

Beach Cities Health District

Los Angeles County, California

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

Comprehensive Annual Financial Report

Fiscal Year ended June 30, 2015



A Public Agency

Beach Cities
Health District

BEACH CITIES HEALTH DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015



514 N. Prospect Avenue
Redondo Beach, California 90277

Prepared by:
Finance Department

BEACH CITIES HEALTH DISTRICT
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of the Plan's Proportionated Share of the Net Pension Liability.....	49
Schedule of Plan Contributions	50
Schedule of Revenues, Expenditures, and Changes in	
Fund Balance – Budget and Actual – General Fund	51
Notes to Required Supplemental Information	52

STATISTICAL SECTION

Net Position by Component	54
Changes in Net Position	55
Fund Balances of Governmental Funds	57
Changes in Fund Balances of Governmental Funds	58
Government-wide Revenues by Function.....	59
Governmental-wide Expenses by Function	60
Assessed Value and Estimated Actual Value of Taxable Property	61
Direct and Overlapping Property Tax Rates	62
Demographic Statistics	63
Principal Employers	64
Personnel Summary by Department.....	65

February 29, 2016

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, 2015. The District is committed to implementing sound fiscal policy, responsible management and excellence in financial reporting.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

The reader is referred to the Management Discussion & Analysis (MD&A) section beginning on page 4 for an overview of the District’s financial position. This transmittal letter is designed to complement the MD&A and therefore should be read with it. The District’s MD&A is required supplementary information and provides information and analysis that users need to interpret the basic financial statements.

The CAFR is presented in three sections as is standard practice: introductory, financial, and statistical. The introductory section, unaudited, includes this transmittal letter and the District’s organizational chart for the fiscal year 2014-2015. The financial section includes the independent auditor’s report, management’s discussion & analysis, basic financial statements and related footnotes, and other schedules that provide detailed information relative to the basic financial statements. The statistical section, which is also unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Service Efforts and Accomplishments. In FY2015, the District delivered services to its residents and citizens, adhering to its financial policies and adopted financial plan as evidenced by the budget-to-actual reports presented later in this package.

Reporting Entity. This CAFR presents the financial status of the District and its component unit, Prospect One Corporation (POC), which is included in the District’s reporting entity because of its operationally and financially integral relationship with the District. The component unit, POC is reported on a blended basis as part of the primary government because its board is comprised of all District board members.

Profile of the Government. The Beach Cities Health District was formed in 1955 under California State's Local Health Care District law, a public health government agency serving the residents of Manhattan Beach, Hermosa Beach and Redondo Beach, providing health and wellness programs that promote healthy lifestyles, physical fitness and emotional health.

District Services. The Beach Cities Health District service delivery is organized around functional areas: Life Span Services, Health and Fitness Centers, Property Management and Administration.

The **Life Span Services Department** consists of the Youth, Adult and Older Adult Services, plus the Blue Zones project across all age ranges.

The Blue Zones project is a multi-discipline effort acting in concert with the cities of Hermosa Beach, Manhattan Beach, Redondo Beach, the three school districts and many employers in these cities. Subject matter experts in worksites, public policy, restaurants, grocery stores, schools and citizen engagement engage in activity most likely to produce evidence-based outcomes to raise the health of the community. Gallup Polls have added data to help demonstrate effectiveness of District services. Over the past five years, smoking rates in the Beach Cities combined dropped by 17% from 10.7% to 8.9%, compared to a National average of 18.8% smokers. Obesity is much lower and exercise rates much above National averages at 12.1% obesity in the Beach Cities compared to 28.1% Nationally, and 65.8% of Beach Cities residents exercise more than 3 days per week compared to 53.2% Nationally.

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

School Health Services provide a variety of physical, mental and social health programs for children within the beach cities school setting. These include: health education for elementary students; life skills and substance abuse education for middle school students; and obesity prevention education at the elementary level. LiveWell Kids and LiveWell Tots are responsible for identifying and addressing relevant health needs and issues that affect youth; program development; leading community collaborations to create innovative partnerships that address community health needs and BCHD Priority Health Areas including Nutrition Education, Physical Education, Counseling, Substance Abuse, Emotional and Social Health Education.

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

AdventurePlex is a health and fitness center created especially for youth. Geared to challenge children - physically, mentally and intellectually - with non-stop activities in a safe, structured environment, it provides a fun place to play, with an Adventure Play Structure full of mazes, tunnels and slides; an outdoor rock climbing wall and ropes course; gymnasium; and arts & crafts rooms. AdventurePlex also focuses on family fun

with many special events throughout the year, an array of classes and day camp sessions.

Center for Health and Fitness (CHF) provides affordable, age-appropriate physical activities to assist community members in their efforts to achieve optimal health. It programs include general fitness center memberships, Personal Training, Pilates, Yoga, Group Classes and various other fee based service, such as nutrition classes, massage therapists.

The Personal Training (PT) Department oversees all personal training, and includes highly educated and skilled trainers implementing complimentary fitness assessments and orientation sessions to help develop a personalized exercise program for each member. The Pilates Department oversees the implementation of Pilates with Certified Pilates instructors providing classes to our membership. The Yoga department oversees the implementation of Yoga classes with Certified Yoga instructors providing classes to our membership. And the Fee Based Services department oversees the specialty classes, services and massage by Certified instructors, massage therapists and a Registered Dietician.

The **Finance & Property Department** provides administrative support and delivers funding through treasury, property tax administration and leasing activities. The District has 262,000 of sq. ft. under management. The investment portfolio ranges seasonally from \$20 to \$25 million.

Beach Cities Health District's special revenue fund segregates activity related to Prospect One Corporation, established to construct and operate medical office building space on the main campus of the District.

Economic Condition and Outlook. The District serves the residents of the Cities of Hermosa Beach, Manhattan Beach and Redondo Beach, in the Los Angeles's South Bay area. The California State Department of Finance reports the combined population of these cities increased from 115,679 to 122,668 or 6% between 2000 and 2013.

Globally, the District experiences economic pressures felt by many organizations – depressed interest rates coupled with increased costs of insurance, employee salaries and benefits. Property value growth that remained flat from 2008-09 through 2011-12 is now continuing to increase slightly. The District's investment income continues to be affected by prolonged low interest rates on bond yields.

Financial Information. District management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgment by management.

We believe that the District's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of property tax funding, the District is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by District management.

In addition to internal controls, the District maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the District's governing body. Activities of the general and special revenue fund are included in the annual budget. The level of budgetary control, the level that expenditures cannot legally exceed, is established by fund. As demonstrated by the statements and schedules in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Cash Management. The District's Investment Policy instructs staff to invest funds in a manner that will provide for the highest degree of safety, liquidity and yield while conforming to all statutes governing the investing of public funds.

Independent Audit. The accounting firm of 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. 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 a published easily-readable and efficiently-organized CAFR whose contents conform to existing standards. This is reflected in continued earning of the award certificate found on page viii.

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

Without the continuing interest and support of the District Board of Directors in planning and conducting the financial operations of the Beach Cities Health District, preparation of this report would not have been possible.

Respectfully,



Monica Suua
Director of Finance

Beach Cities Health District District Officials At June 30, 2015

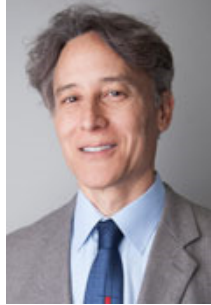
Board of Directors



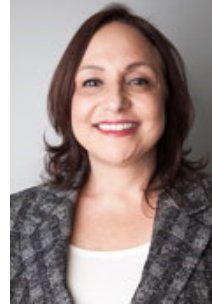
Vanessa Poster
President



Jane Diehl
President Pro
Tem



Dr. Noel Lee Chun
Secretary/
Treasurer



Dr. Michelle Bholat
Board Member



Lenore Bloss
Board Member

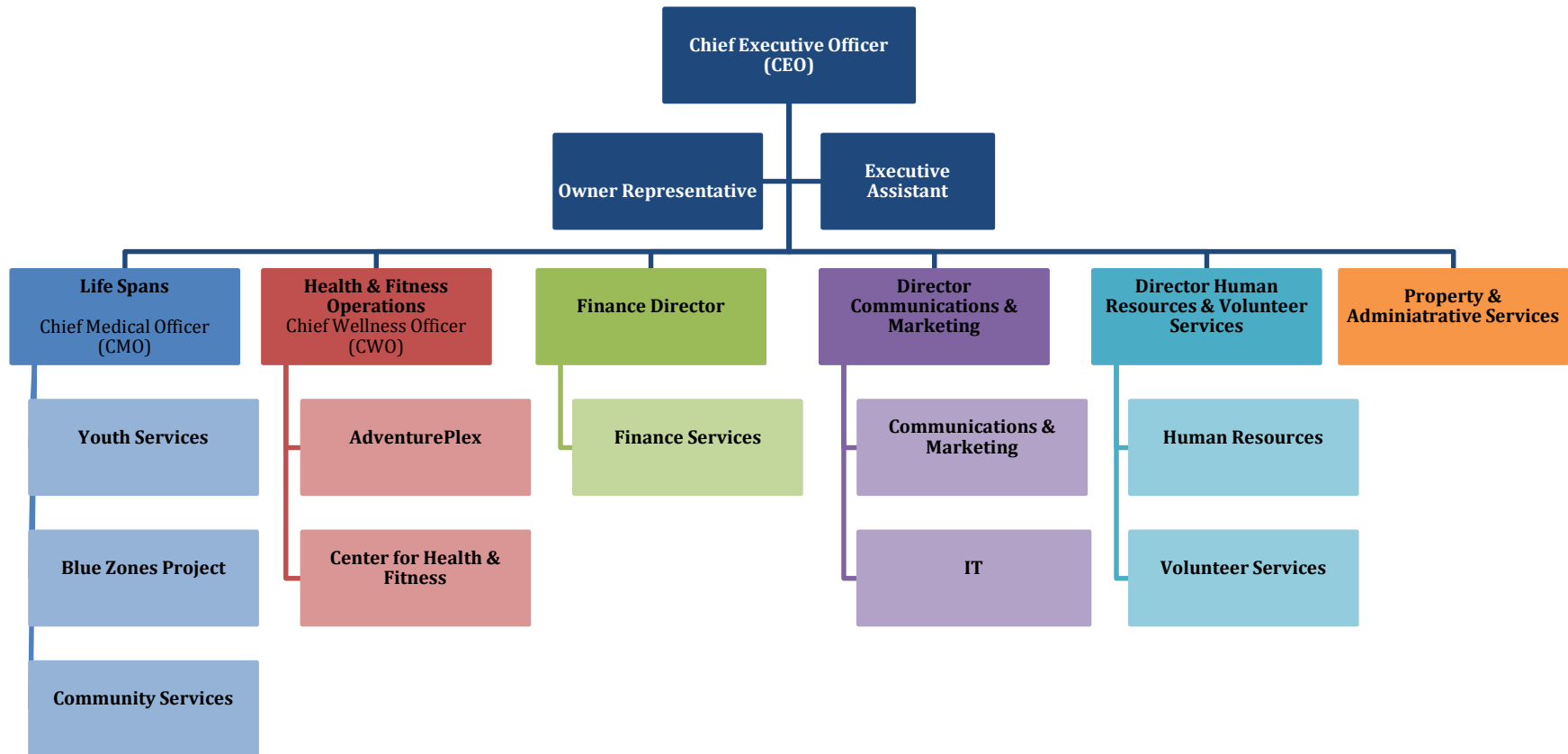
District Executive Leadership

Susan Burden, Chief Executive Officer
Jackie Berling, Chief Wellness Officer
Monica Suua, Director of Finance

Comprehensive Annual Financial Report prepared by:

Finance Department
Beach Cities health District
1200 Del Amo St.
Redondo Beach, CA 90277

Organization Chart



California Society of Municipal Finance Officers

Certificate of Award

***Outstanding Financial Reporting
Fiscal Year Ending June 30, 2014***

Presented to the

Beach Cities Health District

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

February 8, 2015



Pamela Arends-King

***Pamela Arends-King
CSMFO President***

Michael Gomez

***Michael Gomez, Chair
Professional Standards and
Recognition Committee***

Dedicated Excellence in Municipal Financial Reporting

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Sunrise Beach Cities Assisted Living, L.P., which represents 14.67%, 16.77%, and 17.30%, 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, 2015, 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

As described further in note 15 to the financial statements, during the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68. As part of the implementation of this standard, net position as of June 30, 2014, was restated. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

The financial statements of the District for the fiscal year ended June 30, 2014 were audited by other auditors whose report dated December 23, 2014, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2014 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 Plan Contributions*, and the *Schedule of the Plan's Proportionate Share of the Net Pension Liability* 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 February 29, 2016 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.

