

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal year ended June 30, 2023

Prepared by: Finance Department

Beach Cities Health District is celebrating 25 years of preventive health success, and all of those who have worked to make Hermosa Beach, Manhattan Beach and Redondo Beach a healthy beach community.





ANNUAL COMPREHENSIVE FINANCIAL REPORT

Report Year ended June 30, 2023

Prepared by: Finance Department

MISSION

To enhance community health through partnerships, programs and services for people who live and work in Hermosa, Manhattan and Redondo Beach.

VISION

A healthy beach community.

BCHD FY22-23

ANNUAL COMPREHENSIVE FINANCIAL REPORT

INTRODUCTION SECTION

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December 19, 2023

Letter of Transmittal

Live Well. Health Matters.

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 Annual Comprehensive Financial Report (ACFR) of the Beach Cities Health District (BCHD or “the District”) for the fiscal year ending June 30, 2023.

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

Please refer to the Management Discussion & Analysis (MD&A) section beginning on page 1 for an overview of the District’s financial position. This transmittal letter is designed to complement the MD&A and provide some additional information about the ACFR, the District, and its programs and services. The District’s MD&A is supplementary information required by *Government Auditing Standards*, issued by the Comptroller General of The United States, and provides information and analysis that users need to interpret the basic financial statements.

The BCHD Annual Comprehensive Financial Report is presented in four sections per standard practices: Introductory, Financial Statements and accompanying notes, Required Supplemental Information, and Statistical section.

- 1) The introductory section, unaudited, includes in addition to this transmittal letter information about the District’s organization, and health priorities
- 2) Budget Information.
- 3) The financial statement section, audited, includes the independent auditor’s report, management’s discussion & analysis (MD&A), basic financial statements and related financial statement notes.
- 4) Required supplemental information, also audited, provides additional information deemed relevant to the audience of the audit for the District.
- 5) The statistical section, unaudited, includes detailed financial and demographic information, generally presented on a multi-year basis, as a context to required information for understanding the district’s overall financial health.

The District Financial Statements for fiscal year ending June 30, 2023, had no audit findings nor internal control deficiencies to report. The Independent Audit Report expresses an “Unqualified Opinion.” As required by the Government Accounting Standard Board (GASB), the District implemented GASB 96 which addresses Subscription-Based Information Technology Arrangements (SBITA). GASB 96,

together with GASB 87 that was implemented during the prior fiscal year, more accurately portrays the long-term lease and IT subscription assets and obligations of the District.

The District performs the annual financial statement audit in accordance with the District Bylaws Article VIII and is committed to sound fiscal policies, responsible management, and transparency throughout the organization. The audited Financial Statements and Bylaws, plus other up-to-date information about programs and services, budgets, policies, transparency, etc., can be found on the District website at BCHD.org.

Profile of the Government. The Beach Cities Health District was formed in 1955 under California State's Local Hospital District Law (later renamed the Local Health Care District law), as a public health government agency serving the 122,000 residents (as of 2022) of Hermosa Beach (16%), Manhattan Beach (28%), and Redondo Beach (56%), in Los Angeles County.

BCHD is a special district funded by Property Taxes (31%), User Fees (10%), Investments in owned Long-Term Assets (38%) and Investments and other revenue sources (21%). Special districts are a form of local government created by a local community to meet a specific need. Healthcare Districts are a type of special district and public entity that provides community-based healthcare programs and services to residents throughout the state in response to health care needs in their district.

At its inception, the District served as a general acute care hospital (South Bay Hospital). Since 1994, the District has cost-effectively promoted public health and general welfare and is now one of the largest preventive health agencies in the nation. Since 2005, the District has critically analyzed community health needs and collected health data from various sources like the California Healthy Kids Survey, Gallup-Sharecare Well-Being Index (WBI), Los Angeles County Health Survey, U.S. Census Bureau, etc. and has established Health Priorities on a 3-year strategic planning cycle. Using the Health Priorities as guide posts, the District provides health and wellness programs that promote aging in the home, healthy lifestyles, physical fitness, and social-emotional well-being. The District offers an extensive range of dynamic, innovative preventive health services and facilities to promote health in every lifespan—from toddlers and children to families, adults, and older adults.

The District has an elected, at-large five (5) member Board that manages governance with monthly board meetings, several committees (Finance, Policy, Community Health, Properties, and Strategic Planning Committees) comprised of two board members and citizens from the three Beach Cities and a framework of policies.

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

In the General Fund, the District accounts for all its inflows of funding sources and outflows for operating its programs and services and capital investment expenditures, including its assets and liabilities.

POC is a Special Revenue Fund, a non-profit 501.c.4 legal entity, consolidated with the District's reporting entity, and its Board is comprised of the five District board members, and thus it is operationally and financially intertwined with the District. Therefore, POC is reported on a blended component unit basis as

part of the primary government. As a Special Revenue Fund, it segregates activities related to Prospect One Corporation, established to construct and operate medical office building space on the main campus of the District. The Special Revenue Fund has no current activities.

Strategic and Service Efforts and Accomplishments. FY22-23 was a full year with activities more like pre-pandemic times. Coming out of FY21-22, which was dominated by the District team concluding the COVID-19 emergency response activities, like testing and vaccinations, and ramping up operations, the District teams were back in schools, out in the community and seeing older adult clients in their homes to support aging safely at home.

While all the 2022-2025 Health Priorities; Mental Health, Physical and Brain Health, Public Health and Safety, and Substance Use are important, Mental Health has risen to a more urgent health need as the Community recovers from the COVID-19 pandemic. Thus, in FY22-23, the District trained 167 individuals in Mental Health First Aid and held 62 community workshops about Mental Health First Aid and QPR (Question, Persuade and Refer) suicide prevention workshops. QPR Suicide Prevention training helps individuals recognize warning signs of suicide crises.

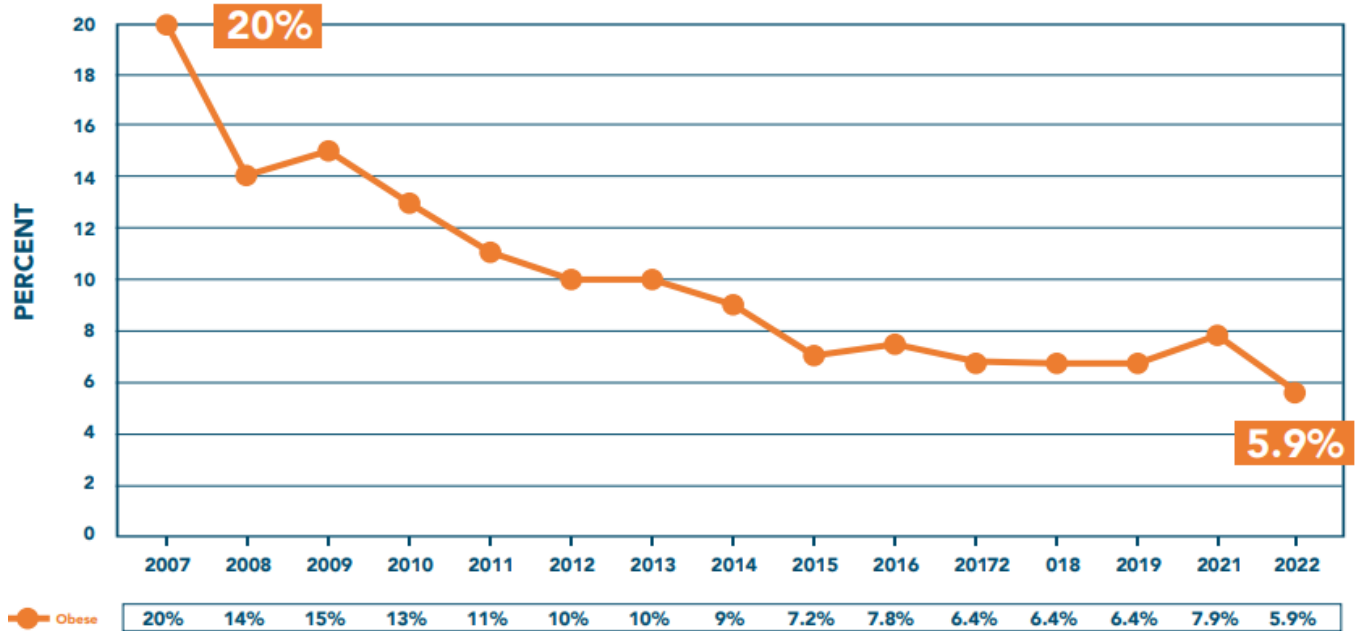
For Mental Health Awareness Month in May, the District was awarded a \$150,000 Take Action for Mental Health Los Angeles County Mental Health Awareness Month Community Grant from the California Mental Health Services Authority (CalMHSA). BCHD championed “Mental Health is Health” and offered workshops, daily kindness activities, virtual events about Mental Health & Happiness including topics like purpose, empathy, bravery, and gratitude. The District successfully created a community-wide event and was able to reach residents across the cities, school districts, and many community partners and spread the word that “Mental Health is Health.”

The District’s proudest moment of FY22-23 was opening allcove Beach Cities in November 2022, which is a component of the larger Phase 1 strategy of the Healthy Living Campus Master Plan: Replacing the 63-year-old hospital building with two acres of open space, a Residential Care Facility for the Elderly (RCFE), a Program of All-Inclusive Care for the Elderly (PACE) and the allcove Beach Cities youth wellness center. See more [here](#) about the Healthy Living Campus.

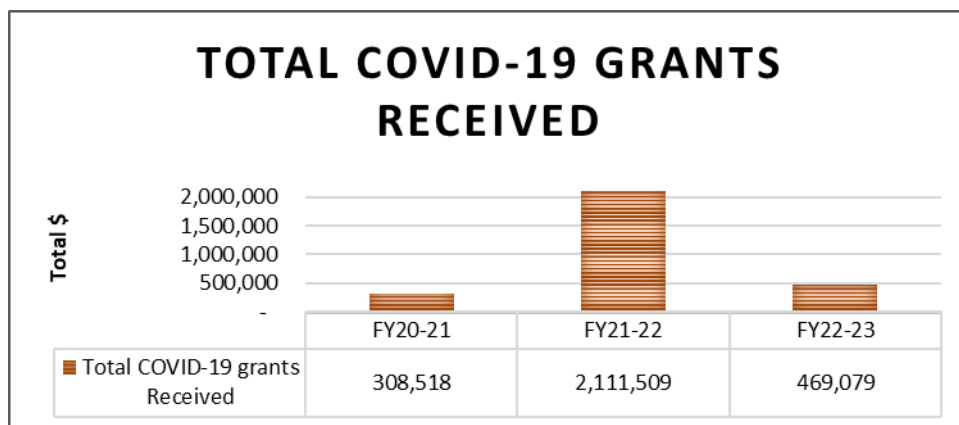
allcove Beach Cities is a new integrated youth mental health center designed with, by, and for youth and is a place for young people ages 12-25 to take a moment of pause and access a range of services that include mental and physical health, supported education and employment, substance use, peer and family support, and life skills and wellness. The opening of the center was made possible with the \$2M operating grant awarded in 2020 and the \$1M capital improvement grant awarded in March 2022 for the opening in a temporary facility. In addition, the District applied for funding for the permanent allcove Beach Cities center and in May 2023 was awarded a \$6.3M construction grant.

In addition to supporting youth mental health, the District successfully delivered its own employee wellness WorkWell program to the Redondo Beach Unified School District (RBUUSD) and Manhattan Beach Unified School District (MBUSD), reaching 343 school district educators and staff across 23 school sites.

While there are many more successes and accomplishments in FY22-23 that can be accessed on the [Community Impact](#) web page, we cannot conclude FY22-23 without mentioning the 2022 BMI (Body Mass Index) data collected to track childhood obesity for RBUSD elementary school students. The 2022 data showed a drop to 5.9%, the lowest rate measured by the District in 16 years.

