increased by $51,000 due to renewed service agreement with the City of Manhattan Beach and receipt of unanticipated grant CA Mental Health Services.

Actual expenditures of $13,870,000 compared to the budget of $18,054,000 are positive by $4,183,000 mainly due to capital investments moved to future years. Excluding capital expenditures and payment on debt principal, the District's actual operating expenditures of $11,709,000 is $397,000 less than the operating expenditures budget of $12,106,000. Savings are mainly in payroll not filling all available positions, lesser printing and postage needed for outreach as budgeted and lesser IT Software expense due to delayed implementation of new software to automate workflow for Accounts Payable and customer platform for Community Services.

General Fund FY2017-18 Actual Performance Highlights Compared to FY2016-17 Actual

Actual revenues less expenditures for FY2017-18 decreased the District Fund Balance by <$13,000> compared to actual FY2016-17 increase of $7,000

The main reason for the <$13,000> net change in fund balance in FY2017-18 compared to FY2016-17 is the increased investment in Capital improvements and Healthy Living Campus project. Other reasons are use of increased Professional Services for required elevated property management and engineering cost for the 514 Prospect Avenue building and the Healthy Minds initiative, increased costs for Health Services provided to residents, and increases in payroll due to minimum wage increase.

While in FY17-18 the District paid $819,000 more in expenditures than in FY16-17 including all the Capital investment, revenues were also higher by $799,000 compared to FY16-17. The major increase in revenues were from the Limited Partnership with Sunrise Assisted Living. Their revenues increased by $473,000, Property Taxes receipts increased by $237,000, then rental income increased by $143,000, offset by lesser revenues in investment earnings and User Fees than prior year, FY16-17.

Thus, Fund Balance net change of <$13,000> in FY17-18 compared to FY16-17 net change of positive $7,000, caused in a net change difference year-over-year of <$20,000>, resulted in final fund balances as follows:

- Total BCHD Fund Balance is $40.4 million, decrease by $13,000.
- Available Fund Balance $26.5 million decrease by $4,000:
    - Committed Fund Balance is $20.7 million
    - Unassigned Fund Balance is $5.8 million
- Non-spendable Fund Balance $12.7 million decreased by $9,000.

See below table with summary of changes in revenues, expenditures and fund balance. See page 21 for detail numbers by line item.

REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

	Actual ($ Millions) 2018	2017	Increase (Decrease)
Revenues			
Leasing Revenue	$ 4.5	$ 4.4	$ 0.1
Property Taxes	3.6	3.4	0.2
Program Income	2.7	2.7	0.0
Limited Partnership	2.5	2.0	0.5
Investment Earnings	0.6	0.6	0.0
Other	0.1	0.0	0.1
Total Revenues	13.9	13.1	0.8
Expenditures			
Current			
Salaries & related	5.8	5.7	0.1
Grants & projects	1.4	1.4	0.0
Professional Fees	1.6	1.3	0.3
Facilities Management	1.5	1.5	0.0
Community Relations	0.6	0.7	(0.1)
Human Resources	0.2	0.3	(0.1)
General & Administrative	0.4	0.3	0.1
Information Systems	0.1	0.1	0.0
Cost of Goods Sold	0.0	0	0.0
Other	0.1	0.1	(0.0)
Capital Outlay	1.4	0.9	0.5
Debt Service			
Interest and other fiscal	0.4	0.4	0.0
Principal Retirement	0.3	0.4	(0.1)
	13.9	13.1	0.8
Excess of revenues over (under) expenditures	(0.0)	(0.0)	0.0
Other finance resources	-	-	-
	(0.0)	(0.0)	0.0
Beginning Fund Balance	40.4	40.4	(0.0)
Prior period adjustment	-	-	-
Ending Fund Balance	$ 40.4	$ 40.4	$ (0.0)

Capital Asset and Debt Administration

The District's gross investment in capital assets, page 43 (Note 5), as of June 30, 2018 is $54.3 million at historical cost; $4.4 million in Land, $1.8 million in Construction in Progress and $48.1 million in Buildings and FF&E, which are being depreciated at a current rate of $1.8 million per year.

Net depreciable capital assets after depreciation is $19.0 million. Total $25.3 million of net capital investments include land, buildings, furniture, fixtures, equipment, and land and building improvements all measured at historical cost. In FY17-18 the District added $1.4 million and wrote-off a net $177,000 in capital assets. The net value of capital assets decreased for the current fiscal year by $722,000 or 2.8% due to depreciation expense of $1.8 million which exceeded the $1.1 million in net additions and deletions of capital assets.

Capital asset additions of $1,441,000 for the year:

• CIP – Healthy Living Campus	956,000
• CIP – Software Automations	51,000
• CIP – 1200 Del Amo HVAC Installation	38,000
• CIP – Security Camera Installation	30,000
• CIP – Artesia and 601 PCH Tenant Improvement	12,000
• 514 Prospect Avenue Building Improvements	285,000
• IT Workstations & Server	32,000
• Adventure Plex Play Equipment	20,000
• Center for Health and Fitness Equipment	17,000

The District's debt on Capital Leases is $3,668,000 as of June 30, 2018 (See note 7.) In FY17-18, the District paid down its capital lease debt by $468,000 in principle, $412,000 for the Prospect South Bay Parking and $56,000 for Fitness Equipment. After the end of the new fiscal year June 30, 2019, the District will have paid in full for the Fitness Equipment, leaving only the annual Prospect South Bay Parking lease payment of $720,000 including both principle and interest.

Economic Outlook

The US economy continued to improve in FY17-18. GDP grew 4.2% in the 2nd quarter of 2018, the highest since the 3rd quarter of 2014, followed by a 3.5% growth in the 3rd quarter September 30, 2018 (per Trading Economics posting). Inflation rate continue to hold steady at around 2%, 2.1% for 2016 and 2017, 1.9% so far in 2018, and forecasted right at 2% for 2019 and 2020, assuming the Federal Reserve will continue its slight increase is the Federal Funds rate to up to 3% in 2020.

UCLA Anderson Forecast on September 26, 2018 predicts that "As the national economy continues to grow in its 10th year of expansion, UCLA Anderson Forecast's third quarterly report in 2018 questions whether the growth is sustainable. Currently operating at full employment and benefiting from the massive tax cut and spending increases, the economic stimulus coming from that combination will likely run out in 2020, with deficits that it created lingering for another decade".

While housing sales are not increasing as hoped in 2018 (per Trading Economics), they were strong in 2017 and property values kept improving nationally, with local property values improving alongside and even greater. The Beach Cities' saw an increase of 6.57% in its taxable property value in FY17-18 versus FY16-17. With improved local property values, the District's Property Tax revenue has seen continued increases year-over-year by approximately 6% (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. Interest rates has finally started rising resulting in a 12% increase year-over-year in the District's interest income from the District investment portfolio and is expected to continue to increase slowly. While the same trends most likely will hold through 2018, 2019 and on-forward some anticipate weakening economic growth in 2020 nationally as well as in California affected by the uncertainty in trade from the ever-increasing tariffs between China and US and the marginal effect the newly negotiated NAFTA (or USCMA) agreement has had nationally and locally.

With improved economic indicators and outlook at least in the short term, in addition to the increase in property taxes, the District anticipates the General Fund revenue to see continued growth of at least 3%. Property tax revenue is expected to grow 5%, while lease income is expected to remain flat with contractual rental increases offset by lesser reimbursements of BOE. Program fees are expected to see a rebound increase in revenue of 4% due to its new personal fitness training programs and some price increases. While prior year partnership income increased a whole lot year-over-year due to better occupancy and expense management, based on historical fluctuations, the District conservatively anticipated the coming year income to decrease by 12% compared to prior year. During FY17-18 investments in 2-5-year Treasury bond market continued to see low yields and the District continued to record Realized and Unrealized Losses of investments on hand; however, current interest rates are seeing a slight increase with the US Federal Reserve increasing the Federal Funds rate to around 2.25% boosting interest rates in the market, which should result in better yields in the future as instruments with lower yields have been sold off. The District projects are 3% increase in investment earnings. 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. Particularly, the District will be able to start taking advantage of higher yields by starting a 115 Trust in the last quarter of 2018 for investing in funds that will help offset future Pension and OPEB obligations. 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 3 years, rental income will start to decline due to the aging building and loss of tenants. Therefore, staff is planning to continue to investment in the Healthy Living Campus project that will take at least 5-10 years to come to fruition.