The image shows a handwritten signature in black ink that reads "Davis Farr LLP". The signature is written in a cursive, slightly stylized font.

Irvine, California
February 29, 2016

Management of the Beach Cities Health District (BCHD, the District) provides this Management Discussion and Analysis (MD&A) for readers of the District's financial statements. This narrative overview and analysis of the financial activities of the District is for the fiscal year ended June 30, 2015. Readers are encouraged to read this information alongside the District's financial statements, which follow.

Financial Highlights

- The assets of the District, \$69.5 million, exceeded its liabilities, \$9.0 million, including Deferred Outflows and Inflows of Resources at the close of the most recent fiscal year by \$60.5 million (net position). Of this amount, \$36.5 million (unrestricted net position) may be used to meet the District's on-going obligations to residents and creditors.
- The cost of all governmental activities this year was \$12.1 million, down from \$12.3 million for the previous year.
- 75% of the District's services were financed with funding sources other than taxes. The amount financed by taxpayers through property taxes was \$3.0 million, 25% of total revenues, compared to \$2.8 million and 24% in prior year.
- The fund balance of Beach Cities Health District's general fund increased by \$0.3 million during the current fiscal year. This was primarily attributable to revenues exceeding expenditures because of cost savings in facilities management, and less capital outlays compared to prior year.
- As of the close of the current fiscal year, the unassigned fund balance for the general fund was \$25.6 million, or 229% of general fund expenditures, and increase from prior year 212%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Beach Cities Health District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector businesses. These can be found on pages 10-11 of this report.

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide

financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year.

The focus of governmental funds is narrower than that of the government-wide financial statements, therefore it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-52.

Government-wide Financial Analysis

As noted previously, net position may serve over time as an indicator of financial position. Assets exceeded liabilities by \$60.5 million at the close of the fiscal year ended June 30, 2015.

Statement of Net Position (\$ Millions)

	Governmental Activities		Increase (Decrease)
	2015	2014	
<u>Assets</u>			
Current and other assets	\$ 41.3	\$ 42.0	\$ (0.7)
Capital assets	27.8	28.8	(1.0)
Total assets	69.1	70.8	(1.7)
<u>Deferred Outflows of Resources</u>			
Pension Contributions	0.4	-	0.4
<u>Liabilities</u>			
Long-term debt outstanding	7.3	5.7	1.6
Other liabilities	1.1	1.6	(0.5)
Total liabilities	8.4	7.3	1.1
<u>Deferred Outflows of Resources</u>			
Pension Contributions	0.7	-	0.7
<u>Net Position</u>			
Net investment in capital			
assets	22.8	23.7	(0.9)
Restricted	1.2	1.2	(0.0)
Unrestricted	36.5	38.7	(2.2)
Total Net Position	\$ 60.5	\$ 63.6	\$ (3.1)

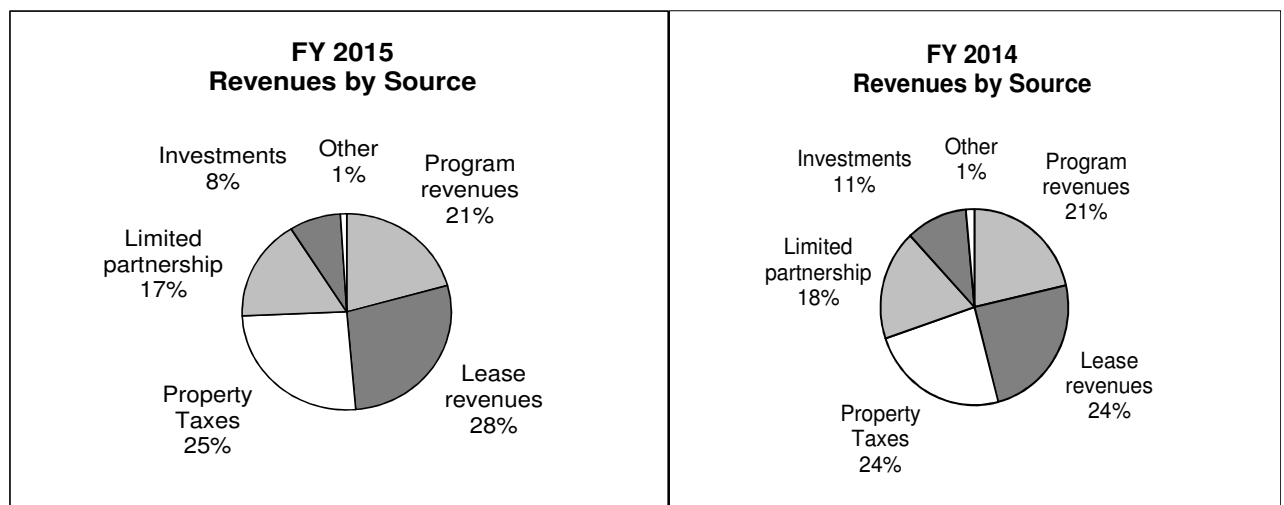
A significant portion of the District's Net Position, \$22.8 million net and \$27.8 million gross (40.2 percent of Total Assets), reflects its investment in Capital Assets (land, buildings, land and building improvements, furniture, fixtures, computer equipment, fitness equipment, etc.). The District uses these capital assets to provide services to residents; consequently these assets are not available for future spending. The District's "Net investment in capital assets" is reported net of related capital lease debt and the resources needed to repay

this debt must be provided from other sources, since the capital assets are in use themselves and cannot be used to liquidate these liabilities.

Beyond the assets invested in capital assets, \$1.2 million represent resources restricted specifically for Prospect One Corporation, a component unit of Beach Cities Health District. Therefore the remaining balance of unrestricted net assets, \$36.5 million, may be used to meet the District's ongoing operations and obligations to its citizens.

The cost of all governmental activities this year was \$12.0 million, down slightly from \$12.3 million for the previous year. As shown in the Statement of Activities on page 11, the amount financed by taxpayers through property taxes was \$3.0 million, compared to \$2.8 million in the prior year. This represents 25% of total revenues; 75% of the District's services are financed with other funding sources.

As shown in the following chart, a significant share of the cost of services was paid by user fees, those directly benefiting from programs (Program Income \$2.4 million), and by revenue generated from District resources (property lease revenues, limited partnership income and interest from investments).



Governmental Funds Financial Analysis

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

Governmental Fund.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$40.2 million. Most of this amount, \$25.6 million, constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is assigned or non-spendable, not available for discretionary spending, primarily a) the District's investment in limited partnerships (\$10.1 million), b) net notes receivable (\$2.9 million) and c) Prospect One Fund designated a Special Revenue Fund (\$1.2 million) restricted for medical building purposes.

General Fund. The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$25.6 million, of a total fund balance of \$40.2 million. As a measure of the district's liquidity, unassigned fund balance represents 230% of total general fund expenditures.

The fund balance of Beach Cities Health District's general fund increased by \$0.3 million during the current fiscal year. This was attributable to an operating surplus of \$1.6 million less capital expenditures and debt service of \$1.3 million.

Special Revenue Fund. Beach Cities Health District's special revenue fund segregates activity related to Prospect One Corporation, established to construct and operate medical office building space on the main campus of the District. Activity in the current fiscal year was comprised solely of banking fees.

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

General Fund Budgetary Highlights

In May, 2014, the Board of Directors approved a balanced budget for the Fiscal Year 2014-2015 that forecast an operating surplus of \$446,000, before capital expenditures, maintaining commitments to existing service levels and allowing for scheduled capital expenditures.

Continuing to face the economic conditions of depressed interest rates, the District budgeted revenues of \$350,000 less than prior year by mainly reducing interest income. User fees and partnership receipts were expected to recover slightly from the nation-wide economic recession, increasing \$68,000 and \$90,000 respectively. Although offset by expected \$150,000 decrease in Lease revenue due to lease contract changes.

Operating Expenditures were budgeted \$437,000 more than prior year due to anticipated staffing adjustments, increased Health Promotions and increased Health Program grants.

Expenditures for Capital Outlay, District's long-term investment in capital assets of \$446,000 were included in this budget, excluding carryover of prior year approved capital project spending. Actual capital expenditures normally vary from budget due largely to delayed timing of project spending from prior year. There was \$139,000 of capital expenditures that carried over into the FY1415 budget year.

Actual change in Fund Balance exceeded the budgeted balanced Fund Balance change by a positive \$328,000. As can be seen on p. 51, actual revenues exceeded budgeted revenues by \$112,000 primarily from favorable actual lease revenue and property tax income offset some by unfavorable actual program income and income from partnerships. Actual expenditures were favorable to budget by \$361,000 primarily due to actual savings in salaries and related expenses and collection of prior year's outstanding tenant BOE (Common Area Building Operating Expenses) allocations in facilities management. The major unfavorable variances to the budget are in Professional Fees due outsourcing of Facility Management operations, Capital Expenditures (due to prior year carryover projects) and non-budgeted retirement of principle debt.

Program income derives from the District's Center for Health and Fitness user fees, managed monthly using actual-to-budget variance control at the program level in order to manage expenses proportionally as revenue fluctuates. Favorable operational expenditure variances are largely a function of continually monitoring in flows of revenues and adjusting controllable expenditures across all district departments to maintain a balanced budget.

As shown in the following table, both total revenues and expenditures decreased slightly over prior year with expenses decreasing \$400,000 more than revenues resulting in excess of revenues over expenditures of \$300,000 for the year ended June 30, 2015.

	Actual (\$ Millions)		Increase
	2015	2014	(Decrease)
Revenues			
Leasing Revenue	\$ 3.2	\$ 2.9	\$ 0.3
Property Taxes	3.0	2.8	0.2
Program Income	2.4	2.5	(0.1)
Limited Partnership	1.9	2.1	(0.2)
Investment Earnings	0.9	1.2	(0.3)
Other	0.1	0.2	(0.1)
Total Revenues	11.5	11.7	(0.2)
Expenditures			
Current			
Salaries & related	5.4	5.5	(0.0)
Grants & projects	1.3	1.3	0.0
Professional Fees	1.3	1.2	0.0
Facilities Management	0.2	0.5	(0.3)
Community Relations	0.7	0.6	0.2
General & Administrative	0.4	0.5	(0.1)
Cost of Goods Sold	0.0	0.1	(0.1)
Human Resources	0.3	0.2	0.1
Information Systems	0.1	0.2	(0.0)
Other	0.1	0.0	0.0
Capital Outlay	0.6	1.0	(0.4)
Debt Service			
Interest and other fiscal	0.3	0.3	0.0
Principal Retirement	0.4	0.4	(0.0)
	11.2	11.8	(0.6)
Excess of revenues over (under) expenditures	0.3	(0.1)	0.4
Other finance resources	-	-	-
	0.3	(0.1)	0.4
Beginning Fund Balance	39.9	40.0	(0.1)
Prior period adjustment		(0.1)	0.1
Ending Fund Balance	\$ 40.2	\$ 39.9	\$ 0.3

Property tax revenue increased marginally, a reflection of local improved real estate values and an improved local economy. Leasing revenues increased, reflecting increased district property under contract that should be in place several years. The Limited Partnerships earnings dropped due to struggling occupancy in a more competitive Senior Living market. Investment earnings decreased due to the national economic low interest rates continuing to impact

the average yield of the District's portfolio. Program revenues decreased slightly over prior year due to elimination of an in-house Café replaced by using Fresh Brothers for food orders.