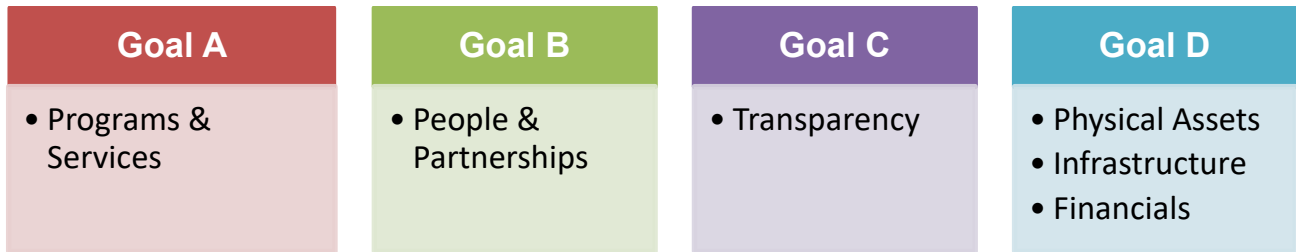


Finally, for the District to be able to go back to delivering services and programs following the COVID-19 emergency, the District has successfully secured relief funding from FEMA, local school districts, ACHD and other grants as follows:

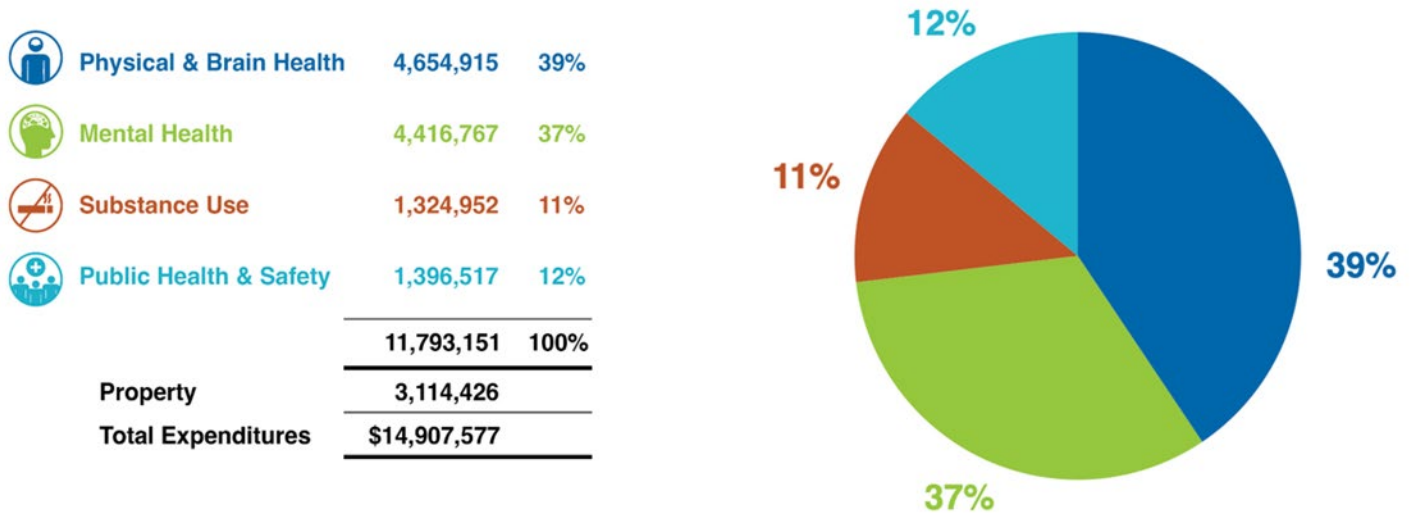


The reimbursements over the past three years allowed the District to provide important COVID-19 emergency responses in the community and provide the relief necessary without having to cut important new and resuming programs and services.

District Services. The Beach Cities Health District mission is executed around four strategic areas with specific objectives: [BCHD 2022-2025 Strategic Plan](#)



BCHD’s programs and services are designed around the strategically developed Health Priorities (page xvi). The 2022-2025 Health Priorities and cost for FY23-24 Budget are illustrated below.



Every three years, BCHD assesses the overall health of the Beach Cities using a variety of data sources to prepare a Community Health Report. The 2022-2025 report guides our strategic planning process by identifying health priorities and provides an opportunity to evaluate current programming. It focuses on evidence-based public health practices, which the Centers for Disease Control and Prevention defines as the integration of science-based interventions with community preferences for improving population health. [BCHD 2022-2025 Community Health Report](#)

By implementing Priority Based Budgeting (PBB) methodology in FY21-22, the District can identify expenditures by Health Priority. The PBB methodology identifies health priorities and costs by each District program and service, which are then scored and prioritized based on agreed-upon attributes to drive future budgeting and strategic development of the District. Together with input from the Board, Staff and Community members, the following attributes were identified:

- Health Priority Alignment – *Which Health Priority aligns and how closely?*
- Gap in Service – *Are there other similar services easily accessible in the community?*
- Level of Services – *What are the staffing requirements?*
- Reach – *How many community members benefit from this service?*
- Value – *What is the impact measured by an agreed-upon method, like a Gallup Survey?*
- Efficiency – *Cost per person reached?*

All programs and services are then scored on a scale of 1-5 to develop a visual aid to review, analyze and make decisions about resource allocation. The summary rubric arrives at two data points:

- Horizontal X-Axis: Total Cost “fully loaded” Per Program, including direct and overhead costs.
- Vertical Y-Axis: Total average score from the five (5) attributes.

[FY23-24 Budget - Page xix](#)

Priority Based Budgeting (PBB) Is a process used to understand community values and budget accordingly, while providing flexibility to meet the changing needs of the community.

Philosophy

- The underlying philosophy: how a government entity should invest resources to meet its stated objectives
- Resources should be allocated according to how effectively a program or service achieves the goals and objectives that are of most significant value to the community
- Helps us to better articulate why the services we offer exist, what price we pay for them, and, consequently, what value they offer residents
- Creates a more transparent budget – about what we do
- Clarifies trade-offs between different spending options, service delivery and what residents pay

District PBB is a process to apply solutions to “health” problems and causes of those problems identified in the District’s Health Priorities and further allows for measuring the difference the programs are making in the District Community, like improved BMI, etc.



The annual budget executes the strategic objectives (i.e., programs and services, by people and partnerships, in a transparent way and fiscally responsibly leveraging District’s assets and infrastructure) that are tied to the Health Priorities to achieve the District’s vision of “a *Healthy Beach Community*.”

Delivery of programs and services are organized around functional areas: Life Span Services, Health and Fitness Operations, Property Management and Support services.



Life Span Services Department consists of the Youth, including allcove Beach Cities, Adult and Older Adult Services, plus the Well-Being Services, based on the Blue Zones [BCHD Blue Zones](#) concepts and theories that spans all age groups.

The Youth Services department [BCHD Youth/Schools](#) provides School Health Services with a variety of physical, mental and social health programs for children and youth within the beach cities school setting. These include health education for elementary students; life skills and substance abuse education for middle school and high school students; and obesity prevention education at the elementary level. LiveWell Kids and LiveWell Tots programs are responsible for identifying and addressing relevant health needs and issues that affect youth; program development; leading community collaborations to create innovative partnerships that address community health needs and BCHD Health Priorities areas including nutrition education, physical activity, and counseling, and substance abuse, bullying, emotional and social Health education. The District has successfully engaged over 100 students and created a Youth Advisory Council addressing Substance Use and Mental Health. In 2019, District management successfully leveraged the work of our partnership for Youth Coalition with more than 200 community partners to apply for a \$625,000 federal drug free community grant that was awarded October 2019 of \$125,000 annually for the next five years. 2022 was its third year of administering and operating the Drug Free Communities grant program and services that continues its work with the Partnership for Youth Coalition.

In May 2020, the District was awarded Youth Wellness Center Grant from the CA Mental Health Services Oversight and Accountability Commission for \$2 million over a 4-year period to operate allcove Beach Cities. The grant emphasizes the transformation of the mental health system while improving the quality of life for Californians living with a mental illness. BCHD was one of five new grantees across the state, who will be supported by the technical assistance team from Stanford’s Center for Youth Mental Health and Wellbeing. The contract delivery was delayed due to COVID-19, and the award started June 2022

and allcove Beach Cities mental health center for youth between 12-25 ([allcove Beach Cities](#)) opened in November 2022.

In March 2022, Beach Cities Health District (BCHD) received good news when President Joe Biden signed the \$1.5 trillion omnibus spending package into law earlier this month, which includes \$1 million for the allcove Beach Cities center. Funding for the integrated youth mental health center is one of ten community projects that were requested and championed by Congressman Ted Lieu to serve California's 33rd Congressional District. The grant has been instrumental in the remodeling of the temporary space for allcove Beach Cities that is planned to be permanently housed in Phase I of the Healthy Living Campus.

In FY22-23, the District was fortunate to be awarded a \$6.3M infrastructure grant from the California Department of Health Care Services' (DHCS) Behavioral Health Continuum Infrastructure Program (BHCIP), for the construction of the permanent allcove Beach Cities youth wellness center planned for completion in mid to late 2025.

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

The Well-Being programs, including Blue Zones and Work Well programs ([Adult Healthy Living Services](#)) are multi-discipline efforts acting in concert with the cities of Hermosa Beach, Manhattan Beach, Redondo Beach, the three school districts and many employers in these cities. Subject matter experts in worksites, public policy, restaurants, grocery stores, schools and citizen groups engage in activities most likely to produce evidence-based outcomes to raise the health of the community and improving well-being at every stage of life.

The **Health and Fitness Operations** encompasses services provided at the Center for Health & Fitness ([CHF](#)) at 514 Prospect Avenue in Redondo Beach, and Adventure Plex ([APLEX](#)) at 1701 Marine Avenue in Manhattan Beach, CA.

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

Adventure Plex is a health, fitness and play center created especially for youth and toddlers. Geared to challenge children - physically, mentally, and intellectually - with non-stop activities in a safe, structured environment. It provides a fun place to play, with an Adventure Play structure full of mazes, tunnels and slides; an outdoor rock-climbing wall and ropes course; gymnasium; arts & crafts rooms and a specially designed toddler playroom (a.k.a. Toddler Town). Adventure Plex also focuses on family fun with many special events throughout the year, an array of classes, private birthday parties and day camp sessions.

The Property Management Department provides around 34% of the District funding through leasing activities. The District owns approximately 262,000 sq. ft. of rental property. The District owns five properties, three sites in and around the District rented each to a different tenant, the Adventure Plex Youth facility and then the main campus that occupies around eight to ten tenants. With the District oversight, the main campus at 514 Prospect Av. Redondo Beach is managed by a 3rd party Property Management company.

Support Services provides support through Human Recourses, Finance and Accounting, and Executive services. The funding from the Joint Ventures, Treasury and Property Tax resources are accounted for in the Finance department. Other support departments include Health Promotions, Volunteer, and Information Technology operations and services. These departments work together with all departments to deliver the District’s programs and services and adds supplemental programs, like Free Fitness at the beach and in the park, ongoing wellness challenges for residents and staff, errand, and companion volunteers, etc.

Governance of Financial Information, Budget Process and Legal Level of Budgetary Control. To ensure a robust and transparent budget process, the Districts holds several public meetings illustrated below.



District management is responsible for creating an annual budget, establishing, and maintaining an internal control framework that is designed to prevent fraud and protect the District’s assets focusing on financial, operational, compliance, strategic and policy objectives. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgment by management.

We believe that the District’s internal control framework adequately safeguards assets and provide reasonable assurance of proper recording of financial transactions.

Financial and operational controls are designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America (US GAAP).

The District maintains budgetary, financial, and operating controls. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the District's governing body. The legal level of budgetary control, the level that expenditures cannot legally exceed budgeted expenditures, is established annually by resolution by the Board. The FY23-24 budget was approved June 28, 2023, with Resolution #590 requiring board approval for any one expense that increases the District's overall expenses over the total annual expense budget by \$10,000. The Chief Executive Officer may authorize transfers between line-item expenditures and/or departments within the limits imposed by the available funds in the operating and capital budget.

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

Further as a government entity and a recipient of property tax funding, the District is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable government accounting rules issued by the Government Accounting Standard Board (GASB), governmental laws, regulations, and reporting requirements.

The Board reviews and updates District policies regularly and has established a specific reserve policy to ensure preservation of the District. The Principal Preservation policy ([BCHD Financial Reserve Policy](#)) was most recently updated in November 2023 that established a Committed Fund Balance adopted by resolution #541 for investments in long-term assets that will ensure future funding for the District's purpose and vision: "*A Healthy Beach Community*".

The Board guides, reviews and oversees the strategic vision and mission of the District, and provides directives to the District's Chief Executive Officer and management.

Cash Management. The District's Investment Policy ([BCHD Investment Policy](#)) is reviewed and approved annually by the District's Finance Committee and Board of Directors. It instructs staff to invest funds in a manner that will provide for the highest degree of safety, liquidity and yield in that order while conforming to all statutes governing the investing of public funds per the California Government Code sections 53600, et seq.

In 2018, the Board approved for the District to establish a 115 Trust to manage the growing District's Pension and Other Post-employment Benefits (OPEB) obligations. In January 2019, the District transferred \$3,000,000 to the Pension and OPEB 115 Trust accounts combined with a value of \$3,703,000 as of June 30, 2023, combined. Resulting in an average of about 5% annual return.

The District's \$13,073,000 investment portfolio is managed by PFM Assets Management; in addition, the District maintains two short-term investment accounts, LAIF (a California Local Agency Investment Fund) and CAMP (California Asset Management Program). On June 30, 2023, short-term investments with maturities of six months or less, in the two accounts combined were \$70,000. Due to the increased

expenditure in Capital Investments, the District is closely monitoring liquidity and is therefore managing the investment portfolio based on cash flow needs rather than a benchmark.