The long-term capital investments to replace future declining rental income 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, 2018
(with comparative data for prior year)

	Governmental Activities	
	2018	2017
ASSETS		
Cash and investments (note 2)	$ 28,416,243	28,174,690
Accounts receivable - net	487,158	580,336
Interest receivable	144,575	133,134
Notes receivable - net investment (note 4)	2,175,441	2,446,324
Taxes receivable	142,099	114,512
Pass through grants receivable	-	13,977
Prepaid items	301,035	120,799
Investment in limited partnerships (note 6)	10,216,731	10,135,591
Capital assets not being depreciated (note 5)	6,195,385	5,108,086
Capital assets - net of accumulated depreciation (note 5)	19,093,419	20,902,376
TOTAL ASSETS	67,172,086	67,729,825
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related (note 9)	1,114,965	1,006,009
OPEB Related (note 11)	19,039	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,134,004	1,006,009
LIABILITIES		
Current liabilities:		
Accounts payable	292,637	269,353
Accrued liabilities	225,693	272,669
Accrued payroll	256,735	222,717
Deposits	180,407	179,688
Unearned service fees	289,177	276,282
Noncurrent liabilities:		
Due within one year (note 7)	770,077	713,927
Due in more than one year (note 7)	3,200,264	3,724,881
Net pension liability (note 9)	2,659,667	2,212,946
Net OPEB liability (note 11)	672,827	355,470
TOTAL LIABILITIES	8,547,484	8,227,933
DEFERRED INFLOWS OF RESOURCES		
Pension Related (note 9)	300,868	139,652
OPEB Related (note 11)	84,662	79,790
TOTAL DEFERRED INFLOWS OF RESOURCES	385,530	219,442
NET POSITION		
Net investment in capital assets	21,620,650	21,873,088
Restricted for medical building purposes	1,156,708	1,156,708
Unrestricted	36,595,718	37,258,663
TOTAL NET POSITION	$ 59,373,076	60,288,459

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2018
(with comparative data for prior year)

Functions	Expenses	Program Revenues: Charges for Services	Governmental Activities: Net (Expense) Revenue and Change in Net Position: 2018	Governmental Activities: Net (Expense) Revenue and Change in Net Position: 2017
Primary government:				
Preventive health services	$ 14,338,364	2,671,695	(11,666,669)	(10,493,284)
Interest on long-term debt	307,507	-	(307,507)	(338,893)
Total	$ 14,645,871	2,671,695	(11,974,176)	(10,832,177)

	2018	2017
General revenues:		
Lease revenues	4,649,091	4,394,800
Property taxes	3,591,891	3,355,324
Income from limited partnerships	2,473,590	2,001,129
Earnings on investments	555,677	619,756
Other income	68,292	26,113
Total general revenues	11,338,541	10,397,122
Change in net position	(635,635)	(435,055)
Net position, beginning of year, as restated (note 14)	60,008,711	60,723,514
Net position, end of year	$ 59,373,076	60,288,459

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Governmental Funds

Balance Sheet

As of June 30, 2018
(with comparative data for prior year)

	General Fund	Prospect One Fund	Totals 2018	Totals 2017
ASSETS				
Cash and investments (note 2)	$ 27,259,535	1,156,708	28,416,243	28,174,690
Account receivable - net	487,158	-	487,158	580,336
Due from other funds	-	-	-	-
Interest receivable	144,575	-	144,575	133,134
Notes receivable - net investment (note 4)	2,175,441	-	2,175,441	2,446,324
Taxes receivable	142,099	-	142,099	114,512
Pass through grants receivable	-	-	-	13,977
Prepaid items	301,035	-	301,035	120,799
Investment in limited partnerships (note 6)	10,216,731	-	10,216,731	10,135,591
TOTAL ASSETS	$ 40,726,574	1,156,708	41,883,282	41,719,363
LIABILITIES				
Accounts payable	$ 292,637	-	292,637	269,353
Accrued expenses	225,693	-	225,693	272,669
Accrued payroll	256,735	-	256,735	222,717
Due to other funds	-	-	-	-
Deposits	180,407	-	180,407	179,688
Unearned service fees	289,177	-	289,177	276,282
TOTAL LIABILITIES	1,244,649	-	1,244,649	1,220,709
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	232,190	-	232,190	79,026
TOTAL DEFERRED INFLOWS OF RESOURCES	232,190	-	232,190	79,026
FUND BALANCES				
Nonspendable:				
Prepaid items	301,035	-	301,035	120,799
Note receivable	2,175,441	-	2,175,441	2,446,324
Investment in limited partnerships	10,216,731	-	10,216,731	10,135,591
Committed:				
Capital investment	20,701,868	-	20,701,868	20,813,451
Restricted for medical building purposes	-	1,156,708	1,156,708	1,156,708
Unassigned	5,854,660	-	5,854,660	5,746,755
TOTAL FUND BALANCES	39,249,735	1,156,708	40,406,443	40,419,628
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 40,726,574	1,156,708	41,883,282	41,719,363

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, 2018

FUND BALANCES OF GOVERNMENTAL FUNDS	$ 40,406,443
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.	232,190
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	(3,668,154)
Compensated absences	(302,187)
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 acurrent asset or financial resource. As a result, these items are not reported in the governmental funds (notes 9 & 11).	
Deferred outflows - pension related	1,114,965
Deferred inflows - pension related	(300,868)
Net pension liability	(2,659,667)
Deferred outflows - OPEB	19,039
Deferred Inflows - OPEB	(84,662)
OPEB Liability	(672,827)
Capital assets, net of accumulated depreciation, have not been included as financial resources in governmental funds.	25,288,804
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 59,373,076

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018
(with comparative data for prior year)

	General Fund	Prospect One Fund	Totals 2018	Totals 2017
REVENUES				
Financing and rental income related to leases	$ 4,495,927	-	4,495,927	4,353,249
Property taxes	3,591,891	-	3,591,891	3,355,324
Program income	2,671,695	-	2,671,695	2,702,307
Income from limited partnership	2,473,590	-	2,473,590	2,001,129
Investment earnings	555,677	-	555,677	619,756
Other revenues	20,306	-	20,306	5,743
Intergovernmental	47,986	-	47,986	20,508
TOTAL REVENUES	13,857,072	-	13,857,072	13,058,016
EXPENDITURES				
Current:				
Salaries and related expenses	5,771,049	-	5,771,049	5,726,966
Health programs	1,430,245	-	1,430,245	1,362,201
Professional fees	1,613,841	-	1,613,841	1,344,893
Facilities management	1,530,223	-	1,530,223	1,502,474
Community relations	556,361	-	556,361	695,570
General and administrative	372,449	-	372,449	342,506
Human resources	181,568	-	181,568	275,356
Information services	146,959	-	146,959	148,804
Cost of goods sold	34,840	-	34,840	35,655
Other	71,784	-	71,784	59,085
Capital outlay	1,440,938	-	1,440,938	837,317
Debt service:				
Principal retirement	412,493	-	412,493	381,107
Interest and other fiscal charges	307,507	-	307,507	338,893
TOTAL EXPENDITURES	13,870,257	-	13,870,257	13,050,827
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13,185)	-	(13,185)	7,189
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	50,053
Transfers out	-	-	-	(50,053)
TOTAL OTHER FINANCING SOURCES (USES):	-	-	-	-
NET CHANGES IN FUND BALANCES	(13,185)	-	(13,185)	7,189
FUND BALANCES, BEGINNING OF YEAR	39,262,920	1,156,708	40,419,628	40,412,439
FUND BALANCES, END OF YEAR	$ 39,249,735	1,156,708	40,406,443	40,419,628

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	(13,185)
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		1,105,252
Depreciation expense		(1,826,910)
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.		469,220
To record as a revenue the net change in compensated absences in the Statement of Activities.		(753)
Revenues that are measurable but not available are recorded as unavailable revenue under the modified accrual basis of accounting.		153,164
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.		(419,191)
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.		(103,232)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(635,635)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

The accompanying financial statements include the Beach Cities Health District (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 Governmental Accounting Standards Board (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.