Operating expenditures decreased compared to the budget mainly in Facility Management due to collection of prior years' Tenant BOE (Common Area Building Operating Expenses) allocations. And decreased further by lower capital expenditures due to the cost incurred by moving the Administrative Offices prior-year.

Capital Asset and Debt Administration

The District's investment in capital assets, page 33 (Note 6.) for its governmental activities as of June 30, 2015 amounts to \$27,766,947 (net of accumulated depreciation). This investment includes land, buildings, furniture, fixtures, equipment, and land and building improvements. The net decrease in the District's capital assets for the current fiscal year was 3.7% due to depreciation expenses exceeding additions of capital assets.

Major capital asset additions for the year:

• Corporate office relocation	\$223,000
• Elevator Modernization	187,000
• Water Tank	82,000
• Computers	37,000
• Server Relocation	6,000

The District's paid down its capital lease debt by paying \$397,000 in principle, \$325,000 for the Prospect South Bay Parking, \$51,000 for Fitness Equipment and \$21,000 for Phone system.

Economic Outlook

Fiscal Year 2014-15 finds the regional economy improving slightly alongside the national improved unemployment rates and job growth numbers. Also, based on improved property values locally, the District's Property Tax revenue now continues to increase slightly year-over-year from remaining flat from 2008-09 through 2011-12. Interest rates however continue to remain low. Therefore, the General Fund investments earnings had to be substantially adjusted in FY 2014-15 due to the economic influence and realized losses occurring during the prior year's economic downturn. Investment earnings will continue to decrease if the average yield falls with every maturing bond that was purchased several years ago and is now re-invested in the record-low interest rate environment. Interest rates are normal cyclical, and the current cycle has kept rates at near-zero for a particularly long time.

Beach Cities Health District continues to pursue increased funding through expansion of services for good value User Fees and expanded leasing opportunities. Through leasing activity, partnership revenues, investments, and user fee services roughly three quarters of the District's services will continue to be financed with funding sources other than taxes.

Requests for Information

This financial report is designed to provide a general overview of the Beach Cities Health District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Beach Cities Health District Finance Department, 1200 Del Amo St., Redondo Beach, CA 90277.

BEACH CITIES HEALTH DISTRICT

Statement of Net Position

As of June 30, 2015
(with comparative data for prior year)

	Governmental Activities	
	2015	2014
ASSETS		
Cash and investments (note 2)	\$ 27,395,415	27,418,517
Accounts receivable - net	418,635	746,741
Interest receivable	97,543	75,699
Loans receivable	-	77
Notes receivable - net investment (note 4)	2,918,198	3,162,264
Taxes receivable	64,357	60,856
Pass through grants receivable	14,009	14,487
Prepaid items	304,120	234,513
Inventory	-	10,125
Investment in limited partnerships (note 7)	10,139,898	10,250,905
Capital assets not being depreciated (note 6)	4,401,926	4,943,698
Capital assets - net of accumulated depreciation (note 6)	<u>23,365,021</u>	<u>23,896,353</u>
TOTAL ASSETS	<u>69,119,122</u>	<u>70,814,235</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions (note 10)	284,802	-
Additional pension deferral (note 10)	75,673	-
Actuarial (note 10)	<u>3,197</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>363,672</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	299,714	984,688
Accrued liabilities	117,933	85,292
Accrued payroll	157,220	103,868
Deposits	175,984	178,984
Unearned service fees	270,817	214,849
Noncurrent liabilities:		
Due within one year (note 8)	727,247	696,046
Due in more than one year (note 8)	4,799,277	4,993,618
Net pension liability (note 10)	<u>1,806,648</u>	<u>-</u>
TOTAL LIABILITIES	<u>8,354,840</u>	<u>7,257,345</u>
DEFERRED INFLOWS OF RESOURCES		
Pension actuarial	<u>655,698</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	22,754,628	23,675,147
Restricted for medical building purposes	1,206,761	1,206,766
Unrestricted	<u>36,510,867</u>	<u>38,674,977</u>
TOTAL NET POSITION	<u>\$ 60,472,256</u>	<u>63,556,890</u>

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2015
(with comparative data for prior year)

Functions	Expenses	Program Revenues	Governmental Activities	
		Charges for Services	Net (Expense) Revenue and Change in Net Position	
			2015	2014
Primary government:				
Health care services	\$ 11,694,711	2,376,262	(9,318,449)	(9,377,667)
Interest on long-term debt	<u>394,683</u>	<u>-</u>	<u>(394,683)</u>	<u>(419,436)</u>
Total	<u>\$ 12,089,394</u>	<u>2,376,262</u>	<u>(9,713,132)</u>	<u>(9,797,103)</u>
General revenues:				
Lease revenues			2,808,684	3,019,012
Property taxes			2,960,181	2,806,501
Income from limited partnerships			1,919,408	2,134,248
Earnings on investments			917,677	1,235,885
Other income			<u>110,180</u>	<u>172,806</u>
Total general revenues			<u>8,716,130</u>	<u>9,368,452</u>
Change in net position			(997,002)	(428,651)
Net position, beginning of year, as restated (note 15)			<u>61,469,258</u>	<u>63,985,541</u>
Net position, end of year			<u>\$ 60,472,256</u>	<u>63,556,890</u>

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Governmental Funds

Balance Sheet

As of June 30, 2015

(with comparative data for prior year)

	General Fund	Prospect One Fund	Totals	
			2015	2014
<u>ASSETS</u>				
Cash and investments (note 2)	\$ 26,238,713	1,156,702	27,395,415	27,418,517
Account receivable - net	418,635	-	418,635	746,741
Due from other funds (note 5)	-	50,059	50,059	60,727
Interest receivable	97,543	-	97,543	75,699
Loans receivable	-	-	-	77
Notes receivable - net investment (note 4)	2,918,198	-	2,918,198	3,162,264
Taxes receivable	64,357	-	64,357	60,856
Pass through grants receivable	14,009	-	14,009	14,487
Prepaid items	304,120	-	304,120	234,513
Inventory	-	-	-	10,125
Investment in limited partnerships (note 7)	10,139,898	-	10,139,898	10,250,905
TOTAL ASSETS	\$ 40,195,473	1,206,761	41,402,234	42,034,911
<u>LIABILITIES</u>				
Accounts payable	\$ 299,714	-	299,714	984,688
Accrued liabilities	117,933	-	117,933	85,292
Accrued payroll	157,220	-	157,220	103,868
Due to other funds (note 5)	50,059	-	50,059	60,727
Deposits	175,984	-	175,984	178,984
Unearned service fees	270,817	-	270,817	214,849
TOTAL LIABILITIES	1,071,727	-	1,071,727	1,628,408
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue	165,967	-	165,967	569,688
TOTAL DEFERRED INFLOWS OF RESOURCES	165,967	-	165,967	569,688
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	-	-	-	10,125
Prepaid items	304,120	-	304,120	234,513
Note receivable	2,918,198	-	2,918,198	3,162,264
Investment in limited partnerships	10,139,898	-	10,139,898	10,250,905
Restricted for medical building purposes	-	1,206,761	1,206,761	1,206,766
Unassigned	25,595,563	-	25,595,563	24,972,242
TOTAL FUND BALANCES	38,957,779	1,206,761	40,164,540	39,836,815
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 40,195,473	1,206,761	41,402,234	42,034,911

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, 2015

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 40,164,540
-------------------------------------	---------------

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.	165,967
--	---------

Long-term debt and compensated absences that have not been included in the governmental fund statements. The payables, however, are a liability in the Statement of Net Position:

Capital lease payable	(5,012,319)
Compensated absences	(299,030)

Net pension liability and related deferred inflows of resources are not due and payable in the current period. Deferred outflow of resources is not considered a current asset or financial resource. As a result, these items are not reported in the governmental funds (note 10).

Deferred outflows - contributions	284,802
Deferred outflows - additional deferral	75,673
Deferred outflows - actuarial	3,197
Deferred inflows - actuarial	(655,698)
Net pension liability	(1,806,648)

Capital assets, net of accumulated depreciation, have not been included as financial resources in governmental funds.	27,766,947
---	------------

Other postemployment benefits (OPEB) are not due and payable in the current period and, therefore, are not reported on the balance sheet of the governmental funds.	<u>(215,175)</u>
---	------------------

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 60,472,256</u></u>
---	-----------------------------

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, 2015
(with comparative data for prior year)

	General Fund	Prospect One Fund	Totals	
			2015	2014
REVENUES				
Financing and rental income related to leases	\$ 3,212,405	-	3,212,405	2,874,045
Property taxes	2,960,181	-	2,960,181	2,806,501
Program income	2,376,262	-	2,376,262	2,512,897
Income from limited partnership	1,919,408	-	1,919,408	2,134,248
Investment earnings	917,677	-	917,677	1,235,885
Other revenues	32,343	-	32,343	94,771
Intergovernmental	77,837	-	77,837	75,935
TOTAL REVENUES	11,496,113	-	11,496,113	11,734,282
EXPENDITURES				
Current:				
Salaries and related expenses	5,420,574	-	5,420,574	5,464,969
Health programs	1,345,957	-	1,345,957	1,309,116
Professional fees	1,274,264	-	1,274,264	1,233,726
Facilities management	189,805	-	189,805	538,505
Community relations	748,104	-	748,104	558,702
General and administrative	389,892	5	389,897	483,255
Human resources	281,259	-	281,259	194,802
Information services	118,294	-	118,294	166,911
Cost of goods sold	47,843	-	47,843	117,052
Other	58,475	-	58,475	45,471
Capital outlay	573,916	-	573,916	964,399
Debt service:				
Principal retirement	325,317	-	325,317	300,564
Interest and other fiscal charges	394,683	-	394,683	419,436
TOTAL EXPENDITURES	11,168,383	5	11,168,388	11,796,908
NET CHANGES IN FUND BALANCES	327,730	(5)	327,725	(62,626)
FUND BALANCES, BEGINNING OF YEAR	38,630,049	1,206,766	39,836,815	39,899,441
FUND BALANCES, END OF YEAR	\$ 38,957,779	1,206,761	40,164,540	39,836,815

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, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	327,725
--	----	---------

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	573,916
Depreciation expense	-

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.	416,731
--	---------

To record as a revenue the net change in compensated absences in the Statement of Activities.	50,940
--	--------

Revenues that are measurable but not available are recorded as unavailable revenue under the modified accrual basis of accounting.	(403,721)
---	-----------

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.	(11,042)
---	----------

Other postemployment benefits (OPEB) included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(40,385)</u>
--	-----------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>914,164</u>
---	-----------	----------------

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2015

(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.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

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

(b) **Government-wide and Fund Financial Statements (Continued)**

Major individual governmental funds are reported as separate columns in the fund financial statements.

(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.

(c) **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.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

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

(d) **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.

(e) **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:

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

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

(e) **Receivables and Payables (Continued)**

- *Property Valuations* – Property valuations are established by the Assessor of Los Angeles County for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.
- *Tax Levies* – Tax levies are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.
- *Tax Levy Dates* – Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.
- *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.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(e) Receivables and Payables (Continued)

- *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.

(f) 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.

(g) Inventory

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

(h) Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2015.

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

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

(h) Capital Assets (Continued)

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

(i) 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, 2015, the balance of vacation leave is \$299,030.