The District investment in the Healthy Living Campus (HLC) redevelopment project ([BCHD HLC CAMPUS](#)) has materially decreased cash and the investment portfolio. Since June 30, 2020, total cash and investment has decreased from \$29,160,000 to \$20,520,000 as of June 30, 2022, and to \$16,650,000 as of June 30, 2023. The Healthy Living Campus predevelopment costs since FY15-16 is \$12 million and is estimated at stabilized net incoming to provide cash funding around \$2-2.5 million annually. This will replace the incoming funds from the District largest income producing asset 514 N. Prospect Ave. building, originally a hospital and now a medical office building, and allow the District to replenish and in the future preserve its principal as established by Policy set by the Board.

The District Economic Condition and Outlook The District is affected by global, national, and state economic trends like any other organization, but due to its diversified funding sources and the resilient local real estate values, the District has been able to minimize deficits and maintain a balanced budget. However, the COVID-19 Pandemic has caused more long-term diminished income from its revenue sources than anticipated. Recovery at both its Health & Fitness Operations and joint ventures has been slower, not only because the Pandemic lasted longer than anticipated, but also due to a shift in the behavior of customers. Many members of the Health & Fitness facility are choosing virtual events and are hesitant to be close to others -- especially indoors – thus memberships have been slow to recover. Senior living facilities have had to make many adjustments and accommodations at their facilities to ensure proper safety measures for their fragile populations and filling facilities is taking longer.

With the assistance of its investment portfolio advisors, PFM Asset Management LLC, the District is closely monitoring and adjusting to current global, national, and state economic trends that are seeing improvements and stabilization on a GDP basis. The current GDP is now, in 2023, trending towards the normal average of about 3% compared to the unprecedented levels of 2020, 5.67% and 2021, -3.40%, data.

But with other economic trends like interest rate hikes and high inflation, the District’s financial projections have been affected and the comment from last year remains the same with the exception that we are now seeing stabilized economic growth.

However, the District’s local property market is anticipated to be holding strong, per HdL Coren & Cone provides the following Five-Year Priority Net Taxable Value:

Dist Wide Value Change	2023-24	2024-25	2025-26	2026-27	2027-28	5 Year
District Net Taxable	\$53,574,329,609	\$56,307,448,456	\$58,646,242,113	\$61,229,645,649	\$63,988,771,725	16%
	7%	5%	4%	4%	5%	5%
Prior Year Value Change	6%	5%	5%	5%	n/a	5%

While the current national and world economic, social, and political trends are still unpredictable and somber, the District is planning for the long-term and will continue its focus on ensuring funding for the District’s programs and services for the next 60 years.

Independent Audit. The accounting firm of Davis Farr, LLP was reelected by management and approved by the Board in June 2019 as the District independent auditor for a five-year audit period. FY22-23 was the 4th year of the engagement.

Per the Federal \$750,000 limit of reimbursements requiring a Single Audit, Davis Farr, LLP is also completing such Single Audit for the District by March 31, 2024.

The auditor's report on the basic financial statements is included in the financial section of this report (pages 1-3).

Financial Reporting Recognition and Evaluation. This report seeks to meet established criteria for excellence in financial reporting, providing an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to existing standards. This is reflected in earning the Government Finance Officers Association (GFOA), a nationally recognized professional association Certificate of Achievement for Excellence in Financial Reporting award (page xxi). Since 2018, the District has also achieved "District Transparency Certificate of Excellence" from the Special District Leadership Foundation recognizing management and Board commitment to accountability and transparency ([BCHD Transparency](#)).

The District is also proud to be recognized by the Little Hoover Commission (an independent California state oversight agency) Report #239, August 2017, as a potential model for other healthcare districts "Beach Cities: Is this a Future of Healthcare Districts?" Due to its ability to leverage investments in its capital assets to provide important preventive healthcare programs and services at mostly no cost to the community, which continue to be the strategy of the District.

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

Without the continuing review, directives, and support of the District Board of Directors in planning and conducting the financial operations of the Beach Cities Health District, preparation and the results of this report and the financial statements presented herein would not have been possible.

Respectfully,

Monica Suua

Ms. Monica Suua, CPA, CIA
Chief Financial Officer

DISTRICT OFFICIALS

Board of Directors



Vanessa I. Poster

President

Appointed in Lieu of
Election 11/12
Elected: 11/96, 11/00,
11/04, 11/08, 11/16, 11/20
Term Expires: 12/24



**Martha B. Koo
M.D.**

President pro tem

Elected: 11/20
Term Expires: 12/24



Jane Ann Diehl

Board Member

Appointed in Lieu of
Election 11/14
Elected: 11/16, 11/20
Term Expires: 12/24



**Noel Lee Chun
M.D., Q.M.E.**

Board Member

Appointed in Lieu of
Election 11/10
Elected: 11/06, 11/14,
11/18, 11/22
Term Expires: 12/26



**Michelle Anne
Bholat M.D. MPH**

Secretary/Treasurer

Elected: 11/14, 11/18, 11/22
Term Expires: 12/26

District Executive Leadership



Tom Bakaly, Chief Executive Officer



William Kim, M.D., Chief Medical Advisor



Cristan Mueller, Chief Marketing & Communications Officer



Kerianne Lawson, Chief Programs Officer



Ali Steward, Chief Partnership Development Officer



Monica Suua, Chief Financial Officer

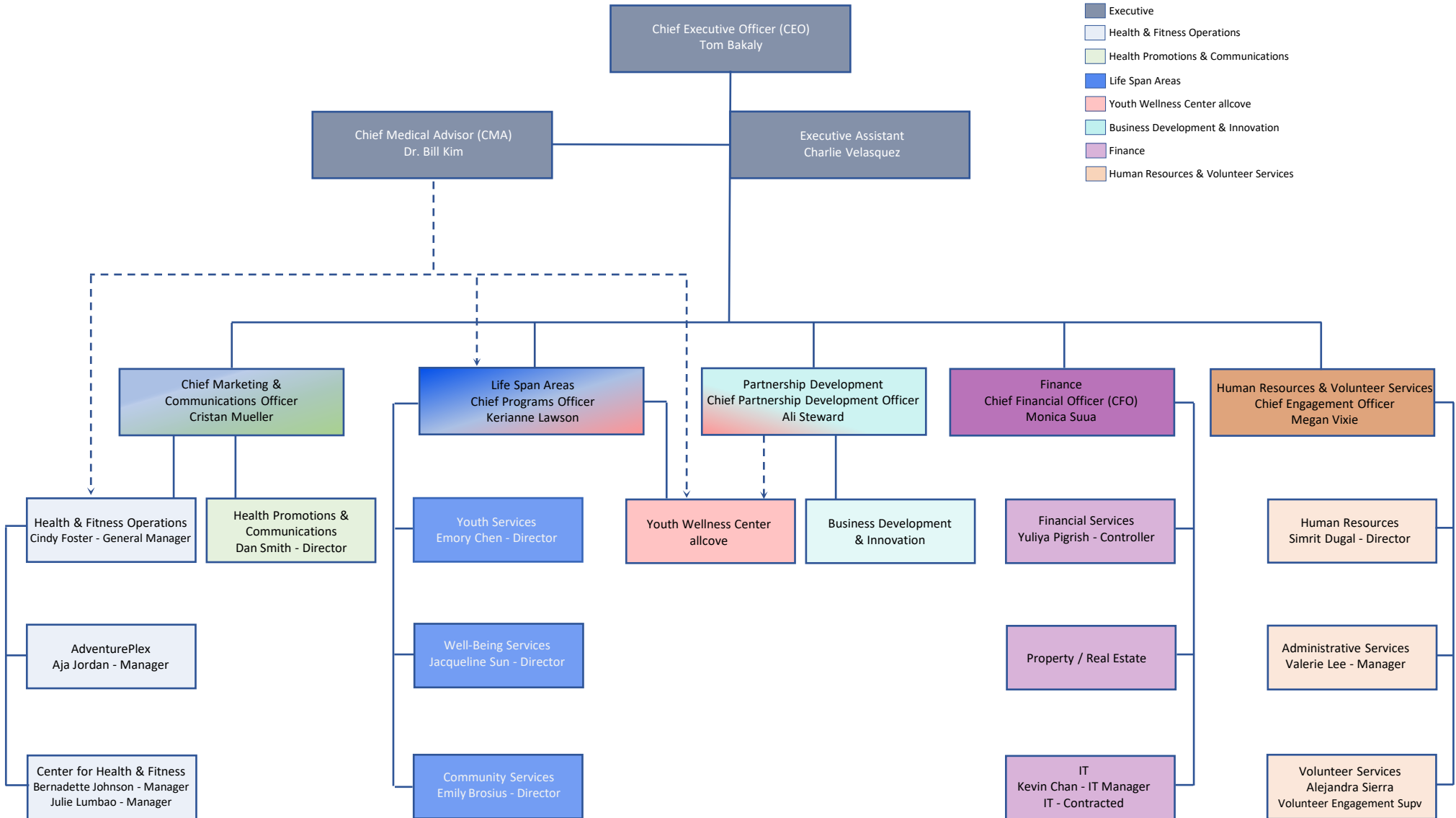


Megan Vixie, Chief Engagement Officer

Finance Department

Yuliya Pigrish, Controller
Cindy Sheu, Senior Accountant
Jamie Fresques, Senior Staff Accountant
Anni Bolsajian, Finance Technician
DeeAnn Davis, Accounting Assistant

Organization Chart





2022-2025 Health Priorities & Objectives

The BCHD Health Priorities for the strategic planning period 2022-2025 are:



Mental Health

- Decrease anxiety, depression and suicidal ideation across the lifespan
- Decrease bullying across the lifespan
- Decrease isolation and loneliness across the lifespan
- Increase access to early intervention mental health services for youth
- Increase stress management across the lifespan to decrease stress



Physical and Brain Health

- Increase exercise participation across the lifespan
- Increase fruit and vegetable consumption across the lifespan
- Promote brain health across the lifespan
- Promote healthy sleep across the lifespan
- Reduce percentage of children and adults who are obese or overweight



Public Health and Safety

- Improve emergency preparedness
- Increase community access to and education about preventive health programs and services
- Increase community awareness and education, for the public and partner organizations, regarding social determinants of health and health equity
- Increase community capacity to respond to public health crises (e.g. COVID-19)
- Improve biking and walking infrastructure
- Increase equitable and inclusive delivery of BCHD programs and services
- Reduce homelessness



Substance Use

- Continue to reduce the percentage of adult smokers
- Reduce alcohol use, drug consumption and vaping in youth
- Reduce the number of victims of accidents involving alcohol/substance use
- Reduce substance abuse among adults

Objectives are included as examples of planning goals and are not meant to be an exhaustive list.

Beach Cities Health District Programs & Services

Every three years, Beach Cities Health District assesses the overall health of the Beach Cities using a variety of data sources to prepare a Community Health Report. This report guides our strategic planning process with the indication of health priorities and provides an opportunity to evaluate current programming. It focuses on evidence-based public health practices, which the Centers for Disease Control and Prevention defines as the integration of science-based interventions with community preferences for improving population health.

The 2022-2025 Health Priorities are:



Mental Health

Objectives

- Decrease anxiety, depression and suicidal ideation across the lifespan
- Decrease bullying across the lifespan
- Decrease isolation and loneliness across the lifespan
- Increase access to early intervention mental health services for youth
- Increase stress management across the lifespan to decrease stress

Programs

- LiveWell Kids Program
- Beach Cities Partnership for Youth Coalition
- Youth Advisory Council
- Juvenile Diversion Project
- Youth Well-Being Line
- School Wellness Councils
- allcove Beach Cities
- Worksite Wellness
- Moais
- Mindfulness Drop-In
- Mental Health & Happiness
- Built Environment
- Care Management
- Assistance, Information & Referrals
- Covered California
- Volunteer Programs
- Holiday Gift Bag Project
- Beach Cities Volunteer Day
- Non-Profit Grants
- Micro Enrichment Grants
- Center for Health & Fitness
- AdventurePlex



Physical and Brain Health

Objectives

- Increase exercise participation across the lifespan
- Increase fruit and vegetable consumption across the lifespan
- Promote brain health across the lifespan
- Promote healthy sleep across the lifespan
- Reduce percentage of children and adults who are obese or overweight

Programs

- LiveWell Kids Program
- School Wellness Councils
- School Gardens
- allcove Beach Cities
- Worksite Wellness
- Blue Zones Project Restaurants and Grocery Stores
- Moais
- Built Environment
- Care Management
- Assistance, Information & Referrals
- Covered California
- Volunteer Programs
- Holiday Gift Bag Project
- Beach Cities Volunteer Day
- Non-Profit Grants
- Center for Health & Fitness
- AdventurePlex



Public Health and Safety

Objectives

- Improve emergency preparedness
- Increase community access to and education about preventive health programs and services
- Increase community awareness and education, for the public and partner organizations, regarding social determinants of health and health equity
- Increase community capacity to respond to public health crises (e.g. COVID-19)
- Improve biking and walking infrastructure
- Increase equitable and inclusive delivery of BCHD programs and services
- Reduce homelessness

Programs

- Juvenile Diversion Project
- Youth Well-Being Line
- School Wellness Councils
- allcove Beach Cities
- Built Environment
- Care Management
- Assistance, Information & Referrals
- Covered California
- Volunteer Programs
- Drug-Free Communities Grant
- Non-Profit Grants
- Micro Enrichment Grants



Substance Use

Objectives

- Continue to reduce the percentage of adult smokers
- Reduce alcohol use, drug consumption and vaping in youth
- Reduce the number of victims of accidents involving alcohol/substance use
- Reduce substance abuse among adults

Programs

- Beach Cities Partnership for Youth Coalition
- Drug-Free Communities Grant
- Youth Advisory Council
- Juvenile Diversion Project
- Youth Well-Being Line
- School Wellness Councils
- allcove Beach Cities
- Worksite Wellness
- Tobacco Control Policy
- Care Management
- Assistance, Information & Referrals
- Covered California
- Volunteer Programs
- Non-Profit Grants
- AdventurePlex

To learn more about the health priorities and to view the full Community Health Report, visit bchd.org/healthreport

RESOLUTION NO.590

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE BEACH CITIES HEALTH DISTRICT
ADOPTING THE FINAL OPERATING AND CAPITAL BUDGET FOR THE FISCAL YEAR 2023 – 2024

WHEREAS, a preliminary budget for Fiscal Year 2023-24, July 1, 2023 to June 30, 2024, has been prepared by the Chief Executive Officer and staff; and

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

WHEREAS the Board of Directors of the Beach Cities Health District has examined the preliminary budget for Fiscal Year 2023-24.