(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 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.

(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 SEC-registered securities exchanges or NASDAQ dealers. The Local Agency Investment Fund (LAIF) determines the fair value of its portfolio quarterly and reports a factor to the District; the District applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

(f) 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.

(1) Summary of Significant Accounting Policies (Continued)

(f) Fair Value Measurements (Continued)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable input 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 XIIIA 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.

(1) Summary of Significant Accounting Policies (Continued)

(g) Receivables and Payables (Continued)

- *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.

- *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.

(1) Summary of Significant Accounting Policies (Continued)

(i) Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2018.

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

Assets	Years
Buildings and improvements	10 – 32
Machinery and equipment	2 – 9
Furniture and fixtures	2 – 9

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

(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, 2018, the balance of vacation leave is $302,187.

(k) Long-Term Obligations

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

(1) Summary of Significant Accounting Policies (Continued)

(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 government has three items that qualify for reporting in this category: pension contributions; additional deferral; and actuarial. All of these items relate to the recording of the pension liability.

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 government has two items that qualify for reporting in this category: additional deferral; and actuarial. Both items relate to the recording of the pension liability.

(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 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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	June 30, 2016 to June 30, 2017

(1) Summary of Significant Accounting Policies (Continued)

(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.

Generally accepted accounting principles require that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

(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).

- *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* – 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.

(1) Summary of Significant Accounting Policies (Continued)

(o) Fund Balances (continued)

- *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.

(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.

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

(1) Summary of Significant Accounting Policies (Continued)

(q) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

(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, 2017 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, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$28,416,243
Total cash and investments	$28,416,243

Cash and investments as of June 30, 2018 consist of the following:

Petty cash	$ 3,450
Deposits with financial institutions	710,609
Investments	27,702,184
Total cash and investments	$ 28,416,243

(2) Cash and Investments (Continued)

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (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.

(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:

		Remaining maturity (in Months)		
Investment Type	Totals	12 Months or Less	13 to 36 Months	37 to 60 Months
LAIF	$ 1,162,506	1,162,506	-	-
Asset-Backed Security/ Collateralized Mortgage Obligation	2,511,172	-	1,525,134	986,038
Certificates of Deposits	3,749,600	1,494,771	2,254,829	-
Medium Term notes	6,182,189	-	4,800,741	1,381,448
Federal Agency Collateralized Mortgage Obligation	390,446	20,149	72,913	297,384
Federal Agency Bond/Note	1,015,940	-	73,441	942,499
Municipal Bond/Note	254,722	-	254,722	-
Supra-National Agency Bond/Note	2,169,490	330,653	1,838,837	-
U.S Treasury Bonds	8,506,121	-	1,602,645	6,903,476
CAMP	1,759,998	1,759,998	-	-
Totals	$27,702,184	4,768,077	12,423,262	10,510,845

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.

(2) Cash and Investments (Continued)

Disclosures Relating to Credit Risk, continued

Investment Type	Amount	Minimum Legal Rating	AAA	Rating as of Fiscal Year End AA	A	BBB	Not Rated
LAIF	$ 1,162,506	N/A	-	-	-	-	1,162,506
Asset-Backed Security	2,511,172	AA	2,291,704	-	-	-	219,468
Certificate of Deposit	3,749,600	A	-	2,824,118	925,482	-	-
Medium Term Notes	6,182,189	A	-	1,050,114	5,132,075	-	-
Federal Agency Mortgage Obligation	390,446	N/A	390,446	-	-	-	-
Federal Agency Bond/ Note	1,015,940	N/A	1,015,940	-	-	-	-
Municipal Obligations	254,722	N/A	-	-	254,722	-	-
Supra-National Agency Bond/Note	2,169,490	AA	2,169,490	-	-	-	-
U.S Treasury Bonds	8,506,121	AA	8,506,121	-	-	-	-
CAMP	1,759,998	N/A	-	-	-	-	1,759,998
Total	$ 27,702,184		14,373,701	3,874,232	6,312,279	-	3,141,972

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.

(2) Cash and Investments (Continued)

As of June 30, 2018, the District's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

Investment Type	Reported Amount
U.S Treasury Bonds	$ 8,506,121
Medium Term Notes	6,182,189
Certificate of Deposit	3,749,600
Asset-Backed Security	2,511,172
Supra-National Agency Bond/Note	2,169,490
CAMP	1,759,998
LAIF	1,162,506
Federal Agency Bond/Note	1,015,940
Federal Agency Mortgage Obligation	390,446
Municipal Obligations	254,722

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, 2018, fair value approximated cost and had an average maturity of 49 days.

(2) Cash and Investments (Continued)

Fair Value Measurement

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2018:

	Fair Value Hierarchy				
	N/A	Level 1	Level 2	Level 3	Fair Value
Local Agency Investment Fund	$ 1,162,506	-	-	-	1,162,506
Asset-Backed Security/ Collateralized Mortgage Obligation	-	-	2,511,172	-	2,511,172
Certificates of Deposit	-	-	3,749,600	-	3,749,600
Medium Term notes	-	-	6,182,189	-	6,182,189
Federal Agency Collateralized Mortgage Obligation	-	-	390,446	-	390,446
Federal Agency Bond/Note	-	-	1,015,940	-	1,015,940
Municipal Bond/Note	-	-	254,722	-	254,722
Supra-National Agency Bond/Note	-	-	2,169,490	-	2,169,490
U.S Treasury Bond/Notes	-	8,506,121	-	-	8,506,121
CAMP	1,759,998	-	-	-	1,759,998
Total investments	$ 2,922,504	8,506,121	16,273,559	-	27,702,184

(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.

(3) Operating Leases as Lessor (Continued)

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 $30,278.

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, 2018, the base rent has increased to $6,382.

(3) Operating Leases as Lessor (Continued)

Beach District Surgery Center, LP

The District has entered into a lease agreement dated January 25, 2005, with Beach District Surgery Center, LP to lease 13,104 square feet located on the first floor at 514 N. Prospect Avenue, Redondo Beach. The lease is for a term of five years 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 2018 changed the base rent to $75,441 per month.

Prader Willi California Foundation

The District entered into a lease agreement dated June 20, 2011, with Prader Willi California Foundation to lease 631 square feet located at 514 N. Prospect Avenue, Redondo Beach. At the start of the lease agreement, the base rent for both the lease and a reimbursement to the District for common area operating expenses was a total of $1,060 per month. The base rental payments are adjusted by the change in the consumer price index on the first day of the 10th month following the commencement of the lease, and as of each 12th month thereafter during the term of the lease. In no event shall any increase be greater than 3% per year, on a non-cumulative basis. The base rents are adjusted by the greater of the consumer price index (All Urban Consumers Index – Los Angeles), or 3%, beginning on the second anniversary of the lease term date. As of June 30, 2018, the base rent has increased to $1,410.

(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, 2018, the base rent has increased to $27,178.

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, 2018, the base rent has increased to $14,087.

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, 2018, the annual base rent is $1,432.

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.

(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, 2018, the note had an unpaid balance of $5,863,248 and a remaining unamortized purchase discount of $3,830,988, resulting in the reporting of an investment in note receivable at a net cost of $2,032,260.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$ 717,868	439,791	1,157,659
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
2024-2025	1,631,987	104,500	1,736,487
Totals	$ 5,863,248	1,661,534	7,524,782

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.