(j) Long-Term Obligations

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

(k) 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. Deferred outflows – pension contributions, deferred outflows – additional deferral, and deferred outflows – 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 two 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 second item, deferred inflows – actuarial, is the net difference between the projected and actual earnings on the District's pension plan investments.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(l) 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, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	June 30, 2013 to June 30, 2014

(m) 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.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

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

(m) **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.

(n) **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.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

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

(o) **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.

(2) **Cash and Investments**

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	<u>\$27,395,415</u>
Total cash and investments	<u>\$27,395,415</u>

Cash and investments as of June 30, 2015 consist of the following:

Petty cash	\$ 5,650
Deposits with financial institutions	401,320
Investments	<u>26,988,445</u>
Total cash and investments	<u>\$27,395,415</u>

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(2) Cash and Investments (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (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	270 Days	20%	None
Commercial paper	180 Days	25%	None
Mutual funds (must be comprised of eligible securities permitted under this policy)	N/A	20%	None
Money market funds (must be comprised of eligible securities permitted under this policy)	N/A	20%	None
Registered state warrants or treasury notes 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

The investment policy allows for the above investments to have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the District.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(2) Cash and Investments (Continued)

<u>Investment Type</u>	<u>Totals</u>	Remaining maturity (in Months)		
		12 Months <u>or Less</u>	13 to 36 <u>Months</u>	37 to 60 <u>Months</u>
Local Agency Investment Fund	\$ 2,813,584	2,813,584	-	-
Medium term notes	7,150,445	250,863	2,492,015	4,407,567
Municipal obligations	2,210,154	801,294	1,031,552	377,308
U.S. Treasury securities	7,738,730	-	3,050,266	4,688,464
U.S. Agency securities	<u>7,075,532</u>	<u>1,046,430</u>	<u>4,710,368</u>	<u>1,318,734</u>
Totals	<u>\$26,988,445</u>	<u>4,912,171</u>	<u>11,284,201</u>	<u>10,792,073</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Fiscal Year End</u>				
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>
LAIF	\$ 2,813,584	N/A	\$ -	-	-	-	2,813,584
Medium Term Notes	7,150,445	A	139,203	2,202,282	4,059,166	749,794	-
Municipal Obligations	2,210,154	N/A	801,935	678,016	730,203	-	-
U.S. Treasury securities	7,738,725	N/A	-	7,738,725	-	-	-
U.S. Agency securities	<u>7,075,532</u>	N/A	<u>-</u>	<u>7,075,532</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$26,988,445</u>		<u>\$941,138</u>	<u>17,694,555</u>	<u>4,789,369</u>	<u>749,794</u>	<u>2,813,584</u>

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	U.S. Agency securities	\$3,375,292
FHLMC	U.S. Agency securities	2,667,060

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(2) **Cash and Investments (Continued)**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015, the District's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury securities	\$7,738,730
U.S. Agency securities	7,075,532
Medium term notes	7,150,445
Municipal obligations	2,210,154

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.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(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 \$13,162.

Cancer Care Associates Medical Group

The District entered into a lease agreement dated December 8, 1999, with Cancer Care Associates Medical Group to lease 10,730 square feet located on the fourth floor at 514 Prospect Avenue, Redondo Beach. The lease is for a term of 10 years and 8 months 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 August 2011. As of the most recent cost of living adjustment, the monthly base rent has increased to \$27,936. Reimbursement to the District for a portion of the common area operating expenses is paid monthly at a fixed negotiated rate of \$8,584 per month.

Sunrise Beach Cities Assisted Living, LP

The District has entered into a lease agreement dated December 11, 1997, with Sunrise 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.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

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

Pacific South Bay Dialysis Center, LLC

The District and Pacific South Bay Dialysis Center, LLC, have entered into a lease agreement dated May 31, 1998, to lease approximately 2,000 usable square feet located on the lower level of 514 North Prospect Avenue, Redondo Beach. The fifth amendment to the lease dated January 10, 2013, increased the monthly base rent to \$5,400, effective on January 1, 2013, and will increase base rent annually by 3% each remaining year of the lease. As of June 30, 2015, the base rent has increased to \$5,729.

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 \$40,035. 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 Redondo Beach, Inc. to lease 35,008 square feet located at 514 N. Prospect Avenue, Redondo Beach. The lease is for a term of 10 years 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 May 2012 changed the base rent for both lease and operating expense reimbursement to \$79,517 per month.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

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

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.

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.

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.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(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, 2015, the note had an unpaid balance of \$7,705,433 and a remaining unamortized purchase discount of \$5,064,147, resulting in the reporting of an investment in note receivable at a net cost of \$2,641,286.

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 566,156	591,503	1,157,659
2017	612,782	544,877	1,157,659
2018	663,247	494,412	1,157,659
2019	717,868	439,791	1,157,659
2020	776,988	380,671	1,157,659
2021-2025	<u>4,368,392</u>	<u>841,072</u>	<u>5,209,464</u>
Totals	<u>\$7,705,433</u>	<u>3,292,326</u>	<u>10,997,759</u>

On January 5, 2011, the District executed a standard industrial/commercial single tenant lease agreement and a revolving promissory note with Beach Cities Child Development Center for the premises located at 514 Prospect Avenue, Redondo Beach. Pursuant to the agreements, the lessee agreed to lease the premises for a period of approximately 10 years, and to make certain alterations, additions or improvements to the premises related to the lessee's operation of the premises. The District originally agreed to lend the lessee \$420,000 to be used by the lessee to make all improvements to the premises. The District has advanced the entire amount of the improvement loan to the lessee pursuant to the revolving credit agreement, which indebtedness was originally evidenced by the revolving promissory note. The lessee then discharged its obligations under the revolving promissory note (which has been cancelled) by executing a term promissory note with an initial principal balance of \$420,000. The unpaid amount from time to time outstanding under the revolving note and term note bears interest equal to 7%. Monthly payments are due through December 2020. The note is secured by the security interest granted in the security agreement. As of June 30, 2015, the note has a balance of \$276,912. Principal and interest to be received on the note are as follows:

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(4) Notes Receivable (Continued)

Fiscal Year Ended June 30,	Principal	Interest	Total
2016	\$ 43,732	18,431	62,163
2017	46,893	15,270	62,163
2018	50,283	11,880	62,163
2019	53,918	8,245	62,163
2020	58,402	3,758	62,160
2021	<u>23,684</u>	<u>315</u>	<u>23,999</u>
Totals	<u>\$276,912</u>	<u>57,899</u>	<u>334,811</u>

As of June 30, 2015, the District's net investment in notes receivable was:

Ducot note – unpaid balance	\$7,705,433
Ducot note – unamortized purchase discount	<u>(5,064,147)</u>
Net investment in notes receivable	2,641,286
Note – Beach Cities Child Development Center	<u>276,912</u>
Total net investment in notes receivable	<u>\$2,918,198</u>

(5) Interfund Activity

The following represents the interfund activity of the District for the fiscal year ended June 30, 2015. Current interfund balances arise in the normal course of business. They are expected to be repaid shortly after the end of the fiscal year.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	50,059
Prospect One Fund	<u>50,059</u>	<u>-</u>
Totals	<u>\$50,059</u>	<u>50,059</u>

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(6) Capital Assets

Changes in capital assets for governmental activities for the fiscal year ended June 30, 2015 were as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets not being depreciated:				
Land	\$ 4,401,926	-	-	4,401,926
Construction in progress	<u>541,772</u>	<u>-</u>	<u>(541,772)</u>	<u>-</u>
Total capital assets not being depreciated	<u>4,943,698</u>	<u>-</u>	<u>(541,772)</u>	<u>4,401,926</u>
Capital assets being depreciated:				
Buildings and improvements	44,733,238	861,872	-	45,595,110
Equipment, furniture and fixtures	<u>482,904</u>	<u>517,962</u>	<u>-</u>	<u>1,000,866</u>
Total capital assets being depreciated	<u>45,216,142</u>	<u>1,379,834</u>	<u>-</u>	<u>46,595,976</u>
Less accumulated depreciation for:				
Buildings and improvements	(21,056,368)	(1,748,141)	-	(22,804,509)
Equipment, furniture and fixtures	<u>(263,421)</u>	<u>(163,025)</u>	<u>-</u>	<u>(426,446)</u>
Total accumulated depreciation	(21,319,789)	(1,911,166)	-	(23,230,955)
Capital assets being depreciated, net	<u>23,896,353</u>	<u>(531,332)</u>	<u>-</u>	<u>23,365,021</u>
Capital assets, net	<u>\$28,840,051</u>	<u>(531,332)</u>	<u>(541,772)</u>	<u>27,766,947</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

Facilities and management	<u>\$ 1,911,166</u>
---------------------------	---------------------

(7) 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.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(7) Investments in Limited Partnerships (Continued)

As of the fiscal year ended June 30, 2015, 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 \$10,085,959.

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, 2015, after allocation of partnership income (loss) and distributions from the partnership to the District, the investment in the Beach District Surgery Center, LLC, was \$53,939.

(8) Long-Term Liabilities

The following is a summary of changes in Governmental Activities long-term debt for the fiscal year ended June 30, 2015:

	Balance as of <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>June 30, 2015</u>	Due Within <u>One Year</u>
Capital lease payable	\$5,164,904	264,146	(416,731)	5,012,319	428,217
Compensated absences payable	349,970	280,446	(331,386)	299,030	299,030
Other post-employment benefit obligation	<u>174,790</u>	<u>43,748</u>	<u>(3,363)</u>	<u>215,175</u>	<u>-</u>
Total	<u>\$5,689,664</u>	<u>588,340</u>	<u>(751,480)</u>	<u>5,526,524</u>	<u>727,247</u>

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, 2015, the District made the principal payment of \$325,317. The outstanding balance was \$4,792,437 at June 30, 2015. The following is a summary of future minimum lease payment requirements:

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(8) Long-Term Liabilities (Continued)

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 352,109	367,891	720,000
2017	381,107	338,893	720,000
2018	412,493	307,507	720,000
2019	446,463	273,537	720,000
2020	483,232	236,768	720,000
2021-2025	<u>2,717,033</u>	<u>522,967</u>	<u>3,240,000</u>
Totals	<u>\$4,792,437</u>	<u>2,047,563</u>	<u>6,840,000</u>

Phone System – The District entered into a capital lease agreement with NEC Financial Service, LLC, for a phone system with a monthly payment of \$2,156 through November 2016. The loan bears interest at 12.19% per annum. The initial principal obligation under the lease amounted to \$98,431. The outstanding balance was \$33,500 at June 30, 2015. The following is a summary of future minimum lease payment requirements:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$23,043	2,825	25,868
2017	<u>10,457</u>	<u>321</u>	<u>10,778</u>
Totals	<u>\$33,500</u>	<u>3,146</u>	<u>36,646</u>

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, like treadmills, steppers, etc. 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 balance was \$166,242 and \$20,142, respectively at June 30, 2015.

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$53,066	6,265	59,331
2017	55,164	4,167	59,331
2018	56,727	1,985	58,712
2019	<u>21,427</u>	<u>201</u>	<u>21,628</u>
Totals	<u>\$186,384</u>	<u>12,618</u>	<u>199,002</u>

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(9) Operating Leases as Lessee

Administrative Office – The District entered into a capital lease agreement with Redondo Beach Unified School District to lease 6,954 square feet located at 1200 Del Amo Street, Redondo Beach. The lease is for a term of fifteen years commencing January 1, 2014, and the monthly lease payment is \$6,954 due at the first of each month. The leasing contract presents two options to be extended from January 1, 2030 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:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Annual Payment</u>
2016	\$ 83,448
2017	85,951
2018	85,951
2019	88,455
2020	65,255
2021-2025	348,805
2026-2029	<u>301,910</u>
Totals	<u>\$1,059,775</u>

(10) 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, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Funding Policy

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

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(10) Defined Benefit Pension Plan (Continued)

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, 2015, are summarized as follows:

	<u>Miscellaneous</u> Prior to January 1, 2013	<u>PEPRA</u> On or after January 1, 2013
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-60	52-62
Monthly benefits, as a percentage of eligible compensation	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	9.222%	6.25%

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. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate was 6.880 and 6.308 percent of annual pay, and the average employer's contribution rate was 9.278 and 6.250 percent of annual payroll for the Miscellaneous and PEPRA plans, respectively. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(10) **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	7.50%
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	Derived using CalPERS' membership data for all funds

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience study report can be obtained from the CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a 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. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS' website under the GASB 68 section.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes. Refer to page 42 of this report, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 to 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 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 equivalent 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. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 – 10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55)%	(1.05)%

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

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

Allocation of Net Pension Liability and Pension Expense to Individual Employers

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

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the Miscellaneous Risk Pool (risk pool) as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position (FNP) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date.