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

1. That the budget document which is on file with the Secretary to the Board, a summary of which is attached hereto as "Exhibit A," be and is adopted as the operating and capital budget for the District for FY 2023-24.

2. That the amounts designated in the final FY 2023-24 operating and capital budget are hereby appropriated and may be expended by the departments or funds for which they are designated, and such appropriation shall not be increased except as provided herein. Capital budget appropriation is authorized to completion of project, not limited to spending within fiscal years.

3. That the following controls are hereby placed on the use and transfer of budgeted funds:
(a) The Chief Executive Officer is responsible for keeping expenditures within budget allocations for positions, salaries, operational expenditures, and capital acquisitions and may adopt budget policies as necessary to carry out that responsibility. No expenditure of funds shall be authorized unless sufficient funds have been appropriated by the Board or Chief Executive Officer as described herein.

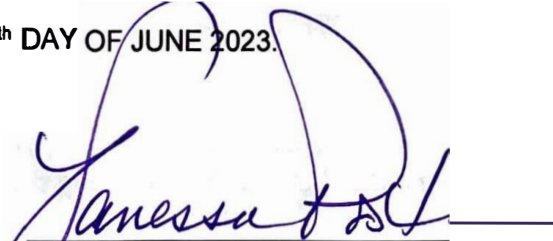
(b) The Chief Executive Officer may exercise discretion in administration of the budget to respond to changed circumstances, provided that any single increase in the overall budget in excess of \$10,000 shall require approval by the Board.

(c) The Chief Executive Officer may authorize transfers between lines and/or within funds or departments, within the limits imposed by the available funds in the operating and capital budget.


(d) Except as provided by Section 3(b) herein, the Board must authorize any increase in the overall operating budget and capital budget.

4. That this resolution shall become effective on the date of adoption date.

PASSED, APPROVED, AND ADOPTED THIS 28th DAY OF JUNE 2023.



Vanessa I. Poster, President
Board of Directors
Beach Cities Health District

ATTEST:


Michelle Anne Bholat, M.D., MPH Secretary / Treasurer
Board of Directors
Beach Cities Health District

EXHIBIT A

**Beach Cities Health District
District Total Rollup Budget
2023-24**

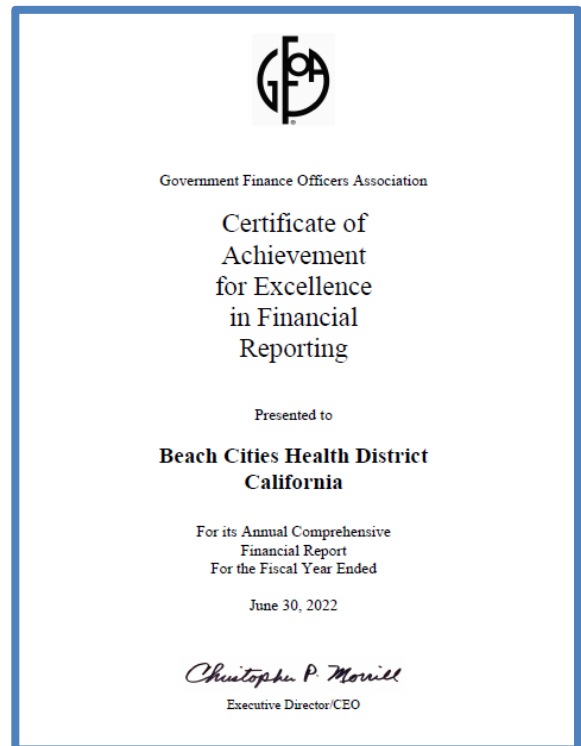
	Budget FY23-24	Budget FY22-23	\$ Variance	%	Budget FY21-22	Adjusted Budget FY20-21
Property Tax Revenue	5,002,800	4,750,560	252,240	5%	4,499,541	4,179,531
Lease Revenue	4,162,409	3,881,416	280,993	7%	3,838,806	4,176,829
Tenant BOE Reimbursements	861,854	883,605	(21,751)	-2%	787,805	962,374
Interest Revenue	344,930	497,561	(152,631)	-31%	677,328	838,751
Limited Partnership Revenue	1,735,000	1,825,000	(90,000)	-5%	1,898,874	1,670,562
User Fees Revenue	1,789,467	1,700,680	88,787	5%	1,331,778	182,885
Grant revenue	855,600	985,412	(129,812)	-13%	274,815	172,315
Other Revenue	155,516	326,500	(170,984)	-52%	225,000	25,000
TOTAL REVENUE	14,907,576	14,850,734	56,842	0%	13,533,947	12,208,247
Payroll	7,395,834	7,274,256	(121,578)	-2%	6,837,703	6,462,429
Program Costs	175,206	137,499	(37,707)	-27%	144,468	188,279
Human Resources Related	184,592	202,389	17,797	9%	186,192	214,984
Information Systems	324,651	305,568	(19,083)	-6%	325,091	225,298
Community Relations	387,245	489,928	102,683	21%	483,839	503,678
Facilities Expenses	1,883,572	1,593,999	(289,573)	-18%	1,440,139	1,354,918
Professional Services	1,916,092	2,156,780	240,688	11%	1,568,394	2,029,542
Interest and Other	1,267,884	1,171,249	(96,635)	-8%	1,100,564	1,141,438
Funds & Grants	1,372,500	1,519,066	146,566	10%	1,447,558	1,555,009
TOTAL OPERATING EXPENSES	14,907,576	14,850,734	(56,842)	-0.4% #	13,533,947	13,675,575
BCHD OPERATING SURPLUS / (Deficit)	-	-	-	0%	-	(1,467,328)
Capital Investment Expenditures	(1,647,000)	(5,100,000)	3,453,000	-68%		
FUND CASH BALANCE CHANGE	(1,647,000)	(5,100,000)	3,453,000	68%		
Non-Cash NR Amortization	(500,000)	(618,530)	118,530	-19%		
FUND BALANCE CHANGE	(2,147,000)	(5,718,530)	3,571,530	62%		
New - Capital Expenditures	315,000	1,223,000				
New - allcove Beach Cities	532,498	314,000				
New - Healthy Living Campus	800,000	(2,650,000)				
TOTAL NEW CAPITAL INVESTMENT BUDGET	1,647,498	(1,113,000)				

Government Finance Officers Association Annual Comprehensive Financial Report (ACFR)

Beach Cities Health District is honored to have been awarded the Annual Comprehensive Financial Report (ACFR), for comprehensive annual financial reporting for the fiscal year ended June 30, 2022.

Government Finance Officers Association established the ACFR program in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles. Preparation of this comprehensive annual report, and in the spirit of full transparency and disclosure, Government Finance Officers Association has awarded BCHD on achievement of this highest form of recognition in governmental accounting and financial reporting.

Beach Cities Health District aspires to continually provide the highest quality documents while exhibiting full transparency budgeting that are reflected by the guidelines established from the National Advisory Council on State and Local Budgeting, and the Government Finance Officers Association's best practices on budgeting.



**

The effort to seek and attain the ACFR Award reflects the District's commitment to meet the highest standards of government budgeting and reporting.

BCHD FY22-23

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Beach Cities Health District
Redondo Beach, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Beach Cities Health District (the "District"), as of and for the year June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 13.5%, 18.5%, and 10.5%, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

During the year ended June 30, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96: Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of*

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

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023 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 solely 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 the effectiveness of 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 the District's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
December 19, 2023

Management of the Beach Cities Health District (BCHD, the District) has prepared this Management Discussion and Analysis (MD&A) for readers of the District's financial statements. This narrative overview and analysis of the financial activities of the District is for the fiscal year ended June 30, 2023. Readers are encouraged to read this information alongside the District's audited financial statements that follow.

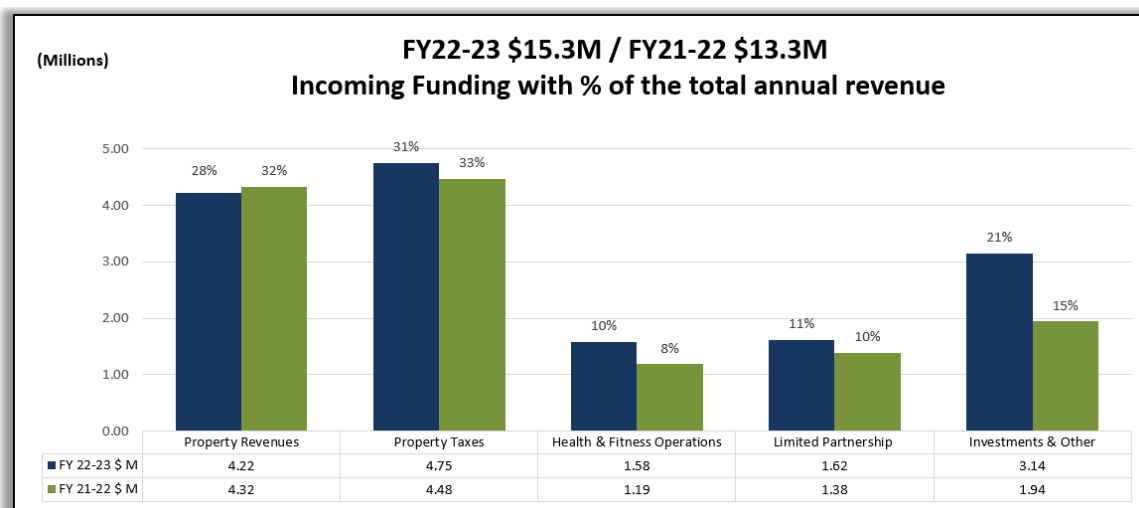
Financial Highlights

While the COVID-19 pandemic is still present in the community, the District completed its major initiatives, like testing and vaccination operations by December 2021. From the start in March 2020, the District pivoted its ongoing health programs and services to fill the gaps in emergency health needs in the community. In FY22-23 the District completely resumed all its programs and reopened its facilities in full capacity. Due to the shift from COVID-19 operations and funding to normal operations, focus on opening the new allcover Beach Cities youth mental health center and continued recovery of the Health and Fitness Operations, total revenues decreased by 1% and expenses increased by 9% compared to FY21-22.