(4) Notes Receivable (Continued)

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, 2017, the note has a balance of $142,181. Principal and interest to be received on the note are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$ 53,915	8,245	62,160
2020	57,812	4,347	62,159
2021	30,454	625	31,079
Totals	$ 142,181	13,217	155,398

As of June 30, 2018, the District's net investment in notes receivable was:

Ducot note – unpaid balance	$5,863,248
Ducot note – unamortized purchase discount	(3,829,988)
Net investment in Ducot note	2,033,260
Note – Beach Cities Child Development Center	142,181
Total net investment in notes receivable	$2,175,441

(5) Capital Assets

Changes in capital assets for governmental activities for the fiscal year ended June 30, 2018 were as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets not being depreciated:				
Land	$ 4,401,926	-	-	4,401,926
Construction in progress	706,160	1,087,299	-	1,793,459
Total capital assets not being depreciated	5,108,086	1,087,299	-	6,195,385
Capital assets being depreciated:				
Buildings and improvements	46,963,092	301,634	(241,859)	47,022,867
Equipment, furniture and fixtures	1,108,644	52,005	(93,827)	1,066,822
Total capital assets being depreciated	48,071,736	353,639	(335,686)	48,089,689
Less accumulated depreciation for:				
Buildings and improvements	(26,432,170)	(1,842,448)	101,896	(28,172,722)
Equipment, furniture and fixtures	(737,190)	(143,553)	57,195	(823,548)
Total accumulated depreciation	(27,169,360)	(1,986,001)	159,091	(28,996,270)
Capital assets being depreciated, net	20,902,376	(1,632,362)	(176,595)	19,093,419
Capital assets, net	$ 26,010,462	(545,063)	(176,595)	25,288,804

Depreciation

Depreciation expense was charged to governmental functions as follows:

Preventive Health Services	$ 1,826,910

(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.

(6) Investments in Limited Partnerships (Continued)

Sunrise Beach Cities Assisted Living, L.P. (continued)

As of the fiscal year ended June 30, 2018, 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 $10,114,148. 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

On August, 2004, the District executed an agreement to enter into a partnership with Beach District Surgery Center, LLC and contributed $52,500 to acquire a 5% limited partnership interest. The Beach District Surgery Center, LLC is currently leasing a surgical space in the District's building located at 514 N. Prospect Ave, Redondo Beach. The partnership is managed by Beach District Surgery Center, LLC, and additional information regarding the partnership can be obtained by contacting the District. As of the fiscal year ended June 30, 2018, after allocation of partnership income (loss) and distributions from the partnership to the District, the investment in the Beach District Surgery Center, LLC, was $55,152. 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, 2018:

	Balance as of July 1, 2017	Additions	Deletions	Balance as of June 30, 2018	Due Within One Year
Capital leases payable	$ 4,137,374	-	(469,220)	3,668,154	467,890
Compensated absences payable	301,434	265,703	(264,950)	302,187	302,187
Total	$ 4,438,808	265,703	(734,170)	3,970,341	770,077

(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 fiscal year ended June 30, 2018, the District made the principal payment of $412,493. The outstanding balance was $3,646,728 at June 30, 2018. The following is a summary of future minimum lease payment requirements:

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$ 446,463	273,537	720,000
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
2024-2025	1,015,180	64,820	1,080,000
Totals	$ 3,646,728	1,033,272	4,680,000

Fitness Equipment – The District entered into two capital lease agreements, Government Obligation Contracts, with Kansas State Bank of Manhattan in December 2013 and June 2014. The December 2013 capital lease for various types of fitness equipment, such as treadmills and steppers, has an initial obligation of $237,114, 3.61% interest rate and 60 equal monthly payments of $4,326. The June 2014 capital lease for indoor bikes has an initial obligation of $27,032, 4.68% interest rate and forty-eight equal monthly payments of $619. The outstanding balances were $19,606 and $1,821, respectively at June 30, 2018:

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$ 21,426	201	21,628
Totals	$ 21,426	201	21,628

(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:

Fiscal Year Ended June 30,	Annual Payment
2019	$ 88,452
2020	78,106
2021	67,760
2022	69,008
2023	70,256
2024-2028	370,504
2029-2030	117,912
Totals	$ 861,998

(9) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous and PEPRA Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (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.

(9) Defined Benefit Pension Plan (Continued)

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, 2018, are summarized as follows:

	Miscellaneous	PEPRA
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
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, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

(9) Defined Benefit Pension Plan (Continued)

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	2.75%
Payroll growth	Varies by entry age and service
Investment rate of return	7.50% 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 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

[1] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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.

(9) Defined Benefit Pension Plan (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and longterm market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 PERF fund. The expected rate of return was set by calculating the 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 rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 – 10[1]	Real Return Years 11+[2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.68%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.44)%	(0.90)%

[1]An expected inflation of 2.5% used for this period
[2]An expected inflation of 3.0% used for this period

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.

(9) Defined Benefit Pension Plan (Continued)

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: 6/30/2016 (MD)	$ 11,294,724	9,081,778	2,212,946
Balance at: 6/30/2017 (MD)	12,837,263	10,177,596	2,659,667
Net Changes during 2016-17	1,542,539	1,095,818	446,721

The District's proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

	Miscellaneous
Proportion – June 30, 2016 (MD)	0.06370%
Proportion – June 30, 2017 (MD)	0.06747%
Change – Increase (Decrease)	0.00377%

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	$ 4,425,392	2,659,667	1,197,261

(9) Defined Benefit Pension Plan (Continued)

Subsequent Events

In December 2016, the CalPERS board of Administration voted to lower the discount rate from 7.5 percent to 7.0 percent over the next three years. For public agencies the discount rate changes approved by the Board for the next three fiscal years ending June 30, 2019, 2020, and 2021 are 7.375%, 7.25%, and 7.00%, respectively. In February 2018, the CalPERS Board approved the reduction of the amortization period from 30 years to 20 years effective June 30, 2019.

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 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (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, 2016), the NPL was $2,212,946. For the measurement period ending June 30, 2017 (the measurement date), the District recognized pension expense of $481,197 for the Plan (the pension expense for the risk pool for the measurement period is $719,747,608). As of June 30, 2017, the District reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

(9) Defined Benefit Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 535,671	40,845
Differences between Expected and Actual Experience	4,317	61,853
Differences between Projected and Actual Investment Earnings	121,147	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	133,255
Change in Employer's Proportion	182,556	64,915
Pension Contributions Made Subsequent to Measurement Date	271,274	-
Totals	$ 1,114,965	300,868

The $133,255 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 $271,274 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, 2019.

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
2019	$ 78,156
2020	332,280
2021	204,314
2022	(71,927)
	$ 542,823

(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.

(10) Deferred Compensation Plan (Continued)

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.

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 selected independent actuarial consultants to perform an actuarial valuation of the retiree health insurance programs as of June 30, 2017. This includes benefits for 71 active employees who may become eligible to retire and receive benefits in the future. The District makes medical insurance available after the age of 50 to all employees, who meet the requirement of 5 years of service.

Employees Covered

As of the June 30, 2017 measurement date, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	71
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to, but not yet receiving benefits	12
Total	88

(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, 2018, the District's cash contributions were $6,006 in benefit payments and the estimated implied subsidy was $9,281 resulting in total payments of $15,287.

OPEB Liability

The District's OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the OPEB Liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.58% at June 30, 2017 2.85% and June 30, 2016
Inflation	2.75%
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

Notes:
[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.

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 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.

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, 2017	**$ 650,611**
(Valuation Date June 30, 2016)	
Changes recognized for the measurement period:	
Service cost	109,329
Interest	21,440
Changes of assumptions	(93,266)
Contributions - employer	-
Net investment income	-
Benefit payments	(15,287)
Administrative expense	-
Net Changes	**22,216**
Balance at June 30, 2018	**$ 672,827**
(Measurement Date June 30, 2017)	

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, 2017:

	1% Decrease (2.58%)	**Current Discount Rate (3.58%)**	**1% Increase (4.58%)**
OPEB Liability	$805,145	$672,827	$569,149

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

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, 2017:

	1% Decrease	Current Trend	1% Increase
OPEB Liability	$549,622	$672,827	$838,489

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.

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, 2017)

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

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

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $122,227. As of fiscal year ended June 30, 2018, 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	$ -	84,662
Pension Contributions Made Subsequent to Measurement Date	19,039	-
Totals	$ 19,039	84,662

The $19,039 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the OPEB Liability during the fiscal year ending June 30, 2019. 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
2019	$ (8,604)
2020	(8,604)
2021	(8,604)
2022	(8,604)
2023	(8,604)
Thereafter	(41,642)
	$ (84,662)

(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.