Note: For purposes of FNP in this step (2) and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014, less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(10) Defined Benefit Pension Plan (Continued)

- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5). The plan's proportion of aggregate employer contributions is equal to the plan's proportion of FNP calculated in (4). The plan's proportionate share of risk pool pension expense is developed as the sum of the related proportionate shares of the components of the aggregate pension expense

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: 6/30/2013 (VD)	9,423,959	7,012,478	2,411,481
Balance at: 6/30/2014 (MD)	9,984,775	8,178,127	1,806,648
Net Changes during 2013-14	560,816	1,165,649	(604,833)

The District's proportionate share of the net pension liability for each plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous	PEPRA
Proportion – June 30, 2013	99.96%	0.04%
Proportion – June 30, 2014	99.96%	0.04%
Change – Increase (Decrease)	00.00%	0.00%

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 7.50 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 (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan's net pension liability	\$3,131,256	1,806,648	707,350

Subsequent Events

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

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(10) Defined Benefit Pension Plan (Continued)

Recognition of Gains and Losses

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions 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 inflows and deferred outflows 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 lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0.

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

As of the start of the measurement period (June 30, 2013), the NPL is \$2,411,481. For the measurement period ending June 30, 2014 (the measurement date), the District recognized a pension expense of \$268,818 for the Plan (the pension expense for the risk pool for the measurement period is \$239,824,465). As of June 30, 2014, the District reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	(561,744)
Adjustment due to differences in proportions	3,197	(93,954)
Totals	\$3,197	\$(655,698)

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

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

Included in the previous table is an employer-specific type of deferred outflow of \$75,673. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. This deferral and the corresponding amortization amount are calculated separately by each employer. 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). Amounts reported as deferred outflows and deferred inflows of resources in the previous chart, including the employer-specific item, will be recognized in future pension expense as follows:

Measurement period <u>Ended June 30,</u>	Deferred Outflows/(Inflows) <u>of Resources</u>
2015	\$(172,849)
2016	(172,849)
2017	(166,367)
2018	(140,436)

In addition to the above amounts, \$284,802 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

(11) **Deferred Compensation Plan**

Certain provisions of the Small Business Job Protection Act (the Act) affected Internal Revenue Code Section 457 plans by eliminating the requirement that Section 457 plan assets legally remain the assets of the sponsoring government. The Act requires that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The assets have been transferred into a trust, and are no longer subject to claims of the District's general creditors, and are no longer considered the assets of the District. The plan permits all District employees to defer a portion of their salary until future years. The amount deferred is not available to employees until termination, retirement, death or unforeseeable emergency.

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(11) **Deferred Compensation Plan (Continued)**

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.

(12) **Other Post Employment Benefits (OPEB)**

Plan Description

The District selected Total Compensation Systems, Inc. to perform an actuarial valuation of the retiree health insurance programs as of May 1, 2014. This includes benefits for 3 retirees and 55 active employees who may become eligible to retire and receive benefits in the future. The District makes medical insurance available after the age of 50 to all employees, who meet the requirement of 5 years of service. The District contributes 100% (\$89.25 cap per month) of the administrative fee while the retiree pays the premium.

Annual OPEB and Net OPEB Obligation

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

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(12) Other Post Employment Benefits (OPEB) (Continued)

Annual required contribution	\$ 43,192
Interest on net OPEB obligation	8,303
Adjustment to annual required contribution	<u>(7,747)</u>
Annual OPEB cost	43,748
Contributions made	<u>(3,363)</u>
Change in OPEB obligation	40,385
Net OPEB obligation – beginning of fiscal year	<u>174,790</u>
Net OPEB obligation – end of fiscal year	<u>\$215,175</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	\$35,210	3%	\$134,052
6/30/14	42,614	4%	174,790
6/30/15	43,748	8%	215,175

Funded Status and Funding Progress

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(12) Other Post Employment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

In the May 1, 2014, actuarial valuation, the entry age normal cost was used. The actuarial assumptions included a 4.75% investment rate of return, which is the expected long-term investment return on plan assets, and an annual healthcare cost trend rate of 4.00%. The actuarial value of assets was \$0. The UAAL is to be amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at May 1, 2014 was thirty years. The amortization period closed for initial UAAL and open for remaining UAAL for thirty years.

The ARC was determined as part of the May 1, 2014 actuarial valuation using the following methods and assumptions:

Actuarial cost method	Entry age normal
Amortization method	Level-percentage of payroll
Average remaining period	29 years as of the valuation date
Discount rate	4.50%
Inflation rate	2.75%
Projected salary increases	2.75%
Healthcare cost trend rate	4.00%

Schedule of Funding Progress

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

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(13) **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and there have been no material settlements in excess of coverage in any of the past three fiscal years.

General Liability Insurance

Directors and Officers liability coverage: Annual premiums are paid by the District and are adjusted retrospectively to cover costs. The coverage of Directors, Officers and Trustees Liability includes entity coverage, duty to defend, and employee practice liability. Insurance coverage is for up to \$5,000,000 per occurrence, and \$5,000,000 in aggregate, defense expenses paid within limits with a \$50,000 deductible per claim.

Commercial Crime liability coverage: Annual premiums are paid by the District and are adjusted retrospectively to cover costs. The coverage of the Commercial Crime liability includes employee theft per loss coverage, forgery and alteration including credit, debit or charge card forgery, inside of premises (theft of money, and securities, robbery, safe burglary of other property), outside the premises, computer fraud including funds transfers, money orders and counterfeit paper currency. Insurance coverage is for up to \$1,000,000 per occurrence with a \$2,500 deductible.

Health Care liability coverage: Annual premiums are paid by the District and are adjusted retrospectively to cover costs. The Health Care liability coverage includes evidence of healthcare entity professional liability, bodily injury and property damage liability, personal injury, advertising injury liability, employee benefit liability coverage. Insurance coverage is for up to \$2,000,000 per claim, and a \$5,000,000 aggregate per contracted period.

Automobile liability coverage: Annual premiums are paid by the District. The automobile liability coverage includes bodily injury and property damage liability, an uninsured/underinsured motorist coverage sub-limit of \$1,000,000 per accident, hired/non-owned auto liability, medical payment of \$5,000 per accident, collision coverage at fair market value, and comprehensive coverage at fair market value. Insurance coverage is for up to \$1,000,000 per accident (combined single limit), with \$250 comprehensive and \$500 collision deductibles.

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

BEACH CITIES HEALTH DISTRICT

Notes to the Financial Statements

(Continued)

(13) **Risk Management**

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.

(14) **Related Party Transactions**

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

(15) **Restatements of Fund Balance/Net Position**

During the fiscal year ended June 30, 2015, the District implemented GASB 68 resulting in recording a net pension liability and deferred outflow of resources as a prior period adjustment. It is not practical to restate the 2014 partial comparative financial information due to the unavailability of information.

Net position at beginning of year	\$63,556,890
Net pension liability adjustment	<u>(2,087,632)</u>
Net position at beginning of year, as restated	<u>\$61,469,258</u>

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, 2015*

	Measurement Date <u>6/30/14</u>
Plan's proportion of the net pension liability (asset)	0.2912%
Plan's proportionate share of the net pension liability (asset)	\$1,806,648
Plan's covered employee payroll	\$3,443,030
Plan's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	52.47%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	82.47%
Plan's proportionate share of aggregate employer contributions	\$221,150

*Fiscal year 2014-15 was the first year of implementation, therefore only one year is shown.

BEACH CITIE HEALTH DISTRICT

Schedule of Plan Contributions

For the Fiscal Year Ended June, 30, 2015*

	<u>Fiscal Year 2014-15</u>
Actuarially determined contribution	\$284,802
Contributions in relation to the actuarially determined contribution	\$(284,802)
Contribution deficiency (excess)	\$0
 Covered employee payroll	 \$3,450,901
Contributions as a percentage of covered employee payroll	8.25%

*Fiscal year 2014-15 was the first year of implementation, therefore only one year is shown.

BEACH CITIES HEALTH DISTRICT

General Fund

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

For the Fiscal Year Ended June 30, 2015
(with comparative data for prior year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2014 Actual
REVENUES:					
Financing and rental income related to lease	\$ 2,671,584	2,723,556	3,212,405	488,849	2,874,045
Property taxes	2,838,000	2,838,000	2,960,181	122,181	2,806,501
Program income	2,579,031	2,579,029	2,376,262	(202,767)	2,510,797
Income from limited partnership	2,224,300	2,224,296	1,919,408	(304,888)	2,134,248
Investment earnings	984,839	935,240	917,677	(17,563)	1,235,885
Other revenue	84,276	84,264	32,343	(51,921)	96,871
Intergovernmental	-	-	77,837	77,837	75,935
TOTAL REVENUES	<u>11,382,030</u>	<u>11,384,385</u>	<u>11,496,113</u>	<u>111,728</u>	<u>11,734,282</u>
EXPENDITURES:					
Current:					
Salaries and related expenses	5,811,616	5,798,347	5,420,574	377,773	5,464,969
Health programs	1,451,055	1,451,063	1,345,957	105,106	1,309,116
Professional fees	1,109,684	1,118,749	1,274,264	(155,515)	1,233,726
Facilities management	490,175	504,251	189,805	314,446	538,505
Community relations	699,061	699,073	748,104	(49,031)	558,702
General and administrative	479,917	479,873	389,892	89,981	483,255
Human resources	258,949	257,197	281,259	(24,062)	194,802
Information services	127,540	127,540	118,294	9,246	166,911
Cost of goods sold	61,932	61,944	47,843	14,101	117,052
Other	51,708	51,720	58,475	(6,755)	45,471
Capital outlay	445,700	584,500	573,916	10,584	964,399
Debt service:					
Principal retirement	-	-	325,317	(325,317)	300,564
Interest and other fiscal charges	394,683	394,683	394,683	-	419,436
TOTAL EXPENDITURES	<u>11,382,020</u>	<u>11,528,940</u>	<u>11,168,383</u>	<u>360,557</u>	<u>11,796,908</u>
NET CHANGES IN FUND BALANCES	10	(144,555)	327,730	472,285	(62,626)
FUND BALANCES AT BEGINNING OF YEAR	<u>38,630,049</u>	<u>38,630,049</u>	<u>38,630,049</u>	<u>-</u>	<u>38,692,675</u>
FUND BALANCES AT END OF YEAR	<u>\$ 38,630,059</u>	<u>38,485,494</u>	<u>38,957,779</u>	<u>472,285</u>	<u>38,630,049</u>

BEACH CITIES HEALTH DISTRICT

Notes to Required Supplementary Information

For the Fiscal Year Ended June, 30, 2015

(1) **Pension Information**

Change in Benefit Terms: The figures in the preceding schedules do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013, as they have minimal cost impact. This applies for voluntary benefit changes, as well as any offers of two years additional service credit (a.k.a. Golden Handshakes).

Changes in Assumptions: None.

(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.