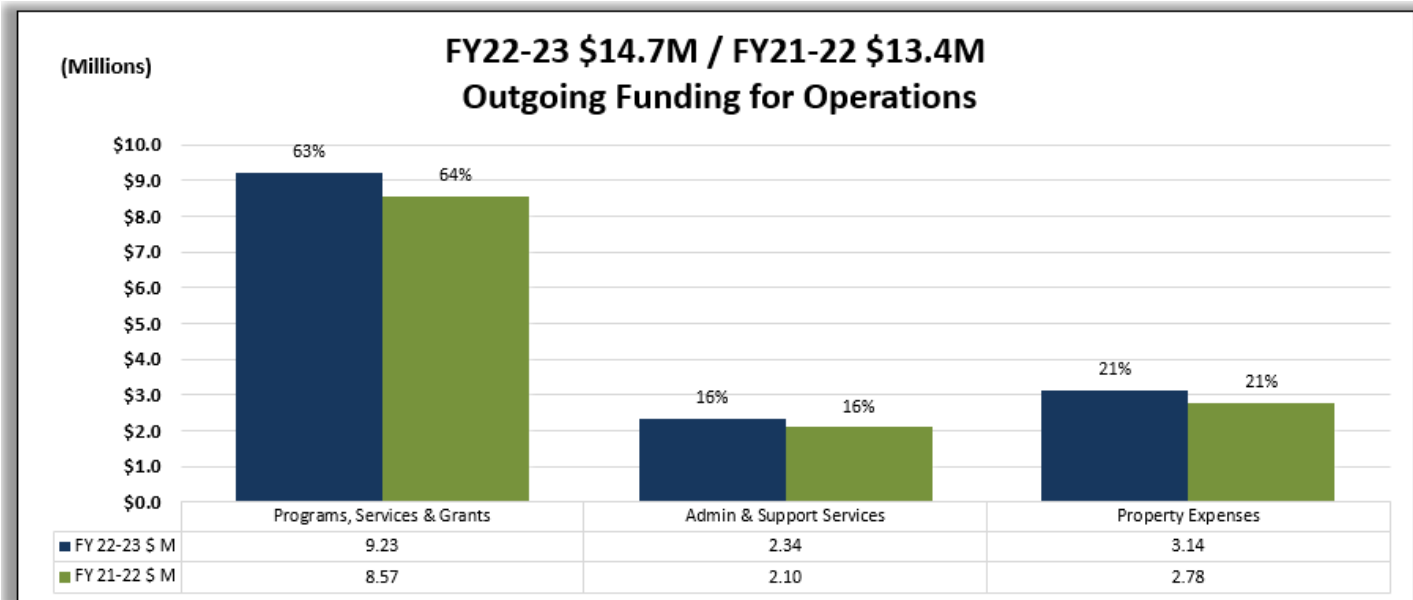
	TOTALS			
	FY22-23	FY21-22	Variance	
REVENUES	14,717,000	14,895,000	(178,000)	-1%
EXPENDITURES	(14,645,000)	(13,453,000)	(1,192,000)	9%
DISTRICT OPERATING CASH	72,000	1,442,000	(1,370,000)	

The District cash operations illustrated above are before non-cash unrealized losses, amortization of the District Notes Receivable, revenue from capital grants and affects from the GASB 87 and GASB 96 totaling \$606,000 and (\$1,578,000) for FY22-23 and FY21-22 respectively. Adding back the non-cash items and capital grant revenues illustrated in the Financial Statements, the total Revenues in FY22-23 are \$15,323,000 and in FY21-22 are \$13,317,000.

The incoming funds of \$15.3M were increased by \$2M primarily due to the increase in the operating and capital grant revenues. District's investments in long-term assets, like real property and joint venture partnerships, allows it to maintain its unique funding model, where generally over 70% of incoming funds are from other sources than property taxes, like tenant rental income and limited partnerships. Income from other sources increased from 66% to 69% but remains just under 70% mainly due to effects from recovering from COVID-19. Income from Limited Partnership and Health and Fitness Operations have significantly improved in FY22-23 compared to FY21-22 but not back yet to the pre-pandemic levels. Property revenues have decreased slightly due to the net of a negative adjustment for GASB 87 and annual tenant leases increases. Property Taxes have increased by 6%, which is in line with the pre-pandemic years trend of 5-8% increase.



Outgoing funds for operations and property management increased by \$1.3M, 9%, from \$13.4M to \$14.7M. Most of the increases in expenditures are due to the election year for the Board of Directors \$269,000, expenditures for the new programs covered by grants (allcove, DFC, Mental Health programs, etc.) which are directly correlated to the revenues for the respective grants; increases in expenditures at Health & Fitness Operations due to re-opening, and property management due to the high utilities cost, as well as increased maintenance due to re-openings of the District's Public Medical Office building.



In FY22-23, the District Fund Balance decreased by \$3.3 million primarily due \$2.5 million continued investments in the Healthy Living Campus and \$0.25M in other capital improvements to the District's properties.

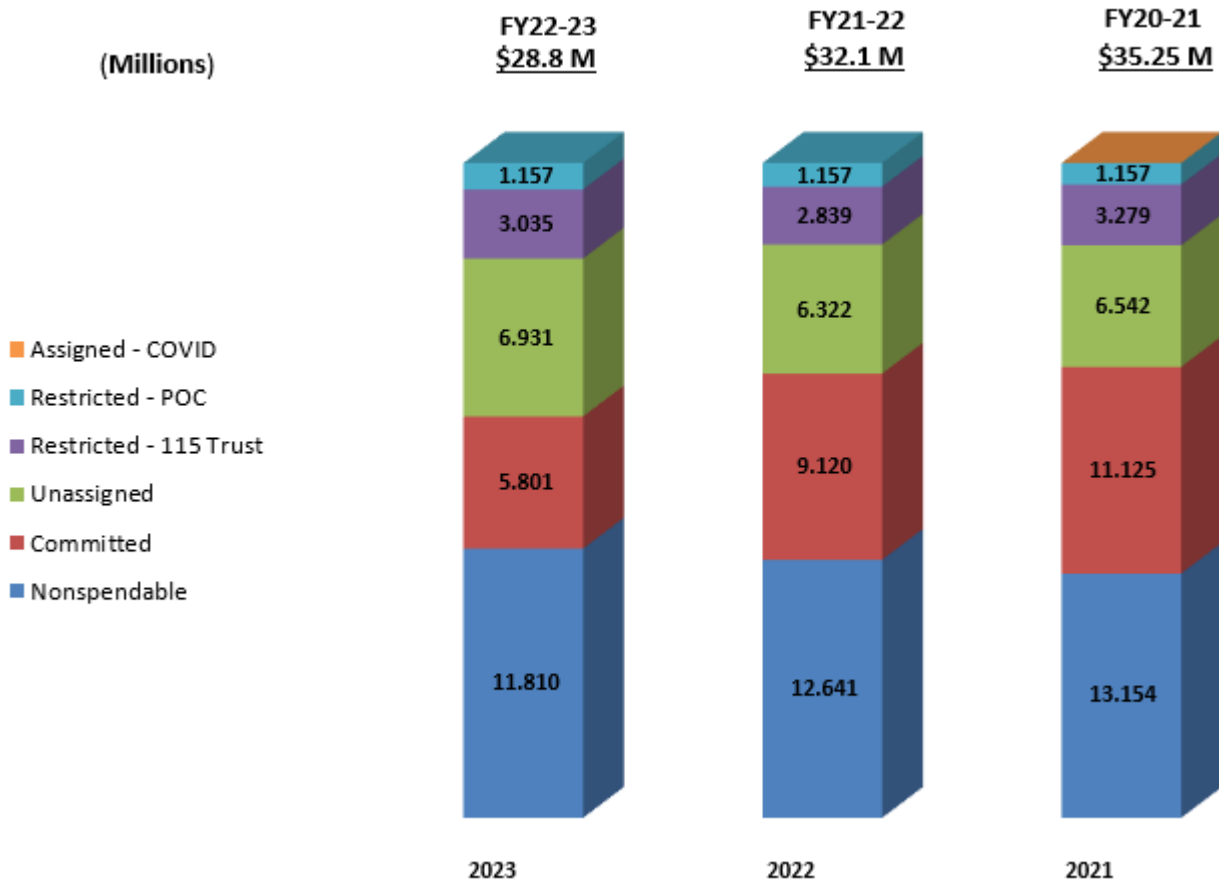
While total Capital Expenditures of \$3.9M, \$0.7 million was funded by grants off-set in revenues, \$0.5M for allcove Youth Wellness Center temporary construction funded by the \$1M Federal HRSA (Health Resources & Services Administration) grant and \$0.2M for a bike path construction funded by a LA County Metro M Grant.

The resulting District Fund Balance changed as follows:

- Total BCHD Fund Balance \$29 million, decreased by \$3,297,000
- Nonspendable Fund Balance \$11.8 million, decreased by \$782,000
 - Prepaid items are \$135,000, no change
 - Note receivable is \$1.4 million, amortized by \$653,000
 - Investment in limited partnerships is \$10.2 million, decreased by \$129,000
- Available Fund Balance \$12.7 million, decreased by \$2,711,000
 - Committed is \$5.8 million, decreased by \$3,320,000
 - Unassigned is \$6.9 million, increased by \$609,000
 - Assigned is \$0.0, no change
- Restricted (for medical building purposes) Fund Balance \$1.2 million, no change
- Restricted (for 115 Pension Trust) Fund Balance \$3.0 million, increased by \$196,000

As noted above, and illustrated in the graph next, the major decrease in Fund Balance is from the Committed Fund Balance, which was established by the District Board to ensure the District can maintain its investments in Real Properties. The Committed Fund Balance is the remaining funds after deducting Non-spendable and Restricted Funds, and funds to cover 50% of the current fiscal year operating expenses.

Fund Balance by Fiscal Years



The District also presents its financial statements according to GAAP (Generally Accepted Accounting Principles) called Government-wide financial statements. The District's Government-wide financial statements convert the Government Fund financial statements reviewed above that depicts current financial resources to a long-term economic resource measurement basis adding capital assets and long-term liabilities to the balance sheet resulting in a Net Position (total assets less total liabilities).

The FY22-23 total Government-wide District Assets are \$76,338,000, compared to prior year balance of \$79,626,000. A net decrease of \$3,288,000 is primarily due to a decrease of \$4,066,000 in cash and investments to cover District's capital investments.

The FY22-23 total Government-wide District Liabilities are \$7,769,895, compared to prior year balance of \$5,515,000. A net increase of \$2,256,000 was due to an increase in the Net Pension Liability.

Net Position is further affected by Deferred Outflows and Inflows of Resources reported as addition and reduction of Net Position, respectively. The newly implemented GASB 87 caused a decrease of \$1,764,000 in Lease Related balance to Deferred Inflows of Resources reducing Net Position which offsets Lease Receivable in the Assets. Net Pension and Other Post-Employment Benefits (OPEB) Inflows and Outflows change in the District's Deferred Resources for Assets and Liabilities combined decreased Net Position by \$1,075,000 due to the current financial causing market value decreases and low yields in stocks and bonds.

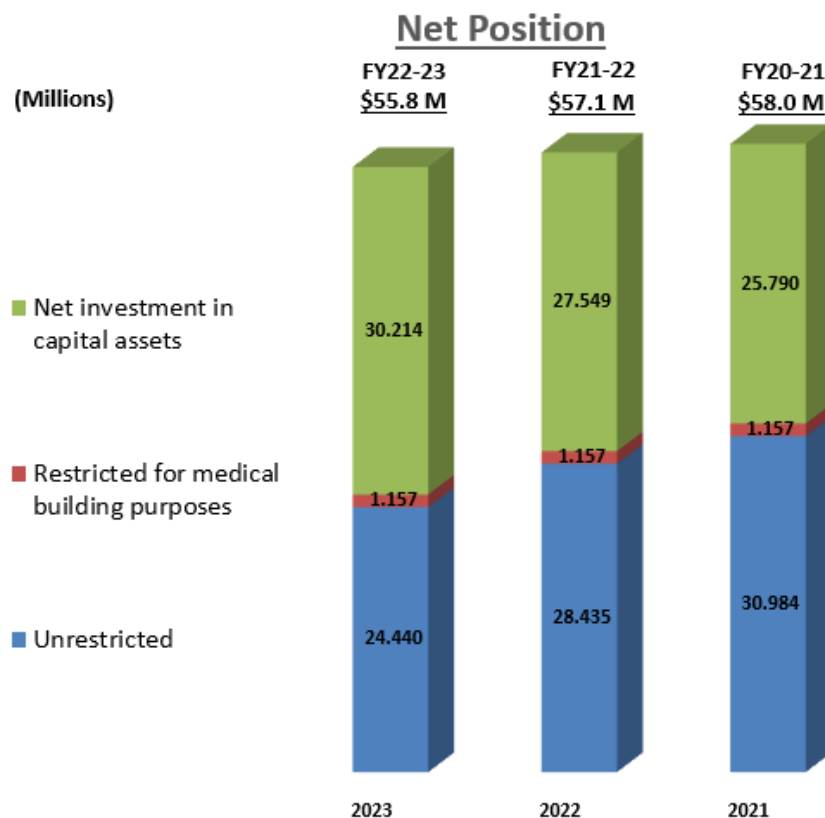
- Total Net Position of \$55.8 million decreased by \$1,329,000.
 - Net investment in capital assets of \$30.2 million increased by \$2,666,000 (net of additions, deletions, depreciation, and lease debt) due to continued investment in long-term assets, like the Healthy Living Campus.
 - Restricted Fund for medical building of \$1.2 million had no change
 - Unrestricted funds of \$24.4 million decreased by \$3,995,000.

Increases in Unrestricted Net Position \$4,337,000:

- 4,214,000 – Net Deferred Outflows and Inflows
- 123,000 – Net current and other assets increase

Decreases in Unrestricted Net Position (\$8,330,000):

- 3,870,000 – Cash and Investments decrease
- 1,448,000 – GASB 87 Lease Receivable decrease
- 2,974,000 – Pension & OPEB Net Liability increase
- 38,000 – Net current and other Liabilities increase



Overview of the Financial Statements

The MD&A is intended to serve as an introduction to and overview of the Beach Cities Health District's financial activities and position and the resulting financial statements. The District's Annual Comprehensive Financial Report (ACFR) packet is comprised of:

- 1) An Introductory Section of the District.
- 2) The Financial Section with the Government-wide financial statements, Government Fund financial statements, with a reconciliation of the Government Fund financial statements to the Government-wide financial statements, and notes to the financial statements.
- 3) The Required Supplemental Information (RSI) section accompanying the basic audited financial statements; and
- 4) The statistical section with Financial Trends, Demographics, etc., that provide a more in depth understanding of the District financial position. See Table of Contents on pages i-ii.