(12) Risk Management (Continued)

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.

Property and Earthquake Insurance

Hospital All Risk Property Program (HARPP): The coverage of this insurance includes all risk of direct physical loss or damage excluding 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, and $100,000,000 of boiler and machinery loss limit per occurrence, and repair and replacement cost valuation for real or personal property for $100,000,000 per occurrence, and $200,000,000 aggregate. The primary terrorism limit is shared by all of the insured per the Public Entity Property Insurance Program (PEPIP). The deductible amounts are $10,000 for all risk, $25,000 for boiler and machinery, and $10,000 for primary terrorism.

(13) Related Party Transactions

The District occasionally engages a local Production company that produces Films, TV Commercials, videos for the web and New Media. The Production Company is owned and operated by a family member of one of the District's employees. The District used this Company before the employee was hired. The employee who directs the production of media for the District also directs the engagement with the Company. The District engaged the Company for a total of $5,400 and $6,470 in fiscal 2016-17 and 2017-18, respectively.

(14) Restatement of Prior Year Financial Statements

The implementation of GASB Statement No. 75 requires reporting the District's OPEB liability on the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Statement No. 75 resulted in reducing the net position at the beginning of the year by $279,748. The prior year comparative information was not restated as the actuarial information needed to restate the prior year was not available.

(15) Subsequent Event Disclosure

In March 2018, District management reviewed with the BCHD Finance Committee benefits of using a 115 Trust to manage future Pension and Other Post-Employment Benefits (OPEB) obligations. Consequently, during the FY18-19 budget process the Finance Committee and the Board reviewed and approved the recommendation by management to set-up a 115 Trust and allocate $3 million to restricted funds to manage the liabilities for Pension and Other Post-Employment Benefits (OPEB).

At the September Board meeting, the Board adopted Resolution #546 approving the adoption of the Public-Agencies Post-Employment Benefits Trust administered by Public Agency Retirement Services (PARS), including appointing the Chief Finance Officer, as the District's Plan Administer.

In the next few months, the District will be making the $3 million deposit to the 115 Trust.

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

For the Fiscal Year Ended June 30, 2018

(With comparative information for the last 10 years) *

	Measurement Date			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan’s proportion of the net pension liability (asset)	0.0291%	0.0566%	0.0637%	0.0675%
Plan’s proportionate share of the net pension liability (asset)	$ 1,806,648	$ 1,552,792	$ 2,212,946	$ 2,659,667
Plan’s covered employee payroll	$ 3,370,822	$ 3,443,030	$ 3,666,056	$ 3,865,015
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%
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%
Plan’s proportionate share of aggregate employer contributions	$ 221,150	$ 312,865	$ 338,198	$ 385,083

* 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

For the Fiscal Year Ended June 30, 2018

(With comparative information for the last 10 years) *

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

* 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

For the Fiscal Year Ended June 30, 2018

(With comparative information for the last 10 years) *

Measurement Period	2017
Total OPEB Liability	
Service cost	$ 109,329
Interest on the total OPEB liability	21,440
Actual and expected experience difference	-
Changes in assumptions	(93,266)
Changes in benefit terms	-
Benefit payments	(15,287)
Net change in total OPEB liability	22,216
Total OPEB liability - beginning	650,611
Total OPEB liability - ending (a)	$ 672,827
Covered-employee payroll	$ 3,948,862
OPEB liability as a percentage of covered-employee payroll	17.04%

* 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 2.85 percent to 3.58 for the measurement period ended June 30, 2017.

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

For the Fiscal Year Ended June 30, 2018

(With comparative information for the last 10 years) *

Fiscal Year Ended June 30		2018
Actuarially Determined Contribution (ADC)	$	130,769
Contributions in relation to the ADC		(15,287)
Contribution deficiency (excess)	$	115,482
Covered-employee payroll	$	3,865,015
Contributions as a percentage of covered-employee payroll		0.40%

* 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 2018 were from the June 30, 2016 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 the Fiscal Year Ended June 30, 2018
(with comparative data for prior year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2017 Actual
REVENUES:					
Financing and rental income related to lease	$ 3,208,014	4,331,891	4,495,927	164,036	4,353,249
Property taxes	3,378,704	3,378,704	3,591,891	213,187	3,355,324
Program income	2,762,203	2,762,203	2,671,695	(90,508)	2,702,307
Income from limited partnership	1,861,600	1,861,600	2,473,590	611,990	2,001,129
Investment earnings	975,812	975,812	555,677	(420,135)	619,756
Other revenue	17,000	17,000	20,308	3,308	5,743
Intergovernmental	-	-	47,986	47,986	20,508
TOTAL REVENUES	12,203,333	13,327,210	13,857,074	529,864	13,058,016
EXPENDITURES:					
Current:					
Salaries and related expenses	5,980,373	5,980,373	5,771,049	209,324	5,726,966
Health programs	1,383,398	1,383,398	1,430,245	(46,847)	1,362,201
Professional fees	1,569,700	1,577,200	1,613,841	(36,641)	1,344,893
Facilities management	859,968	1,571,352	1,530,223	41,129	1,502,474
Community relations	575,147	569,147	556,361	12,786	695,570
General and administrative	472,758	472,758	372,449	100,309	342,506
Human resources	285,143	283,643	181,568	102,075	275,356
Information services	171,818	171,818	146,959	24,859	148,804
Cost of goods sold	36,320	36,320	34,840	1,480	35,655
Other	60,000	60,000	71,784	(11,784)	59,085
Capital outlay	5,205,006	5,227,606	1,440,938	3,786,668	837,317
Debt service:					
Principal retirement	-	412,493	412,493	-	352,109
Interest and other fiscal charges	367,507	307,507	307,507	-	367,891
TOTAL EXPENDITURES	16,967,138	18,053,615	13,870,257	4,183,358	13,050,827
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,763,805)	(4,726,405)	(13,183)	4,713,222	7,189
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	50,053
TOTAL OTHER FINANCING SOURCES (USES:	-	-	-	-	50,053
NET CHANGES IN FUND BALANCE	(4,763,805)	(4,726,405)	(13,183)	4,713,222	57,242
FUND BALANCE AT BEGINNING OF YEAR	39,262,920	39,262,920	39,262,920	-	39,205,678
FUND BALANCE AT END OF YEAR	$ 34,499,115	34,536,515	39,249,737	4,713,222	39,262,920

BEACH CITIES HEALTH DISTRICT

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

(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 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Summary of Actuarial Methods and Assumptions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2016 public agency valuations.

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
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 2.75% until Purhcaing Power Protection Allowance flow on Purchasing Power applies, 2.75% 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.

(2) Budgetary Information (Continued)

The following are expenditures exceeded appropriations in the General Fund for the fiscal year ended June 30, 2018:

	Final Appropriation	Expenditures	Expenditures in Excess of Appropriation
General Fund:			
Health programs	$ 1,383,398	1,430,245	(46,847)
Professional fees	1,577,200	1,613,841	(36,641)
Other	60,000	71,784	(11,784)
Total expenditures	$ 3,020,598	3,115,870	(95,272)

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
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
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
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
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
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
Other Income	171,004	274,302	194,278	143,759	133,951	239,430	170,706	110,180	75,955	26,113	68,292
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**
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
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
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
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
Community Relations	493,778	406,189	322,529	259,174	197,270	321,082	538,505	748,104	538,321	695,570	556,361
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
Human Resources	154,983	148,591	143,746	131,924	160,070	184,585	194,802	281,259	255,180	275,356	181,568
Information Systems	81,438	84,254	77,812	108,083	130,722	112,203	166,911	118,294	157,465	148,804	146,959
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
Other	36,650	270,326	45,694	65,453	54,383	51,895	45,471	58,475	59,445	59,160	71,784
Interest Cost	533,052	517,680	500,993	482,956	470,530	450,756	419,436	394,683	367,891	338,893	307,507
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**
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**
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)**