The following are expenditures exceeded appropriations in the General Fund for the fiscal year ended June 30, 2015:

	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Expenditures in Excess of Appropriation</u>
General Fund:			
Professional fees	\$1,109,684	1,274,132	164,448
Community relations	699,061	748,104	49,043
Human resources	258,949	281,259	22,310
Other	51,720	58,475	6,755
Debt service:			
Principal retirement	-	325,317	325,317

Statistical Section

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

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Government Activities											
Net Investment in Capital Assets	32,586,285	31,245,897	30,281,172	29,642,282	28,704,953	27,835,813	26,650,904	25,352,715	24,157,514	23,675,147	22,754,628
Restricted	-	-	-	-	-	-	-	-	-	1,206,766	1,206,761
Unrestricted	48,714,583	48,133,226	47,531,870	46,066,231	45,722,077	46,118,089	46,195,722	45,710,592	45,246,344	38,674,977	36,510,867
Total Government Activities	81,300,868	79,379,123	77,813,042	75,708,513	74,427,030	73,953,902	72,846,626	71,063,307	69,403,858	63,556,890	60,472,256
Business-type Activities											
Net Investment in Capital Assets	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	-	-
Total Business-type Activities	-	-	-	-	-	-	-	-	-	-	-
Primary Government											
Net Investment in Capital Assets	32,586,285	31,245,897	30,281,172	29,642,282	28,704,953	27,835,813	26,650,904	25,352,715	24,157,514	23,675,147	22,754,628
Restricted	-	-	-	-	-	-	-	-	-	1,206,766	1,206,761
Unrestricted	48,714,583	48,133,226	47,531,870	46,066,231	45,722,077	46,118,089	46,195,722	45,710,592	45,246,344	38,674,977	36,510,867
Total Primary Government net position	81,300,868	79,379,123	77,813,042	75,708,513	74,427,030	73,953,902	72,846,626	71,063,307	69,403,858	63,556,890	60,472,256
Restatements (See Auditor Notes)	-	-	-	318,706	(19,870)	660,196	66,705	-	(5,418,317)	(2,087,632)	-
Total Primary Government net position - Restated	81,300,868	79,379,123	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

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

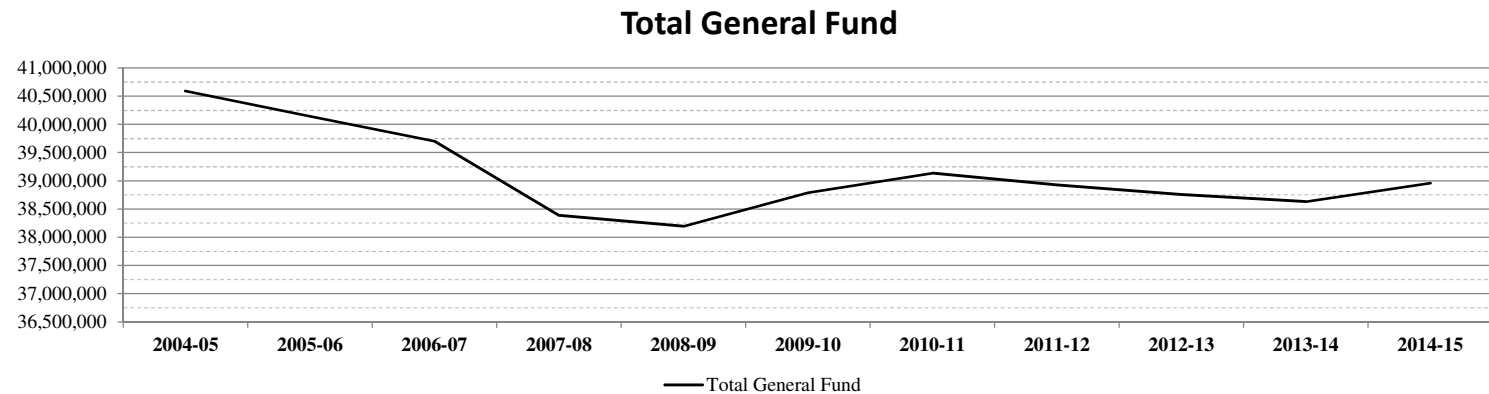
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Expenses											
Government Activities											
Salaries & related	3,941,364	4,512,766	4,630,632	4,879,115	5,231,198	5,095,077	5,102,909	5,038,939	5,167,681	5,493,593	5,421,061
Health Programs	1,946,770	1,785,264	1,888,980	1,771,475	1,603,432	1,466,357	1,413,255	1,321,735	1,484,011	1,309,116	1,345,957
Professional Fees	654,417	892,038	880,951	950,711	752,736	748,723	1,290,224	1,517,613	1,501,649	1,233,726	1,274,264
Facilities Management	967,895	1,189,215	822,444	503,298	354,479	528,665	592,614	458,825	333,023	558,702	189,805
Community Relations	419,717	362,085	419,665	493,778	406,189	322,529	259,174	197,270	321,082	538,505	748,104
General & Administrative	1,986,043	1,992,179	2,244,528	3,177,400	3,033,659	2,434,877	2,420,702	2,487,912	2,509,517	2,230,586	2,209,649
Human Resources	151,921	162,293	153,781	154,983	148,591	143,746	131,924	160,070	184,585	194,802	281,259
Information Systems	42,031	7,532	75,735	81,438	84,254	77,812	108,083	130,722	112,203	166,911	118,294
Cost of Goods Sold	171,486	278,276	272,531	306,452	257,085	148,077	147,862	124,192	137,891	117,052	47,843
Other	119,769	183,434	274,720	36,650	270,326	45,694	65,453	54,383	51,895	45,471	58,475
Debt Service:											
Interest & Other Fiscal charges	543,406	560,414	547,272	533,052	517,680	500,993	482,956	470,530	450,756	419,436	394,683
Total Government Activities Expenses	10,944,819	11,925,496	12,211,239	12,888,352	12,659,629	11,512,550	12,015,156	11,962,191	12,254,293	12,307,900	12,089,394
Business-type activities:											
Not Applicable	-	-	-	-	-	-	-	-	-	-	-
Total Primary Government Expenses	10,944,819	11,925,496	12,211,239	12,888,352	12,659,629	11,512,550	12,015,156	11,962,191	12,254,293	12,307,900	12,089,394
Program Revenues											
Government Activities											
Program Revenues	2,798,944	2,636,372	2,568,788	2,658,807	2,605,809	2,370,140	2,395,112	2,431,990	2,417,327	2,806,501	2,376,262
Total Government Activities Revenues	2,798,944	2,636,372	2,568,788	2,658,807	2,605,809	2,370,140	2,395,112	2,431,990	2,417,327	2,806,501	2,376,262
Business-type activities:											
Not Applicable	-	-	-	-	-	-	-	-	-	-	-
Total Primary Government Program Revenues	2,798,944	2,636,372	2,568,788	2,658,807	2,605,809	2,370,140	2,395,112	2,431,990	2,417,327	2,806,501	2,376,262
Net Revenue (Expenses)	(8,145,875)	(9,289,124)	(9,642,451)	(10,229,545)	(10,053,820)	(9,142,410)	(9,620,044)	(9,530,201)	(9,836,966)	(9,501,399)	(9,713,132)

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

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General Revenues And Other Changes in Net Position											
Government Activities											
Financing and Rental Income	2,251,272	2,150,073	1,522,469	2,075,747	2,123,750	2,196,821	2,074,595	2,041,241	2,591,094	2,657,864	2,808,684
Property Taxes	1,815,135	1,961,538	2,101,460	2,310,323	2,431,068	2,442,334	2,465,284	2,499,090	2,734,979	2,874,045	2,960,181
Income from Limited Partnerships	772,085	1,255,494	1,633,834	1,023,918	1,223,811	1,204,270	1,136,200	1,151,587	1,574,326	2,134,248	1,919,408
Earnings on Investment	955,542	1,419,276	2,754,320	2,544,024	2,400,700	2,651,449	2,032,734	1,854,308	1,037,688	1,235,885	917,677
Other Income	3,143	182,666	188,583	171,004	274,302	194,278	143,759	133,951	239,430	170,706	110,180
Sale of Property	-	398,332	-	-	-	-	-	-	-	-	-
Total Government Activities Revenues	5,797,177	7,367,379	8,200,666	8,125,016	8,453,631	8,689,152	7,852,572	7,680,177	8,177,517	9,072,748	8,716,130
Business-type activities:											
Not Applicable	-	-	-	-	-	-	-	-	-	-	-
Total Primary Government General Revenues	5,797,177	7,367,379	8,200,666	8,125,016	8,453,631	8,689,152	7,852,572	7,680,177	8,177,517	9,072,748	8,716,130
Changes in Net Position											
Government Activities	(2,348,698)	(1,921,745)	(1,441,785)	(2,104,529)	(1,600,189)	(453,258)	(1,767,472)	(1,850,024)	(1,659,449)	(428,651)	(997,002)
Business-type activities:	-	-	-	-	-	-	-	-	-	-	-
Total Primary Government	(2,348,698)	(1,921,745)	(1,441,785)	(2,104,529)	(1,600,189)	(453,258)	(1,767,472)	(1,850,024)	(1,659,449)	(428,651)	(997,002)

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

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11*	2011-12	2012-13	2013-14	2014-15
General Fund											
Reserved	7,355,157	7,369,382	7,167,234	8,426,855	12,821,687	13,291,295	-	-	-	-	-
Unreserved	33,233,469	32,776,598	32,534,180	29,957,744	25,371,285	25,499,203	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	13,568,770	15,364,615	13,984,428	13,657,807	13,362,216
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	25,564,580	23,558,417	24,770,884	24,972,242	25,595,563
Total General Fund	40,588,626	40,145,980	39,701,414	38,384,599	38,192,972	38,790,498	39,133,350	38,923,032	38,755,312	38,630,049	38,957,779
All Other Governmental Funds											
Reserved	-	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in: Special Revenue Funds	995,746	1,016,621	1,032,559	1,070,683	1,120,476	1,154,167	1,175,939	1,191,355	1,206,766	1,206,766	1,206,761
Total All Other Governmental Funds	995,746	1,016,621	1,032,559	1,070,683	1,120,476	1,154,167	1,175,939	1,191,355	1,206,766	1,206,766	1,206,761