Government-wide Financial Statements – The Government-wide Financial Statements are designed to provide readers with a broad overview of the District’s finances and financial position, in a manner like private-sector businesses. The Government-wide Financial Statements can be found on pages 19-20 of this report.

The Statement of Net Position is like a balance sheet in the private sector presenting information on all the District’s assets and liabilities, using the economic resources measurement focus and full accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), with the difference between assets and liabilities reported as Net Position. Over time, increases or decreases in Net Position (i.e., Equity or Net Assets) serves as a useful indicator of whether the financial position of the District is improving or declining keeping in mind that the accounting rules (GAAP) requires consolidated joint venture investment, land, and fixed assets to be measured on a historical cost basis. In other words, while current and other assets are valued at market, joint venture, capital assets and land are valued at cost.

The Statement of Activities is like a profit and loss statement in the private sector showing how the District’s Net Position changed during the most recent fiscal year. Changes in Net Position are reported on a full accrual basis in accordance with GAAP. Therefore, certain revenues and expenses are reported in the Government-wide Financial Statements as receivables and accrued liabilities for revenues earned and expenses incurred, but not yet received and or paid at fiscal-year end and will result in inflows and outflows of cash in the future. Further, rather than reporting capital investments as expenditures like in the Fund Financials, Net Position reflects capital investments as assets, and the Statement of Activities records depreciation expense over the life of the assets

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 project and purpose requirements and budgetary controls adopted and reviewed by the District’s Board of Directors elected by the residents of the Beach Cities. The Fund Financial Statements can be found on pages 21-24 of this report and comparison of the actual and budget revenues, expenditures and changes in Fund Balance can be found on page 66.

Governmental funds account for the same functions and operations as in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available for use at the end of the fiscal year. Therefore, the accounting in the Fund Financial Statements is on a modified accrual basis that recognizes all assets current and long-term, except Capital Investments, but only current and short-term liabilities. Liabilities longer than one year are not recognized and instead its related expenditures are only recorded when paid.

The focus of governmental funds is narrower than that of the Government-Wide Financial Statements. Therefore, it is useful to compare the information presented for governmental fund activities and balances with similar information presented for government-wide activities and net position.

To make both Government-wide and Fund Financial Statements clearer and more useful, effective June 30, 2013, GASB 63 started requiring governments to explicitly identify deferred outflows and inflows of resources. Deferred outflows and inflows are non-available assets and liabilities designated for future consumption (i.e., future expense) and receipts of resources (i.e., future revenues). This concept applies to the District’s obligation as a participant in the State of California Retirement program, CalPERS. Effective as of FY21-22, GASB 87 was implemented requiring the recognition of long-term lease receivables and obligations. For FY22-23 the District implemented GASB 96 Subscription-Based Information Technology Arrangements (SBITA). SBITAs accounted for in a similar manner to leases under GASB 87 to recognize the subscription asset and a related subscription liability on financial statements.

To facilitate the comparison between the governmental *fund balance* and governmental-wide *net position*, the financial statements herein include a reconciliation between the two on page 26. In addition, to provide a comparison between the *net change of activities in government fund balance* and the *net change in*

government-wide net position activities, the financial statements herein also include a reconciliation between these two on page 28.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the balances and activities presented in both the government-wide and government fund financial statements. The notes to the financial statements can be found on pages 25-60.

Required supplementary information – The MD&A and certain other information applicable to the District are required to be presented with the basic audited financial statements. Information such as net pension liability, pension contributions and budgetary comparisons are required information for the District to be included. The required supplemental information can be found on pages 61-66.

Government-wide Financial Statement Analysis

The Statement of Net position, all current, short-term, and long-term assets less all liabilities serve to provide indication of overall financial position, keeping in mind the accounting rules requiring historical cost basis for certain long-term assets. While total assets grew due to continued investment in the Healthy Living Campus and an increase in Accounts Receivable from accruals for revenues from the Limited Partnership for a settlement from a litigation and FEMA revenue, the decline in Cash and Investments' market value off-set the growth by \$3.9M. The decline in Cash and Investments was favorably affected by the successful receipt of COVID-19 relief funds of \$2.1M. See Government-wide Financial Statements on pages 19-20.

The District's Net Position in FY22-23 with assets plus deferred outflows of \$78.5M exceeds liabilities and deferred inflows of \$22.7M resulting in \$55.8M Net position, which is reduced from \$57.1M for the fiscal year ended June 30, 2022. Net Position in FY22-23 decreased by \$1.3M mainly due to the losses of \$3.9M in Cash and Investments and including \$0.1M unrealized losses in the Investment Portfolio and \$3.2M in Capital Investments that are not reimbursed by the grants (\$2.5M Healthy Living Campus. \$0.7M Other, see Capital Assets and Debt Administration for more details), off-set by the increase in Capital Assets and decrease in the Pension Liability. Additionally, there is a decrease in Current and Other assets and in Lease-related Inflows of Resources resulting in a net \$316,000 increase in Net Position due to the newly implemented GASB 87 regulation (note 3).

Net Position of \$55.8M decreased by \$1.3M in District Assets and Liabilities as summarized and illustrated below.

Total assets of \$76.3 million decreased by \$3.3M (Net Position Decrease):

- Current and other assets decreased by \$5.3M
 - Cash, Restricted Cash, and Investments decreased by \$3,870,000
 - Receivables and Amortization of Notes Receivable increased \$251,000
 - Prepaid Items increased by \$1,000
 - Lease Receivable decreased by \$1,448,000
 - Net OPEB Assets decreased by \$97,000
 - Investment in Limited Partnership decreased by \$129,000
- Capital assets of \$31.6M, increased by \$2.0M:
 - Construction-in-Progress (CIP) increased by \$2,754,000, net of completions.
 - New and completed Capital investments increased by \$1,203,000, net of deletions, including SBITAs from GASB 96 implementation
 - Less accumulated depreciation (AD) of \$1,952,000, net of AD for removed assets.
- **Total liabilities of \$7.8 million increased by \$2.2M (Net Position Decrease):**
 - Current and Other Liabilities due within one year increased by \$104,000
 - Long-term liabilities increased by \$2,150,000 (\$2.9M due to Pension Liability increase)
- **Net deferred outflows and inflows of \$12.8M of resources, increased by \$4.2M (Net Position Increase):**
 - Pension Inflows/Outflows increased by net \$2,272,000
 - OPEB Inflows/Outflows increased by net \$178,000
 - Lease Related increased by \$1,764,000

Summary Statement of Net Position
(\$ Millions)

	Governmental Activities			
	2023	2022	Inc / (Dec)	2021
Assets				
Current and other assets	\$ 44.7	\$ 50.0	\$ (5.3)	\$ 38.3
Capital assets	31.6	29.6	2.0	28.0
Total assets	<u>76.3</u>	<u>79.6</u>	<u>(3.3)</u>	<u>66.3</u>
Deferred Outflows of Resources				
Pension and OPEB Contributions	2.2	0.8	1.4	0.9
Total Assets & Deferred Outflows	<u>78.5</u>	<u>80.5</u>	<u>(1.9)</u>	<u>67.2</u>
Liabilities				
Current and Other due within one year	2.7	2.6	0.1	3.3
Long-term liabilities	5.1	3.0	2.1	5.2
Total liabilities	<u>7.8</u>	<u>5.5</u>	<u>2.2</u>	<u>8.5</u>
Deferred Inflows of Resources				
Lease related	14.1	15.8	(1.8)	-
Pension and OPEB Contributions	0.9	2.0	(1.0)	0.8
Net Position				
Net investment in capital assets	30.2	27.5	2.7	25.8
Restricted	1.2	1.2	-	1.2
Unrestricted	24.4	28.4	(4.0)	31.0
Total Net Position	<u>\$ 55.8</u>	<u>\$ 57.1</u>	<u>\$ (1.3)</u>	<u>\$ 57.9</u>
Total Liabilities, Deferred Inflows & Net Position	<u>78.5</u>	<u>80.5</u>	<u>(1.9)</u>	<u>67.2</u>

One of the underlying reasons the District Net Position is trending down is that incoming funds from tenants in the 1960's hospital building, the District major income producing asset, have been declining and maintenance costs are increasing due to major improvements needed to the old infrastructure.

A significant portion of the District's Net Position, \$30.2M (54.1%), \$27.5M (48.2%) and \$25.8M (44.5%) for the current and past two years, reflects its net investment at cost in capital assets (land, buildings, land and building improvements, furniture, fixtures, computer equipment, fitness equipment, etc.) after depreciation and any liabilities outstanding. The main increase is the ongoing redevelopment of the 514 N. Prospect Avenue. 1960's old hospital building. Total investment in Construction in Progress (CIP) is \$12M of the "Net investment in capital assets."

The District leverages these capital assets to provide public programs and services to the Beach Cities residents. Further the District's "Net investment in capital assets" is reported net of related lease debt and the resources needed to repay this debt, which must be provided from other unrestricted sources, since the capital assets are in use themselves and cannot be used to liquidate these liabilities. For more information see section "Capital Assets and Debt Administration" below, plus Note 5 and 7, for capital asset and long-term debt activities, respectively, in the Notes to Basic Financial Statements section starting on page 29.

Besides the investments in capital assets, \$1.2 million represents resources specifically for Prospect One Corporation restricted for the purpose of constructing and owning medical office buildings, a component unit of Beach Cities Health District. Therefore, the remaining balance of unrestricted net assets, \$24.4M for the

current year, \$28.4M and \$31.1M for the past two years, is used to meet the District's ongoing public programs and services and investments in long-term capital assets for its citizens net of deducting funds tied to intangible assets, such as prepaid items, notes receivables and investment in limited partnerships.

The Statement of Activities illustrates the Government-wide presentation of revenues and expenses on a full accrual basis in accordance with GAAP.

Total Revenues for FY22-23 and FY21-22 are \$15.3 million and \$13.3 million, respectively, an increase of \$2.0M primarily due to an increase in Investment earnings of \$1.3M compared with last year's loss. The main driver of the increase in revenues remains Capital Grant and Contributions. In FY22-23 the revenues for reimbursement for expenses for COVID-19 response decreased by \$1.64M while the Capital Grant revenues and other grant revenues have increased by \$1.24M. In FY21-22 The District received \$2,112,000 in reimbursements for eligible COVID-19 emergency response expenditures submitted for FY19-20 and FY20-21 and \$469,000 in FY22-23 for expenditures submitted for FY20-21 and FY21-22. To date, the District has received a total of \$2,889,106 in reimbursements for COVID's response as shown in the table below. The final funding request in FY23-24 is estimated to be an additional \$80,000 for Administrative expenses and a 10% retention remaining from FEMA reimbursements for the vaccine totaling \$117,650.

	FY20-21	FY21-22	FY22-23	Total Received	FY23-24 Est.	Total Projected
DOC/Admin	232,678	63,507	101,531	397,717	80,000	477,717
Meals	16,340	154,382	-	170,722	-	170,722
Testing		566,683	88,195	654,877	-	654,877
Vaccinations	59,500	-	279,353	338,853	37,650	376,503
Total FEMA	308,518	784,572	469,079	1,562,169	117,650	1,679,819
Schools		176,000	-	176,000		176,000
ACHD		1,130,937	-	1,130,937		1,130,937
CalVax		20,000	-	20,000		20,000
Total		1,326,937	-	1,326,937	-	1,326,937
Grand Total	308,518	2,111,509	469,079	2,889,106	117,650	3,006,756

Also, with newly implemented GASB 87 (FY21-22) the District had to re-class \$773,000 to Interest Revenue and reduce Lease Revenue accounts by \$457,000, resulting in a net \$316,000 favorable adjustment to Net Position. With the implementation of GASB 96 (FY22-23) the District added \$105,000 in other financing sources revenues for SBITAs offset by \$65,000 in principal payment expenses. Both GASBs in FY22-23 net to \$356,000 improvement to the Net position compared to a \$444,000 improvement in FY21-22 for GASB 87.

In FY22-23 Investment earnings have increased by \$1.3M compared to FY21-22 loss of \$0.5M. The District had \$0.1M in unrealized losses in FY22-23 compared to \$1.8M in FY21-22 that came from unfavorable Cost to Market Valuation due to unstable stock market throughout both fiscal years deriving from federal interest hikes due to a high inflation running up to 9%.

Property taxes saw a 6.0% increase year-over-year. Property taxes have seen an 82% increase in the past 10 years and are expected to continue growing while most likely at a slower rate.

Total expenses for FY22-23 and FY21-22 are \$16.6 million and \$14.1 million, respectively, an increase of \$2.5M mainly due to the \$1.1M increase in the net Pension/OPEB expense. CalPERS, the CA government employee state government Pension investment portfolio experienced over 6% earnings decrease over the FY21-22 measurement period resulting in the District's increase of Pension Liability. Additionally, \$197,000 is due to an increase in depreciation, a \$120,000 increase in Compensated Balances offset by a \$70,000 decrease in Interest on Long Term Debt. The remaining \$1.2M are the same as for the Fund Financials from re-opening of Operations at Health & Fitness (H&F) Operations, increases in property maintenance costs due to the age of the District campus and re-openings of the District public Medical Office building.