1) *Starting FY14-15 BOE (Building Operating Expense) Reimbursements from tenants have been reclassed 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]
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
Restricted	-	-	-	-	-	-	-	1,206,766	1,206,761	1,206,761	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
	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
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
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)
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)
Prior Period Audit Restatements	318,706	(19,870)	660,196	66,705	-	(5,418,317)	(2,087,632)				(279,748)
	(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)**
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)
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)
	(1,785,823)	**(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)**
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
Restricted	-	-	-	-	-	-	1,206,766	1,206,761	1,206,761	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
	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**

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*

Beach Cities Health District

Fund Financial Statements

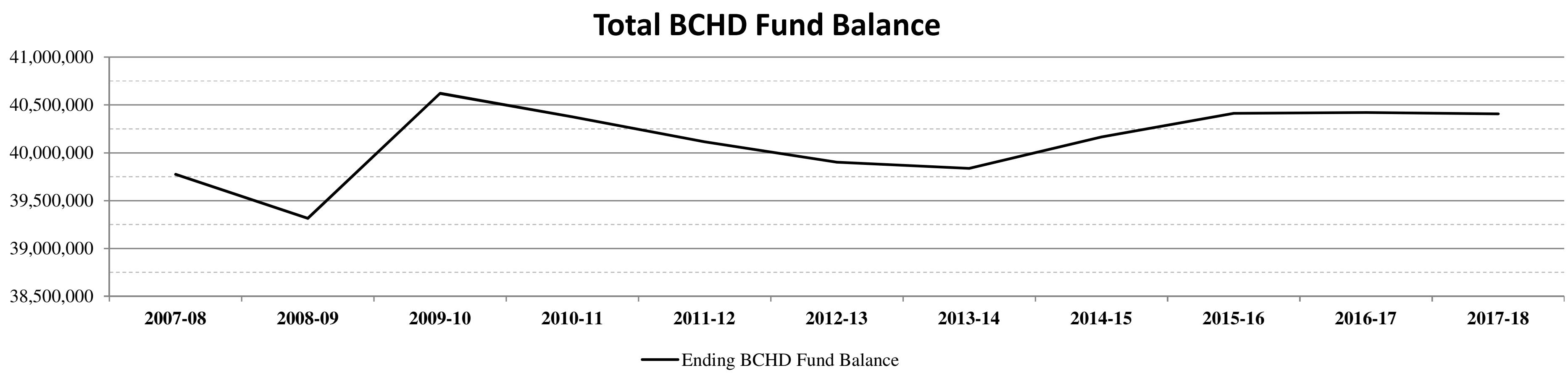
Statement of Revenues, Expenditures and Change in Fund Balance
Current and Prior Ten Years

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues											
Financing and Rental Income[1]	2,075,747	2,123,750	2,196,821	2,074,595	2,041,241	2,591,094	2,874,045	4,479,867	4,244,939	4,353,249	4,495,927
Property Taxes	2,310,323	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
Program Income	2,658,807	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
Income from Limited Partnership	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
Investment Earnings	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
Other Revenue	171,004	274,302	194,278	143,759	133,951	239,430	170,706	110,180	75,955	26,251	68,292
Total Revenues	10,783,823	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
Expenditures											
Salaries & related	4,879,115	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
Health Programs	1,771,475	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
Professional Fees	950,711	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
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
Community Relations	493,778	406,189	322,529	259,174	197,270	321,082	538,505	748,104	538,321	695,570	556,361
General & Administrative	368,307	910,229	378,696	357,410	393,737	465,278	483,255	389,897	428,946	342,506	372,449
Human Resources	154,983	148,591	143,746	131,924	160,070	184,585	194,802	281,259	255,180	275,356	181,568
Information Systems	81,438	84,254	77,812	108,083	130,722	112,203	166,911	118,294	157,465	148,804	146,959
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
Other	36,650	270,326	45,694	65,453	54,383	51,895	45,471	58,475	59,445	59,085	71,784
Principal Retirement	186,948	202,320	219,008	237,043	266,715	292,957	300,564	325,317	352,109	381,107	412,493
Interest & Other Fiscal charges	533,052	517,680	500,993	482,956	470,530	450,756	419,436	394,683	367,891	338,893	307,507
Total Expenditures	10,266,207	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
Contribution to Fund Balance from Opeartion	**517,616**	**320,921**	**1,416,588**	**92,249**	**11,099**	**126,077**	**901,773**	**901,641**	**1,592,576**	**844,506**	**1,427,753**
Capital Investments	1,796,307	781,461	768,895	404,297	371,137	278,386	964,399	573,916	1,344,677	837,317	1,440,938
Excess (deficiency) of Revenue over (under) Expenditures	**(1,278,691)**	**(460,540)**	**647,693**	**(312,048)**	**(360,038)**	**(152,309)**	**(62,626)**	**327,725**	**247,899**	**7,189**	**(13,185)**
Other Financing Sources											
Proceeds from Capital Lease	-	-	-	-	98,431	-	-	-	-	-	-
Net Change in Fund Balances	**(1,278,691)**	**(460,540)**	**647,693**	**(312,048)**	**(261,607)**	**(152,309)**	**(62,626)**	**327,725**	**247,899**	**7,189**	**(13,185)**

1) *Starting FY14-15 BOE (Building Operating Expense) Reimbursements from tenants have been reclassed 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

	2007-08	2008-09	2009-10	2010-11[1]	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17[2]	2017-18
Beginning BCHD Fund Balance	**40,733,973**	**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**
Change in Fund Balance											
Operating Income	517,616	320,921	1,416,588	92,249	11,099	126,077	901,773	901,641	1,592,576	844,506	1,427,753
Capital Outlay	(1,796,307)	(781,461)	(768,895)	(404,297)	(371,137)	(278,386)	(964,399)	(573,916)	(1,344,677)	(837,317)	(1,440,938)
	(1,278,691)	(460,540)	647,693	(312,048)	(360,038)	(152,309)	(62,626)	327,725	247,899	7,189	(13,185)
Proceeds from Capital Lease	-	-	-	-	98,431	-	-	-	-	-	-
Restatements per audit	318,706	-	660,196	66,705	-	(62,637)	-	-	-	-	-
	(959,985)	(460,540)	1,307,889	(245,343)	(261,607)	(214,946)	(62,626)	327,725	247,899	7,189	(13,185)
General Fund											
Reserved	8,426,855	12,821,687	13,291,295	-	-	-	-	-	-	-	-
Unreserved	30,276,450	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
Committed	-	-	-	-	-	-	-	-	-	20,813,451	20,701,868
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
	38,703,305	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
Special Revenue Funds	1,070,683	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
Ending 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**