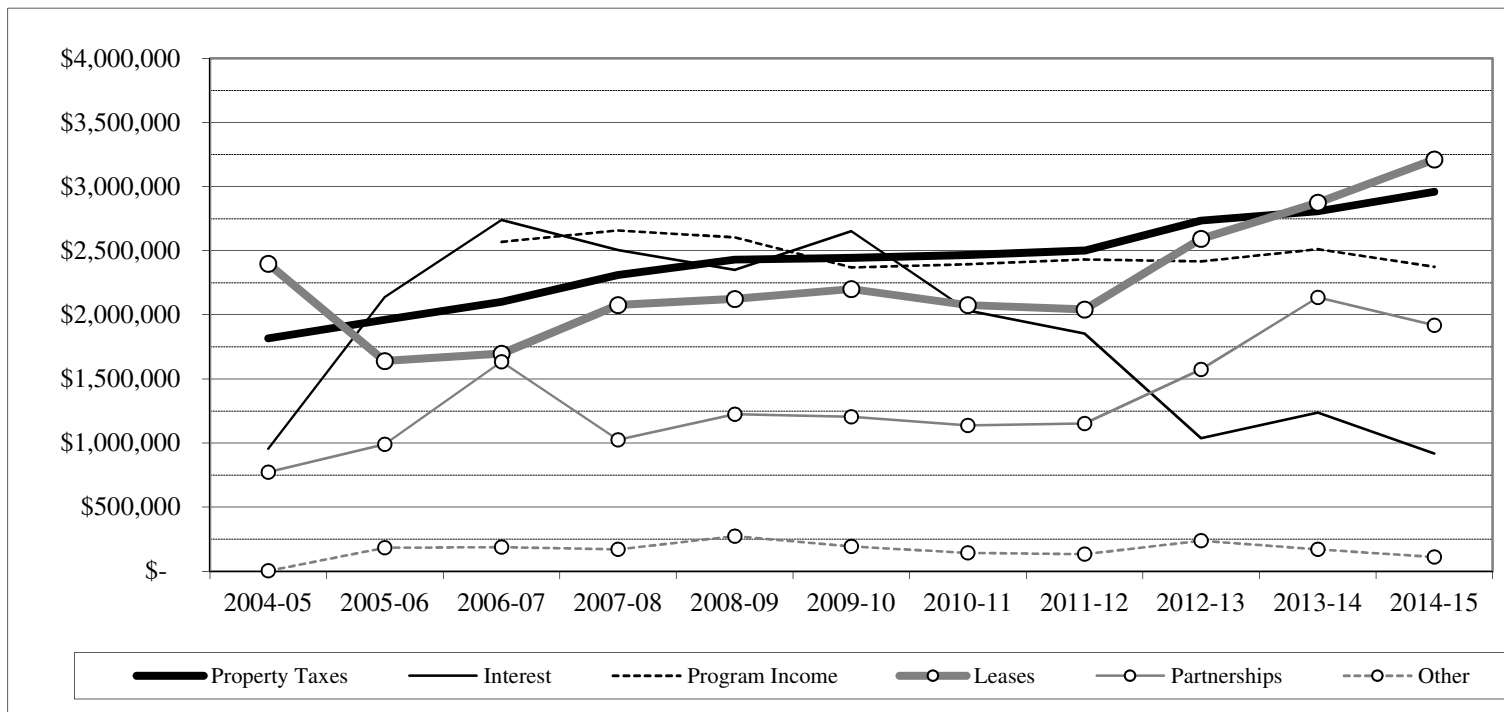
* Categories of Fund Balance were revised in compliance with GASB 54 beginning in Fiscal Year 2010-11

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

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Revenues											
Financing and Rental Income	2,398,715	2,297,516	1,695,197	2,075,747	2,123,750	2,196,821	2,074,595	2,041,241	2,591,094	2,874,045	3,212,405
Property Taxes	1,815,135	1,961,538	2,101,460	2,310,323	2,431,068	2,442,334	2,465,284	2,499,090	2,734,979	2,806,501	2,960,181
Program Income	2,798,944	2,697,659	2,568,788	2,658,807	2,605,809	2,370,140	2,395,112	2,431,990	2,417,327	2,512,897	2,376,262
Income from Limited Partnership	772,085	1,255,494	1,633,834	1,023,918	1,223,811	1,204,270	1,136,200	1,151,587	1,574,326	2,134,248	1,919,408
Investment Earnings	955,542	1,419,050	2,754,320	2,544,024	2,400,700	2,651,449	2,032,734	1,854,308	1,037,688	1,235,885	917,677
Other Revenue	3,143	580,998	188,583	171,004	274,302	194,278	143,759	133,951	239,430	170,706	110,180
Total Revenues	8,743,564	10,212,255	10,942,182	10,783,823	11,059,440	11,059,292	10,247,684	10,112,167	10,594,844	11,734,282	11,496,113
Expenditures											
Current:											
Salaries & related	3,941,364	4,512,766	4,630,632	4,879,115	5,231,198	5,062,404	5,069,437	5,005,276	5,133,437	5,464,969	5,420,574
Health Programs	1,946,770	1,785,264	1,888,980	1,771,475	1,603,432	1,466,357	1,413,255	1,321,735	1,501,649	1,309,116	1,345,957
Professional Fees	654,417	892,038	880,951	950,711	752,736	748,723	1,290,224	1,517,613	1,484,011	1,233,726	1,274,264
Facilities Management	967,895	1,189,215	822,444	503,298	354,479	548,141	592,614	458,825	333,023	538,505	189,805
Community Relations	419,717	362,085	419,665	493,778	406,189	322,529	259,174	197,270	321,082	558,702	748,104
General & Administrative	286,136	292,272	348,703	368,307	910,229	378,696	357,410	393,737	465,278	483,255	389,897
Human Resources	151,921	162,293	153,781	154,983	148,591	143,746	131,924	160,070	184,585	194,802	281,259
Information Systems	42,031	7,532	75,735	81,438	84,254	77,812	108,083	130,722	112,203	166,911	118,294
Cost of Goods Sold	171,486	278,276	272,531	306,452	257,085	148,077	147,862	124,192	137,891	117,052	47,843
Other	55,322	63,983	45,700	36,650	270,326	45,694	65,453	54,383	51,895	45,471	58,475
Capital Outlay	671,228	368,302	987,392	1,796,307	781,461	768,895	404,297	371,137	278,386	964,399	573,916
Debt Service:											
Principal Retirement	147,443	159,586	172,728	186,948	202,320	219,008	237,043	266,715	292,957	300,564	325,317
Interest & Other Fiscal charges	543,406	560,414	547,272	533,052	517,680	500,993	482,956	470,530	450,756	419,436	394,683
Total Expenditures	9,999,136	10,634,026	11,246,514	12,062,514	11,519,980	10,431,075	10,559,732	10,472,205	10,747,153	11,796,908	11,168,388
Excess (deficiency) of Revenues over (under) Expenditures	(1,255,572)	(421,771)	(304,332)	(1,278,691)	(460,540)	628,217	(312,048)	(360,038)	(152,309)	(62,626)	327,725
Other Financing Sources											
Proceeds from Capital Lease	-	-	-	-	-	-	-	98,431	-	-	-
Net Change in Fund Balances	(1,255,572)	(421,771)	(304,332)	(1,278,691)	(460,540)	628,217	(312,048)	(261,607)	(152,309)	(62,626)	327,725
	690,849	720,000	720,000	720,000	720,000	720,001	719,999	737,245	743,713	720,000	720,000
	8,637,059	9,545,724	9,539,122	9,546,207	10,018,519	8,942,179	9,435,436	9,363,823	9,725,054	10,112,509	9,874,472
Debt Service as a percentage of noncapital expenditures	8.00%	7.54%	7.55%	7.54%	7.19%	8.05%	7.63%	7.87%	7.65%	7.12%	7.29%

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

Fiscal Year	Property Taxes	Interest	Program Income	Leases	Partnerships	Other	Sale of Property	Total
2004-05	1,815,135	955,542	2,798,944	2,398,715	772,085	3,143	-	8,743,564
2005-06	1,961,538	2,139,050		1,638,803	989,444	182,666	398,332	7,309,833
2006-07	2,101,460	2,738,382	2,568,788	1,695,197	1,633,834	188,583	-	10,926,244
2007-08	2,310,323	2,505,900	2,658,807	2,075,747	1,023,918	171,004	-	10,745,699
2008-09	2,431,068	2,350,777	2,605,809	2,123,750	1,223,811	274,302	-	11,009,517
2009-10	2,442,334	2,651,449	2,370,140	2,199,821	1,204,270	194,278	-	11,062,292
2010-11	2,465,284	2,032,734	2,395,112	2,074,595	1,136,200	143,759	-	10,247,684
2011-12	2,499,090	1,854,308	2,431,990	2,041,241	1,151,587	133,951	-	10,112,167
2012-13	2,734,979	1,037,688	2,417,327	2,591,094	1,574,326	239,430	-	10,594,844
2013-14	2,806,501	1,235,885	2,512,897	2,874,045	2,134,248	170,706	-	11,734,282
2014-15	2,960,181	917,677	2,376,262	3,212,405	1,919,408	110,180	-	11,496,113

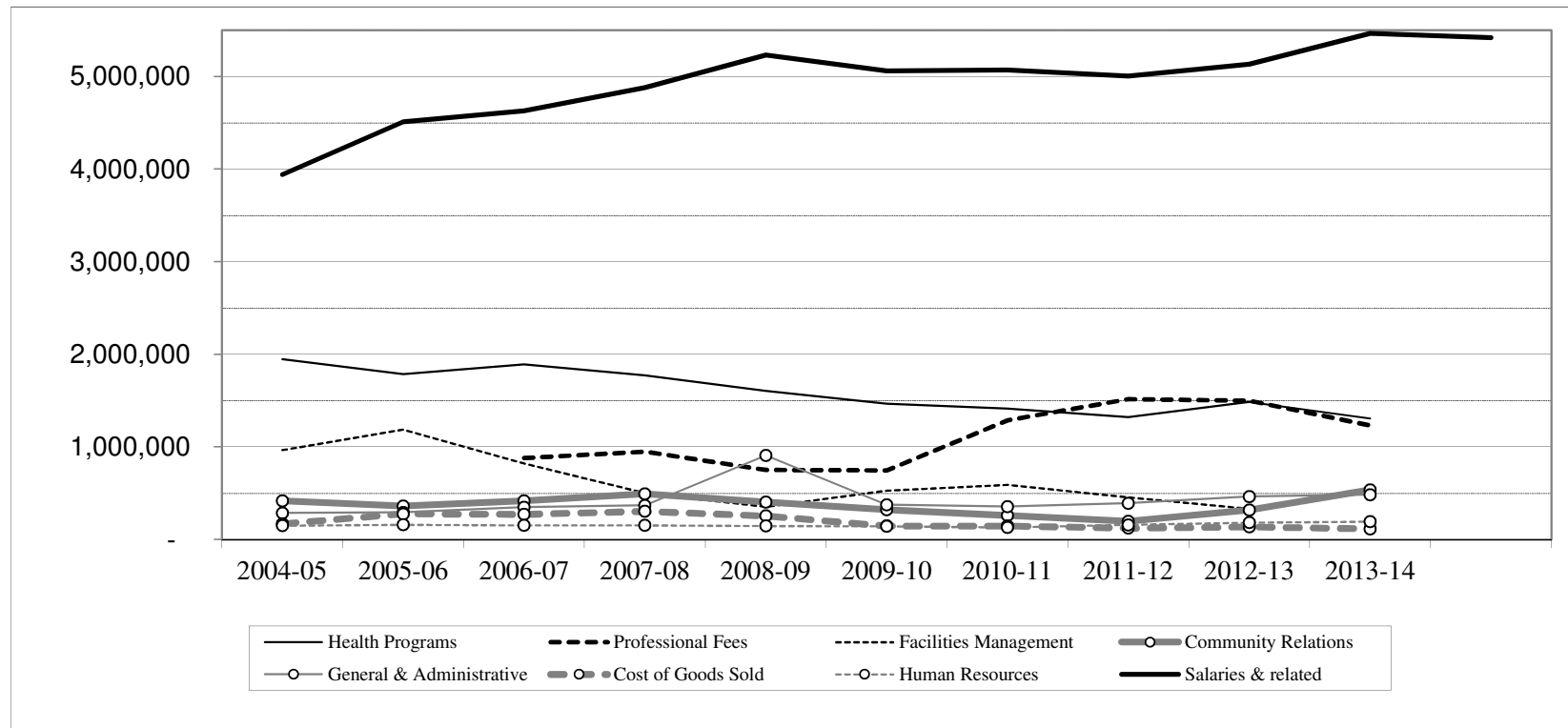


Source: Audited Financial Statements

**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
2004-05	3,941,364	1,946,770	654,417	419,717	967,895	286,136	151,921	42,031	171,486	55,297	8,637,034
2005-06	4,512,766	1,785,264		362,085	1,189,215	292,272	162,293	7,532	278,276	63,963	8,653,666
2006-07	4,630,632	1,888,980	880,951	419,665	822,444	348,703	153,781	75,735	272,531	45,700	9,539,122
2007-08	4,879,115	1,771,475	950,711	493,778	503,298	368,307	154,983	81,438	306,452	36,650	9,546,207
2008-09	5,231,198	1,603,432	752,736	406,189	354,479	910,099	148,591	84,254	257,085	270,326	10,018,389
2009-10	5,062,404	1,466,357	748,723	322,529	528,665	376,940	143,746	77,812	148,077	45,694	8,920,947
2010-11	5,069,437	1,413,255	1,290,224	259,174	592,304	357,410	131,924	108,083	147,862	65,453	9,435,126
2011-12	5,005,276	1,321,735	1,517,613	197,270	458,785	393,737	160,070	130,722	124,192	54,383	9,363,783
2012-13	5,133,437	1,484,011	1,501,649	321,082	333,013	465,278	184,585	112,203	137,891	51,895	9,725,044
2013-14	5,464,969	1,309,116	1,233,726	538,505	538,505	483,255	194,802	166,911	117,052	45,471	10,092,312
2014-15	5,420,574	1,345,957	1,274,264	748,104	189,805	389,897	281,259	118,294	47,843	58,475	9,874,472