Professional Services saw the largest increase due to the election year for the Board of Directors for \$269,000, and increased use of mental health professional services during the Mental Health Awareness month, and for the new allcove Beach Cities mental health center that are mostly covered by the State and Federal grants.

On a Government-wide basis FY22-23 expenses exceeded revenues resulting in a reduction in Net Position of \$1.3M, compared to the prior year's decrease in net position of \$0.8M resulting from unrealized losses in investment earnings and affects from COVID-19 on Charges for services (H&F Operations User Fees) and in Limited Partnership Income.

**Summary Statement of Activities
(\$ Millions)**

	Governmental Activities			
	2023	2022	Inc / (Dec)	2021
Revenues				
Program Revenues				
Charges for services	\$ 1.6	\$ 1.2	\$ 0.4	\$ 0.3
Lease	4.2	4.3	(0.1)	4.6
Capital Grants & Contributions	2.0	2.4	(0.5)	0.7
General Revenues				
Property taxes	4.8	4.5	0.3	4.3
Income from Limited Partnership	1.6	1.4	0.2	1.2
Investment earnings	0.8	(0.5)	1.3	1.3
Other revenue	0.4	0.0	0.3	0.2
Total Revenues	15.3	13.3	2.0	12.6
Expenses				
Preventative Health Services	16.5	13.9	2.6	15.3
Loss on disposal of assets	-	0.0	(0.0)	
Interest on long-term debt	0.1	0.2	(0.1)	0.2
Total Expenses	16.6	14.1	2.5	15.5
Excess (deficiency) of revenues over expenses	\$ (1.3)	\$ (0.8)	\$ (0.5)	\$ (3.1)
Net position, beginning of year	57.1	58.0	(0.8)	60.9
Net position, end of year	\$ 55.8	\$ 57.1	\$ (1.3)	\$ 58.0

The FY22-23 Net Position declined by 63% more than the decline in FY21-22 that included emergency relief funds, reduction in the Pension liability and GASB 87 one-time set-up favorable adjustment. The continued decline of rental income and increased Property management costs at the aging 514 N. Prospect Avenue building, combined with unstable market values and increased inflation, the District anticipates FY23-24 being further negatively affected. Therefore, the District is strategically investing in resources, like changing the Innovation Officer to Chief Development Officer to apply for more grant opportunities in the preventative health industry in both the private and public arena.

Governmental Funds Financial Statement Analysis

The Beach Cities Health District uses fund accounting to report on services provided to its citizens and to ensure and demonstrate compliance with the Board approved budgets and governmental financial reporting requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's short-term liquidity and financing requirements to ensure delivery of uninterrupted programs and services.

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

- Non-spendable – Are assets tied to intangible assets like prepaid items, notes receivable and investments in partnerships.
- Committed – For FY16-17, the District Board adopted resolution #541 to set aside funds dedicated to future Capital Investments in long-term assets to ensure preservation of Net Position and Fund Balance and the generation of future funds to address the needs of preventative health services in the community.
- Assigned – Due to the Covid-19 Pandemic outbreak and emergency, the District Board approved at the adoption of the FY20-21 Budget, an Assign COVID-19 Fund Balance of \$300,000 for the purpose of stabilizing possible District Fund Budgeted Operating Income decreases, which was fully utilized in FY20-21, therefore resulting in zero balance as of June 30, 2021 and in the following years.
- Unassigned –The District's net resources available for ongoing operations at the end of the fiscal year and with the implementation of Resolution #541 established to remain at 50% of the closed fiscal year operating expenditures.
- Restricted –
 - Medical Building: For medical building purposes used in the Special Revenue fund administered as a 501.C.4.
 - Pension Trust: The 115 Pension Trust account was set up to offset the unfunded pension liability.

As of June 30, 2023, the District's governmental summary fund balances are as follows:

Governmental Funds				
(\$ Millions)				
Fund Balances				
	<u>2023</u>	<u>2022</u>	<u>Inc / (Dec)</u>	<u>2021</u>
Nonspendable:				
Prepaid items	0.1	0.1	0.0	0.1
Note receivable	1.4	2.1	(0.7)	2.7
Investment in limited partnerships	10.2	10.4	(0.1)	10.4
	<u>11.9</u>	<u>12.6</u>	<u>(0.8)</u>	<u>13.1</u>
Committed:				
Capital investment	5.8	9.1	(3.3)	11.1
Restricted for 115 Trust - Pension	3.0	2.8	0.2	3.3
Restricted for medical building purpose	1.2	1.2	0.0	1.2
Assigned - COVID 19	0.0	0.0	0.0	0.0
Unassigned	6.9	6.3	0.6	6.6
Total Fund Balances	<u>\$ 28.8</u>	<u>\$ 32.1</u>	<u>\$ (3.3)</u>	<u>\$ 35.3</u>

The FY22-23 total Fund Balance of \$28.8M compared to the prior year decreased by \$3.3M primarily due to Capital Investment expenditures in long-term assets for \$3,909,000 that we reimbursed through the grants' revenues by \$695,000, plus reduction in Notes Receivable. FY21-22 total Fund Balance of \$32.1M compared to FY20-21 decreased by \$3.2M due to Capital Investment expenditures in long-term assets for \$3,091,000, plus Unrealized Losses of \$1,059,000 in the Portfolio and \$420,000 in Pension 115 Trust Earnings. FY20-21 total Fund Balance of \$35.3M compared to prior year decreased by \$4.8M due to Capital Investment expenditures in long-term assets for \$3,500,000, plus Unrealized Losses of \$0.6M and COVID-19 FEMA eligible expenditures of \$0.8M awaiting approval of funding from FEMA.

In FY22-23, Committed Fund balance of \$5.8M (20.2%) is to be available for future capital investments in long-term assets compared to \$9.1M (28.4%) in FY21-22. In FY20-21 the Committed Fund balance was \$11.1M (31.5%). In FY19-20 the Committed Fund balance was \$16.1M (40.2%.) The ongoing reduction in the Committed Fund balance is due to the District's continued investment in its long-term project Healthy Living Campus that will replace the aging real property.

In FY22-23, Unassigned Fund Balance is \$6.9M (24.1%) compared to \$6.3M (19.7%) in FY21-22 and are funds available for operating expenditures, which the Board has directed by Resolution to be a minimum of 50% of the District's Operating cost. That is, as operating expenditures change, increase or decrease, or the balance of the total fund balance and the mix of balances change, the unassigned dollar balance will also increase or decrease alongside. In FY20-21, Unassigned Fund balance was \$6.6M (18.5%).

In FY22-23, Restricted Fund Balances are \$4.2M (14.6%) compared to \$4.0M (12.5%) in FY21-22. These are fund balances restricted per Board resolutions. In 2019, the District transferred \$2.5M into a 115 Pension Trust to manage the then \$2.9M Pension liability. By FY20-21, the 115 Trust balance had grown to \$3.3M, but due to losses in the investment market decreased to \$2.8M in FY21-22 and has now regained value and is \$3.0M (10.0% of total fund balance) in FY22-23. Like the 115 Trust, the District CalPERS Pension Liability fluctuates with the values in the market. Therefore, the District is using long-term actuarial modelling with CalPERS anticipated discount rates to estimate future Pension Liability growth to help manage the 115 Trust balance requirements.

In addition, the District maintains \$1.2M (4.0%) for medical building purposes, unchanged from prior year Restricted Fund balance of \$1.2M (3.6%) but has a higher percentage to the Fund Balance. The total Restricted Fund balances combined were \$4.4M (12.6%) in FY20-21 and \$3.8M (9.4%) in FY19-20.

The remainder of the Fund Balance, Non-Spendable items, in FY22-23, are \$11.9M (41.2%) compared to \$12.6M (39.4%) in FY21-22 are as follows:

- a) \$10.2M is invested in limited partnerships, a decrease of \$129,000 from last FY21-22 due to the recovery from COVID-19.
- b) \$0.1M is pre-paid items which increased which did not change.
- c) \$1.4M is Notes Receivables that decreased by \$653,000 per amortization schedule.

Non-spendable Fund Balances, in FY20-21 were combined \$13.1 million (37.4%).

General Fund. The General Fund is the only operating fund of the District and the only fund with activities. At the end of the current fiscal year, the General Fund balance is \$27.6M compared to \$30.9M the prior year, a decrease of \$3.3M. The FY21-22 General Fund balance decreased by \$3.2M compared to \$35.3M in FY20-21.

In FY22-23, the General Fund operating results had a surplus of \$1,461,000 including \$694,000 in revenues for reimbursements for capital grant expenditures and \$356,000 favorable adjustment for GASB 87 and GASB 96, before capital expenditures of \$3.9 million (net of Other Financial Resources-Lease payable) and \$0.9 million in debt service.

Generally, the District's objective has been to maintain an Operating Surplus to set-aside funds for maintaining long-term assets that generate over 70% of District funding for public programs and services, which has not been possible in the last three years due to not only the COVID-19 Pandemic and volatile market conditions, but also the District's aging infrastructure.

As a measure of the District's liquidity, available funds for FY22-23, FY21-22, and FY20-21, Committed and Assigned/Unassigned fund balances are 68%, 91% and 102% of General Fund expenditures (operating, capital, and debt service expenditures). The District is expecting the liquidity measure to continue to decrease as the District's operating expenditures increase and further investments are being made in long-term assets

utilizing the Committed Fund Balance. The continued investment in long-term assets is to ensure continued funding will exist for the District public programs and services in the future, and that the District will be able to meet the minimum liquidity measure of at least 50% currently required by Policy.

Special Revenue Fund. Beach Cities Health District's special revenue fund segregates activity related to Prospect One Corporation (a 501.C.4 entity), established to construct and operate medical office building space on the main campus of the District.

Fund balance in the Special Revenue Fund is \$1.2 million of cash and investments restricted for medical building activities; there were no activities in FY22-23.

General Fund FY2022-23 Actual Performance Highlights Compared to FY2021-22 Actual

In FY22-23, actual expenditures exceeded actual revenues resulting in the Fund Balance decrease of \$3,297,000, compared to FY21-22 decrease of \$3,734,000. (FY20-21 Fund Balance decreased by \$4,892,000.)

Total District's FY22-23 revenue inflows of \$15.3 million increased by \$2M or 15% compared to FY21-22 reviewed below. FY21-22 increased by \$866,000 or 7% with changes in the sources of inflowing funds (FY20-21 decreased by \$2,492,000 or 17% due to COVID-19 business closures.)

- Financing and rental income of \$4.2M decreased by the same amount of \$101,000 compared to prior year:
 - The current year decrease is from nonrenewal of an expiring lease and moving to another location of one tenant earlier in the year. Most of this loss is offset by two new tenants and annual contractual lease increases for all other tenants and favorable adjustment from GASB 87 amortization schedules.
 - Prior year decrease is from nonrenewal of an expiring lease and moving to another location of one tenant, most of this loss offset by one new tenant and annual contractual lease increases for all other tenants.
- Property taxes of \$4.8M increased by \$274,000 (6%) compared to prior year increase of \$132,000 (3%) that in turn had increased by \$341,000 (9%) from that previous year. District's property tax base is continuing to remain strong.
- Program income is \$1.6M from the Health and Fitness operations continued to grow and has increased by \$400,000 as facilities have fully re-opened FY22-23. In FY21-22 the facilities were partially opened for the operations after LA County mandated closures and social distancing for the entire year of 20-21. FY21-22 increased by \$880,000 compared to FY20-21. FY20-21 decreased by \$880,000 compared to FY19-20. The District expects FY24-24 program revenues to return to the pre-pandemic level.
- Income from Limited Partnerships of \$1.6M also has continued to grow after an ease of the restrictions after the pandemic and increased by \$234,000 compared to the prior year. FY21-22 increased by \$209,000 compared to FY20-21 after a significant drop in revenues in FY20-21 and FY19-20 due to effects on the Senior Living operations, managed by Sunrise Senior Living, LLC from COVID-19. Income from Limited Partnerships is 90% from the District's 80% ownership in the Sunrise Senior Living Joint Venture where the income can significantly vary year to year due to changes in occupancy from unanticipated larger move outs, competition, management turnover, and such events like the current Pandemic. The District's other Joint Venture Partner is a 5% ownership with South Bay Surgery Center that also rents space at the District main Campus on 514 N. Prospect Avenue in Redondo Beach. The District received no income from South Bay Surgery Center joint venture in FY22-23 as it has been struggling to recover after the pandemic.
- Investment earnings of \$0.8M increased by \$1.3M after a decrease of \$1,870,000 in FY21-22 and a decrease of \$887,000 in FY20-21 compared to the respective prior years. Decreases have been due to the unstable national financial markets which have been recovering in FY22-23 after taking a hit in prior year. The District's addition of the 115 Pension Trust Fund allows investments in instruments with greater earning powers than those governed by the state of CA Investment policy, which this year for the first time since implementation in 2019, experienced a decline due to the market performance.
- Other revenues and intergovernmental revenues of \$2.3M decreased by \$128,000, while prior year had an increase of \$1,636,000. In the past three years, the District has been able to secure local, state, and

federal multi-year program and services grants benefiting the Community, like a 5-year \$625,000 Federal Drug Free Communities Grant addressing substance use for Youth, 4-year \$2M allcove Youth Wellness Grant, a \$1.7M multi-year LA County Metro grant voter approved Measure-M for developing a local bike path. Also, the District received grants based on the events like reimbursement from FEMA for COVID-19 efforts and County Mental Health Awareness Month Community Grant. The reduction in Other revenues and intergovernmental revenues was primarily due to a reduction in reimbursements for COVID-19 by \$1,643,000 based on the submissions for the actual expenses as shown on the table on page 11 and fluctuation from other grant reimbursement.