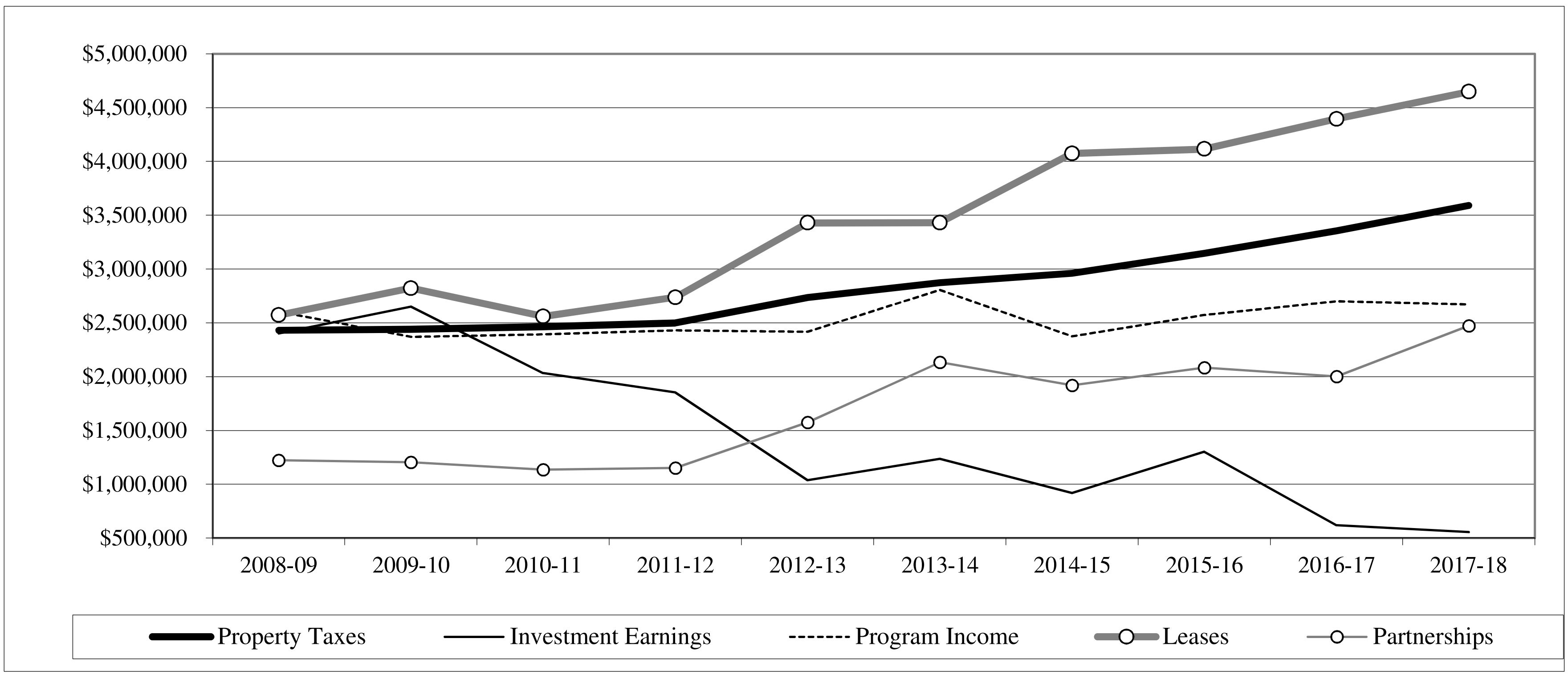


1) *Categories of Fund Balance were revised in compliance with GASB Statement No. 54 beginning in Fiscal Year 2010-11*

2) *Beach Cities Health District Board of Directors enacted Resolution No. 541 to extablishing a "Committed Fund Balance" dedicated to capital investements.*

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

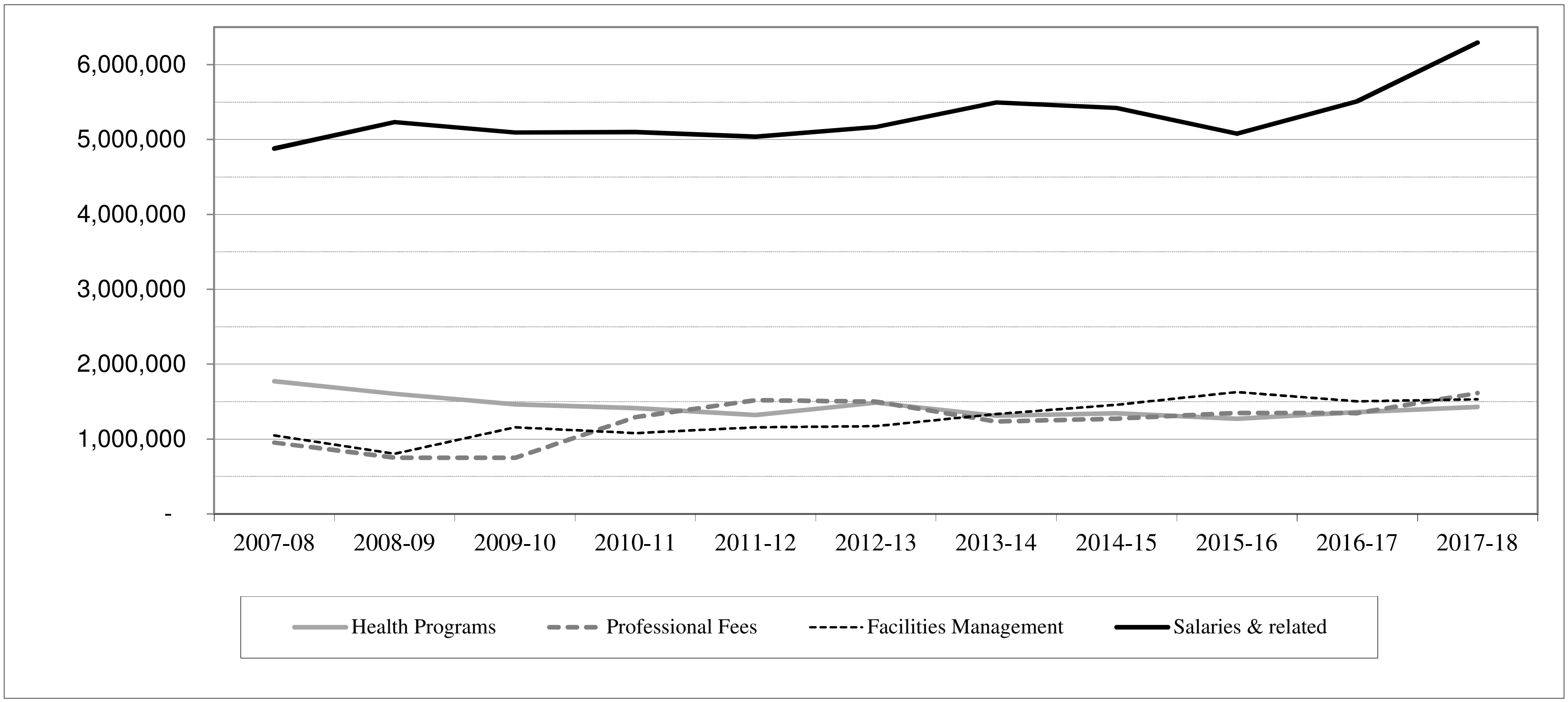
Fiscal Year	Property Taxes	Investment Earnings	Program Income	Leases	Partnerships	Other	Total
2007-08	2,310,323	2,544,024	2,658,807	2,619,396	1,023,918	171,004	11,327,472
2008-09	2,431,068	2,400,700	2,605,809	2,572,590	1,223,811	274,302	11,508,280
2009-10	2,442,334	2,651,449	2,370,140	2,823,318	1,204,270	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