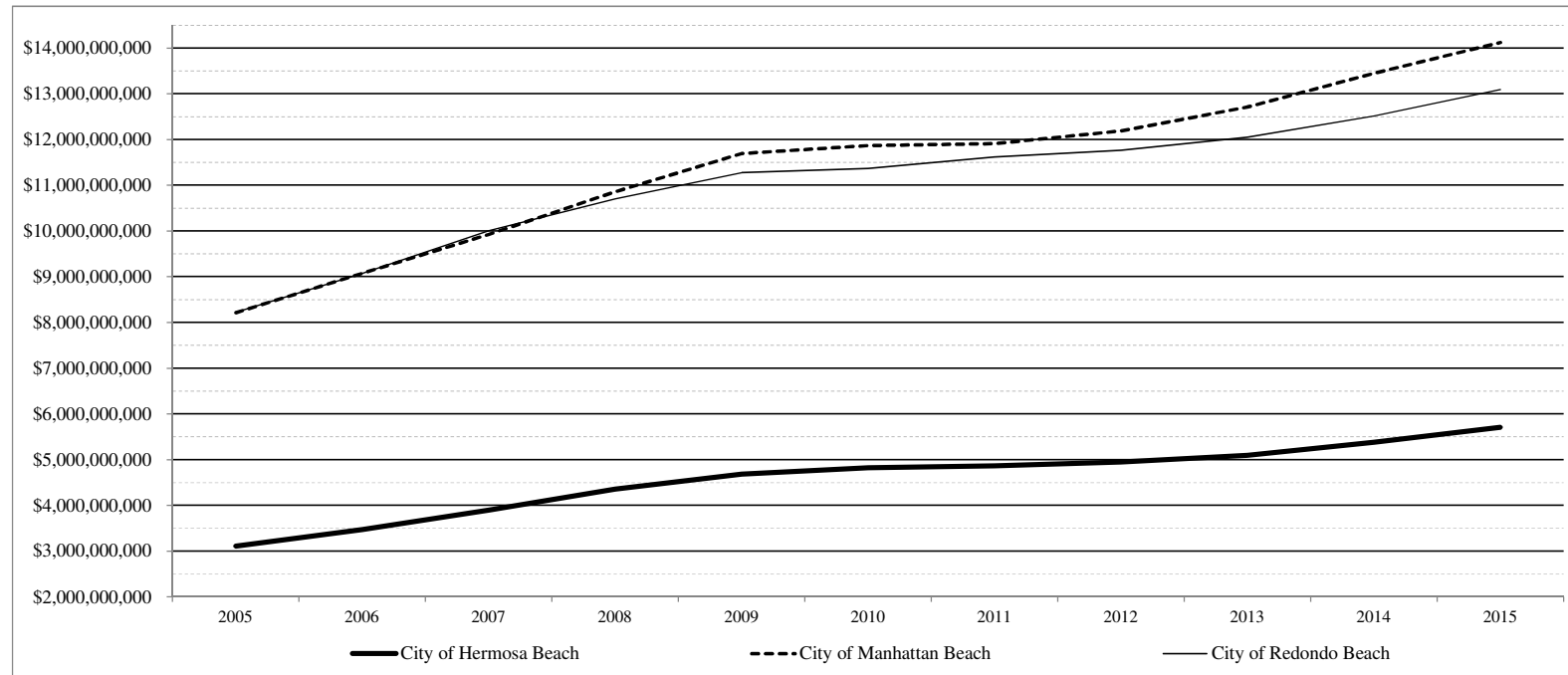


Source: Internal Reports @ June 30, 2015

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

Total Taxable Assessed Value

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City of Hermosa Beach	3,110,712,000	3,468,562,000	3,894,900,000	4,358,357,000	4,681,750,000	4,823,728,000	4,862,224,000	4,944,941,000	5,093,190,000	5,379,750,000	5,711,045,000
City of Manhattan Beach	8,216,800,523	9,080,889,082	9,925,464,834	10,861,350,753	11,697,899,600	11,871,677,111	11,913,602,319	12,190,853,653	12,713,329,765	13,453,303,900	14,125,969,095
City of Redondo Beach	8,226,139,068	9,069,569,628	10,009,448,728	10,702,653,367	11,277,756,486	11,366,238,160	11,615,436,098	11,761,105,629	12,050,139,612	12,512,913,143	13,091,580,729
Total	19,553,651,591	21,619,020,710	23,829,813,562	25,922,361,120	27,657,406,086	28,061,643,271	28,391,262,417	28,896,900,282	29,856,659,377	31,345,967,043	32,928,594,824
Percentage Increase	7.39%	10.56%	10.23%	8.78%	6.69%	1.46%	1.17%	1.78%	3.32%	4.99%	5.05%



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

* 2014-15 Data not yet available for Manhattan Beach thus amount shown is an estimation.

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**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City of Hermosa Beach Residents - Total	1.044433%	1.039043%	1.038240%	1.060830%	1.038106%	1.037724%	1.036418%	1.037907%	1.037488%	1.040540%	1.038968%	1.035651%
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	1.00
Overlapping - Hermosa Beach Residents												
Los Angeles County *	0.000992	0.000923	0.000800	0.000660	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Hermosa Beach Unified School District	0.019308	0.016685	0.014660	0.020430	0.017139	0.016398	0.017250	0.018067	0.016904	0.018550	0.017970	0.014729
El Camino community College District	0.019025	0.016558	0.018380	0.035700	0.016467	0.017026	0.014868	0.016140	0.016884	0.018490	0.017498	0.017422
Metro Water District	0.006100	0.005800	0.005200	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.003500	0.003500
City of Redondo Beach Residents - Total	1.0353%	1.0512%	1.0578%	1.0708%	1.0494%	1.0685%	1.0744%	1.0896%	1.1067%	1.1036%	1.1134%	1.1178%
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	1.00
City of Redondo direct rate	0.1662%	0.1662%	0.1823%	0.2117%	0.1872%	0.1861%	0.1877%	0.1882%	0.1858%	0.1875%	0.1578%	0.1623%
Redevelopment Agency	1.007550	1.006970	1.006040	1.005410	1.004500	1.004300	1.004300	1.003700	1.003700			
Overlapping - Redondo Beach Residents												
Los Angeles County *	0.000990	0.000920	0.000800	0.000660	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Flood Control	0.000470	0.000240	0.000050	0.000050	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Metropolitan Water District	0.006100	0.005800	0.005200	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.003500	0.003500
El Camino Community College District	0.019030	0.016560	0.018380	0.035700	0.016470	0.017030	0.014870	0.016140	0.016880	0.018490	0.017500	0.017420
Redondo Beach Unified School District	0.008660	0.027650	0.033360	0.029700	0.028440	0.047140	0.055190	0.069770	0.086100	0.081620	0.092420	0.096890
City of Manhattan Beach Residents - Total	1.06647%	1.06282%	1.06239%	1.07961%	1.05800%	1.12188%	1.11576%	1.14884%	1.11970%	1.15891%	1.16402%	
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	1.00
City of Manhattan Beach Direct Rate	0.1663%	0.1666%	0.1671%	0.1673%	0.1676%	0.1586%	0.1584%	0.1562%	0.1593%	0.1595%	0.1601%	**
Overlapping - Manhattan Beach Residents												
Los Angeles County *	0.000990	0.000920	0.000800	0.000660	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	**
Colleges & School Districts	0.059380	0.056100	0.056390	0.074250	0.053500	0.117580	0.111460	0.145140	0.116000	0.155410	0.1605200	**
Metro Water District	0.006100	0.005800	0.005200	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.0035000	**
Flood Control District	0.000470	0.000240	0.000050	0.000050	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	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

** Not yet available

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

Beach Cities*
Demographic Statistics
Last Ten Years

Calendar Year	Population Beach Cities Total (1)	Personal Income Beach Cities (in thousands) (2)	Personal Income Beach Cities Per Capita (2)	Unemployment Rate (3)
2004	122,699	6,070,165	49,472	3.43%
2005	122,937	6,310,028	51,327	3.03%
2006	122,700	6,703,755	54,635	2.63%
2007	122,639	7,008,287	57,146	2.80%
2008	122,884	7,285,096	59,284	4.03%
2009	123,720	6,368,528	51,475	6.53%
2010	123,120	6,519,286	52,951	7.17%
2011	121,719	6,681,115	54,890	7.27%
2012	122,004	6,812,093	55,835	6.43%
2013	122,668	**	**	5.57%
2014	87,467	**	**	**
2015	87,867	**	**	**

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

Sources: 1). California Dept. of Finance
2). U.S. Dept. of Commerce
3). State of California Employment Development Department

** Data not yet available

Beach Cities*
Principal Employers
2014 - 2015

Employer	Employees	Percentage of
1 Northrop Grumman	6,467	14.68%
2 Redondo Beach Unified School District	710	1.61%
3 Target Corporation	622	1.41%
4 Kinecta Federal Credit Union	550	1.25%
5 Macy's West	471	1.07%
6 City of Redondo	431	0.98%
7 Crown Plaza Hotel	339	0.77%
8 Skechers USA, Inc.	323	0.73%
9 24 hour fitness	290	0.66%
10 City of Manhattan Beach	271	0.62%
11 Fry's Electronics	264	0.60%
12 Cheesecake Factory	261	0.59%
13 United States Postal Service	260	0.59%
14 Nordstrom, Inc.	251	0.57%
15 Marriott-HMC	233	0.53%
16 DHL	209	0.47%
17 Ralph's Grocery	167	0.38%
18 Bristol Farms	129	0.29%
19 City of Hermosa	129	0.29%
20 Olive Garden	117	0.27%
All Others	31,931	72.49%
Total	44,050	100.00%

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

Source: Redondo/Hermosa/Manhattan Beach Finance Departments

Beach Cities Health District

FTE Personnel Summary by Department

Department	2007	2008	2009	2010	2011	2012	2013	2014	2015
Executive/Admin Support	4	4	2	2	2	2	2	2	2
Human Resources	2	2	5	5	5	5	5	4	4
Finance:									
Information Systems	1	1	-	-	-	-	-	-	-
Finance/Accounting/Payroll	4	4	4	4	4	4	4	5	4
Property Management	3	4	3	4	4	3	3	3	3
BCHD Café	3	4	-	-	-	-	-	-	-
Total	11	13	7	8	8	7	7	8	7
Communications	2	3	3	3	3	3	3	5	5
Youth Services:									
Adventureplex	22	20	22	22	22	22	21	21	20
Other Youth Services	4	5	6	6	6	6	8	7	5
Total	26	25	28	28	28	28	29	28	25
Adult Services:									
Center for Health & Fitness	19	19	18	17	17	17	18	19	19
Blue Zones Project	-	-	-	1	1	1	2	5	5
Other Adult Services	4	5	7	5	5	5	3	-	1
Total	23	24	25	23	23	23	23	24	25
Older Adult Services:									
Care Management	8	8	8	9	9	9	9	12	12
Total	8	8	8	9	9	9	9	12	12
Total Positions	76	79	78	78	78	77	78	83	80

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