Source: Audited Financial Statements

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

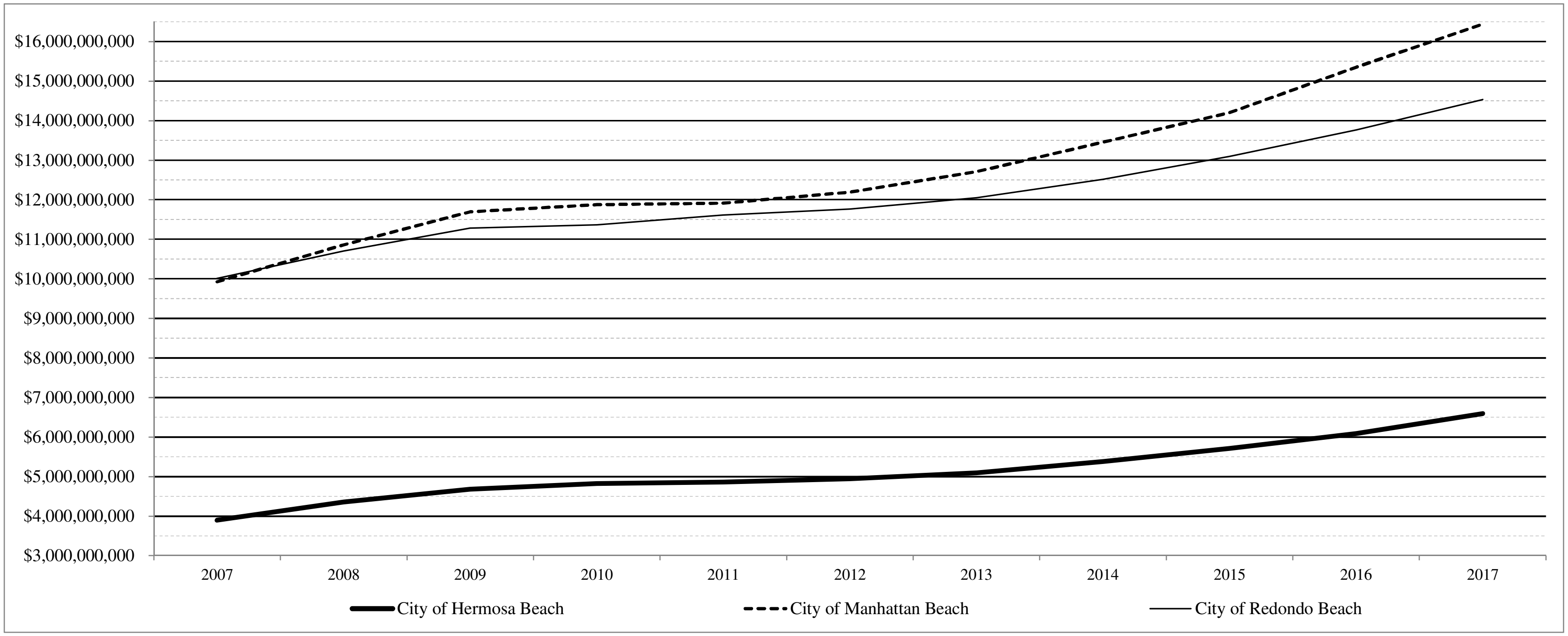
	General Fund										
Fiscal Year	Salaries & related	Health Programs	Professional Fees	Community Relations	Facilities Management	General & Administrative	Human Resources	Information Systems	Cost of Goods Sold	Other	Total
2007-08	4,879,115	1,771,475	950,711	493,778	1,046,947	555,255	154,983	81,438	306,452	36,650	10,276,804
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



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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	BCHD % Avg Share	BCHD $ Share
City of Hermosa Beach	3,894,900,000	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	0.008269%	545,221
City of Manhattan Beach	9,925,464,834	10,861,350,753	11,697,899,600	11,871,677,111	11,913,602,319	12,190,853,653	12,713,329,765	13,453,303,900	14,196,903,333	15,352,495,483	16,442,347,904	0.008896%	1,462,708
City of Redondo Beach	10,009,448,728	10,702,653,367	11,277,756,486	11,366,238,160	11,615,436,098	11,761,105,629	12,050,139,612	12,512,913,143	13,091,580,729	13,761,158,329	14,535,268,607	0.009207%	1,338,245
Total	$ 23,829,813,562	$ 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	0.008906%	$ 3,346,174
Percentage Increase	*10.23%*	*8.78%*	*6.69%*	*1.46%*	*1.17%*	*1.78%*	*3.32%*	*4.99%*	*5.28%*	*6.68%*	*6.73%*		
BCHD Property Tax Collected	$ 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		
BCHD Effective Property Tax %	0.009695%	0.009378%	0.008831%	0.008785%	0.008802%	0.009465%	0.009626%	0.009444%	0.009533%	0.009531%	0.009560%		



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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City of Hermosa Beach Residents - Total	1.060830%	1.038106%	1.037724%	1.036418%	1.037907%	1.037488%	1.040540%	1.038968%	1.035651%	1.036693%	1.04137%
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 *	0.000660	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	0.020430	0.017139	0.016398	0.017250	0.018067	0.016904	0.018550	0.017970	0.014729	0.015746	0.014928
El Camino community College District	0.035700	0.016467	0.017026	0.014868	0.016140	0.016884	0.018490	0.017498	0.017422	0.017447	0.022942
Metro Water District	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.003500	0.003500	0.003500	0.003500
City of Redondo Beach Residents - Total	1.0708%	1.0494%	1.0685%	1.0744%	1.0896%	1.1067%	1.1036%	1.1134%	1.1178%	1.1127%	1.1172%
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	0.2117%	0.1872%	0.1861%	0.1877%	0.1882%	0.1858%	0.1875%	0.1578%	0.1623%	0.1625%	0.1627%
Redevelopment Agency	1.005410	1.004500	1.004300	1.004300	1.003700	1.003700	-	-	-	-	-
Overlapping - Redondo Beach Residents											
Los Angeles County *	0.000660	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Flood Control	0.000050	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Metropolitan Water District	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.003500	0.003500	0.003500	0.003500
El Camino Community College District	0.035700	0.016470	0.017030	0.014870	0.016140	0.016880	0.018490	0.017500	0.017420	0.017450	0.022940
Redondo Beach Unified School District	0.029700	0.028440	0.047140	0.055190	0.069770	0.086100	0.081620	0.092420	0.096890	0.091740	0.090790
City of Manhattan Beach Residents - Total	1.07961%	1.05800%	1.12188%	1.11576%	1.14884%	1.11970%	1.15891%	1.16402%	1.09278%	1.08753%	1.09412%
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	0.1673%	0.1676%	0.1586%	0.1584%	0.1562%	0.1593%	0.1595%	0.1601%	0.1606%	0.1613%	0.1508%
Overlapping - Manhattan Beach Residents											
Los Angeles County *	0.000660	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.0000000	0.0000000	0.0000000	0.0000000
Colleges & School Districts	0.074250	0.053500	0.117580	0.111460	0.145140	0.116000	0.155410	0.1605200	0.0892800	0.0840300	0.0906200
Metro Water District	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.0035000	0.0035000	0.0035000	0.0035000
Flood Control District	0.000050	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	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

	Population				Per Capital Personal Income			Per Capita	Total	Unemployment Rate			
Calendar Year	City of Redondo Beach (1)	City of Hermosa Beach (1)	City of Manhattan Beach (1)	Population Beach Cities Total (1)	City of Redondo Beach (2)	City of Hermosa Beach (2)	City of Manhattan Beach (2)	Beach Cities Personal Income Average	Beach Cities Income (in thousands) (1) * (2)	City of Redondo Beach (3)	City of Hermosa Beach (3)	City of Manhattan Beach (3)	Beach Cities Unemployment Rate Average
2007	66,925	19,474	36,240	122,639	57,826	39,794	73,817	57,146	7,008,287	4.7%	2.0%	1.7%	2.8%
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	*35,488*	124,011	*57,160*	55,624	*83,689*	65,491	8,121,604	5.0%	1.9%	*2.1%*	3.0%

* Beach Cities - includes Cities of Redondo Beach, Hermosa Beach, and Manhattan Beach.
** In 2017, 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
2017

	Employer	Employees	Percentage of
1	Northrop Grumman	6,634	15.02%
2	Redondo Beach Unified School District	764	1.73%
3	Manhattan Beach Unified School District	732	1.66%
4	Skechers USA, Inc.	725	1.64%
5	Target Corporation	622	1.41%
6	Kinecta Federal Credit Union	550	1.25%
7	City of Redondo	439	0.99%
8	Crown Plaza Hotel	339	0.77%
9	City of Manhattan Beach	289	0.65%
10	Fry's Electronics	264	0.60%
11	Cheesecake Factory	261	0.59%
12	Portofino Inn	244	0.55%
13	Homewood Suites	239	0.54%
14	Marriott MB	233	0.53%
15	DHL	227	0.51%
16	Residence Inn Redondo Beach	222	0.50%
17	City of Hermosa	179	0.41%
18	24 hour fitness	176	0.40%
19	Ralph's Grocery	167	0.38%
20	Intensive Behavior Intervention Consultants	150	0.34%
	All Others	30,704	69.53%
	Total	44,160	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
Support Services:												
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
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
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
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
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
Information Systems	1.0	1.0	-	-	-	-	-	-	-	-	0.2	0.7
Work Well	-	-	-	-	-	-	-	-	-	0.3	0.3	0.9
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
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
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
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
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
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
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
Blue Zones Project	-	-	-	1.0	1.0	1.0	2.0	6.0	5.0	5.0	4.0	4.0
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
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
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
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

Source: BCHD Annual Budget