Generally, over 70% of incoming funds are from other sources than property taxes, like tenant rental income and limited partnerships. In FY22-23, income from other sources was increased from 66% to 69% and remained slightly under 70% mainly due to effects from COVID-19 on Income from Limited Partnership and Health and Fitness Operations.

The amount financed by taxpayers through property taxes in the current fiscal year FY22-23 was \$4.8M (31%), FY21-22 was \$4.5M (34%) and FY20-21 was \$4.3M (35%) of total revenues.

While the Property Tax base continues to be strong and increase annually, the trend to also increase as a percent of total revenue is something the District is working on reversing with the redevelopment of the old Hospital building on 514 N. Prospect Avenue, and reaching out to partnerships and local, state and federal jurisdictions for potential health programming grants, like the grant to address substance abuse and building of a bike path, to ensure the District residents get as much return on their tax dollars as possible.

Total District's FY22-23 expenditure outflows of \$18.6 million increased by \$1,568,000 or 10% compared to FY21-22 expenditure outflows of \$17.0 million that decreased by \$272,000 or 2% compared to FY20-21 \$17.3 million:

- Salaries and related expenses of \$6.8M increased by \$173,000 compared to \$6.7M in FY21-22 due to Health & Fitness operations opening and returning to normal operations after the COVID-19 Pandemic, an average of 3% merit increase for staff.
- Health programs expenditures of \$1.4M recognized savings of \$95,000 compared with FY21-22, that had remained constant compared to FY20-21 due to the recovery after the pandemic when more seniors needed in-home assistance and more actual assistance needed through the District income qualified Health Fund during COVID-19. Also, during the Pandemic, the District extended additional funding to partners, like Fire for security services and Salvation Army to address food security, FY21-22 experienced cost increases in the District general senior help fund.
- Professional Fees of \$2.2M increased by \$577,000 from FY21-22 of \$1.6M that erased the savings of \$568,000 from FY20-21 due to Election expenses of \$269,000, \$202,000 increase in outside services and \$20,000 increase in legal expense primarily from opening a new facility for youth center allcove that in turn is covered by grant revenues, and \$60,000 in expenses for Engineering/Maintenance Services for the aging District Campus.
- Community relations expenses of \$0.5M increased by \$182,000, mainly due to the re-opening after pandemic and being able to run more community outreach events, promoting new allcove facility and an increase of \$91,000 in promotional items and material were for Health Awareness Month which was covered by Health Awareness Month Community Grant.
- Other operating expenditures combined, including support Services (G&A, HR, etc.) and Facilities management expenditures, increased by \$380,000 due to reopening of District ongoing operations and usage of Medical Office building resulting in higher Property Management costs as well.
- Capital investments increased by \$311,000 due to the investment in the new allcove Beach Cities temporary facility and the construction of the bike path that were both covered by the revenues from the respective grants.

Revenues, expenditures, Healthy Living Campus investments, revenue and debt capacity trends can be further reviewed in the Statistical section of the Report, pages 71-78.

See table below with dollars in millions for changes in revenues, expenditures, and fund balance.

Governmental Funds				
(\$ Millions)				
Revenues, Expenditures and Changes in Fund Balances				
	2023	2022	Inc / (Dec)	2021
Revenues				
Leasing Revenue	4.2	4.3	(0.1)	4.4
Property Taxes	4.8	4.5	0.3	4.3
Program Income	1.6	1.2	0.4	0.3
Limited Partnership	1.6	1.4	0.2	1.2
Investment Earnings	0.8	(0.5)	1.3	1.3
Other/Intergovernmental Income	2.3	2.5	(0.1)	0.8
Total Revenues	15.3	13.3	2.1	12.4
Expenditures				
Current				
Salaries & related	6.8	6.7	(0.2)	6.4
Health programs & grants	1.4	1.5	0.1	1.5
Professional Fees	2.2	1.6	(0.6)	2.2
Facilities Management	1.9	1.5	(0.4)	1.5
Community Relations	0.5	0.4	(0.2)	0.7
General & Administrative	0.5	0.5	(0.0)	0.4
Human Resources	0.2	0.1	(0.0)	0.1
Information Systems	0.2	0.3	0.0	0.2
Cost of Goods Sold	0.0	0.0	(0.0)	0.0
Other	0.1	0.1	0.0	0.1
Capital Outlay	3.9	3.6	(0.3)	3.5
Debt Service				
Principal Retirement	0.7	0.6	(0.1)	0.5
Interest and other fiscal	0.1	0.2	0.1	0.2
Total Expenditures	18.6	17.0	(1.6)	17.3
Excess of revenues over (under) expenditures	<u>(3.3)</u>	<u>(3.7)</u>	<u>0.4</u>	<u>(4.9)</u>
Other finance resources	<u>0.0</u>	<u>0.5</u>	<u>(0.5)</u>	<u>(0.0)</u>
	(3.3)	(3.2)	(0.1)	(4.9)
Beginning Fund Balance	32.1	35.2	(3.2)	40.2
Prior period adjustment	-	-	-	-
Ending Fund Balance	<u>\$ 28.8</u>	<u>\$ 32.1</u>	<u>\$ (3.3)</u>	<u>\$ 35.2</u>

General Fund FY22-23 Actual Versus Budget

The District's FY22-23 Budget is a negative \$5,825,000 net change in Fund Balance; operating revenues and expenditures are balanced, and the negative change is due to capital investment expenditures.

Actual net change in Fund Balance is negative \$3,297,000 compared to budgeted net change of negative \$5,825,000 resulting in a \$2,528,000 favorable net change in Fund Balance versus budget.

Total actual revenues of \$15,323,000 is \$472,000 favorable versus total revenue budget of \$14,851,000, primarily due favorable adjustments for GASB 87 and 96 and increased revenues from capital grants due to the project developments that were offset with unfavorable variances in Health & Fitness program income and income from Limited Partnerships due to the lasting effects from COVID-19, and not budgeted unrealized losses in the investment portfolio.

Total actual operations, debt service and capital investment expenditures of \$18,619,000 were \$2,057,000 favorable versus total expenditure budget of \$20,676,000. The favorable variance is due to \$1,916,000 budgeted Healthy Living Campus and allcove Beach Cities construction investments remaining and deferred

building infrastructure contingencies not used offset by all other expenditures net favorable variance of \$141,000 mainly due to savings in allcove operations expenditures because of the delayed opening.

Combined the favorable \$472,000 revenue variance and favorable \$2,057,000 expenditure variance, result in a positive \$2,529,000 favorable net Change in the actual Fund Balance compared to FY22-23 budget.

FY22-23 budget and actual variances and comparative data for prior year, FY21-22 can be reviewed in the Required Supplemental Information (RSI) Section page 66.

Capital Asset and Debt Administration

The District's gross investment in real property and capital assets, page 45 (Note 5), as of June 30, 2023, is \$69.3M at historical cost; \$4.4 million in Land, \$12.7 million in Construction in Progress and \$52.2 million in Buildings and FF&E, which are being depreciated at a current rate of \$2.1 million per year.

Prior year June 30, 2022, was \$65.3 million, a net \$4.0 million increase, \$2.8 million in CIP net of completed Projects, like temporary space for allcove, IT firewall project, new workstations, etc. making up the \$1.1 million for new and completed capital investment projects. Due to GASB 96 there is a Subscription-based IT assets addition of \$257,000. There was \$167,000 in deletions of fully depreciated assets.

Net depreciable capital assets after depreciation are \$14.5 million, a reduction of \$0.9 million from \$15.4 million as actual Depreciation expense exceeds added capital investments.

Total net capital investments include CIP (Construction in Progress), land, buildings, furniture, fixtures, equipment, and building improvements are \$31.7 million all measured at historical cost.

In FY22-23 the District added \$2.0 million in net Capital Investments:

- \$2.9 million in Construction In Process
- \$0.9 million in Building and Equipment, Furniture and Fixtures
- \$0.1 million in Lease assets
- \$0.1 million in Subscription-based IT assets offset by <\$2.0> million in Depreciation expense net of deletions.

Net Capital asset additions of \$3,871,000 for the year:

• CIP - Healthy Living Campus	2,479,000
• CIP - Bike Path	235,000
• CIP - allcove-Youth Welness Center	720,000
• CIP - PBB Budget SW	115,000
• 1200 DelAmo Building and Street Building Improvements	42,000
• 1701 Marine Avenue (APLEX) Building Improvements	29,000
• 514 Prospect Avenue Building Improvements	176,000
• IT Infrastructure: Workstations & Server	75,000

Inception to date, June 30, 2023, the District has invested \$11,936,000 in the Healthy Living Campus, that is planned to replace the existing 60-year-old Hospital building at 514 Prospect Avenue, Redondo Beach that in FY21-22 and FY21-22 provided \$3,130,000 (21%) and \$3,207,000 (24%) of incoming funds or net funds of \$1,156,000 and \$1,524,000, respectively, for operations of District's mostly free health programs and services available for residents of the Beach Cities. The Healthy Living Campus is envisioned to be built in two phases, the first phase to replace the income through a Public-Private Partnership, and with no additional property tax increase requested from the District residents.

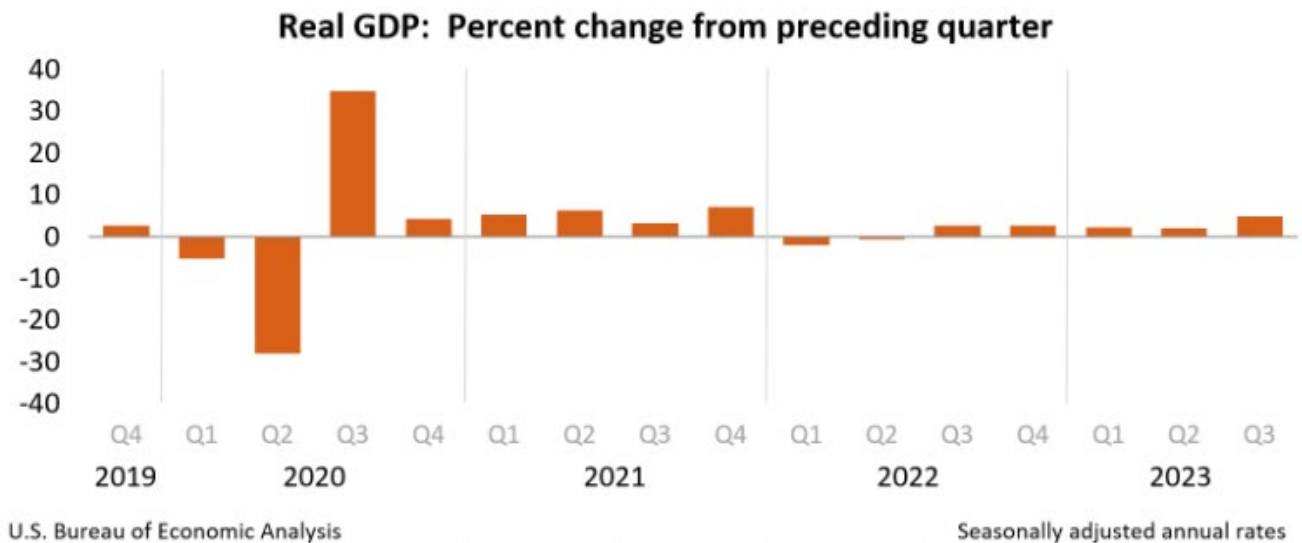
Further information can be found in the Statistical section 1. Financial Trends, Government-wide Capital Assets (Page 72) and on the District website [BCHD Healthy Living Campus](#) Statistical section herein.

The District’s principal debt on leases is \$1,015,000 as of June 30, 2023. (See Statistical Section page 91, Debt Capacity.) In FY22-23, the District paid down the principal by \$613,000 from \$1,628,000 for the Prospect South Bay Parking. The annual Prospect South Bay Parking lease payment is \$720,000 inclusive of both principal and interest.

The District has a reciprocal Notes Receivable with a balance of \$1,632,000 as of June 30, 2023, that services the debt and provides additional funding for the District for an annual cash payment of \$1,158,000, yielding annual positive incoming cash funds of \$438,000. Both the Notes Payable and Receivable will be fully amortized on December 31, 2024.

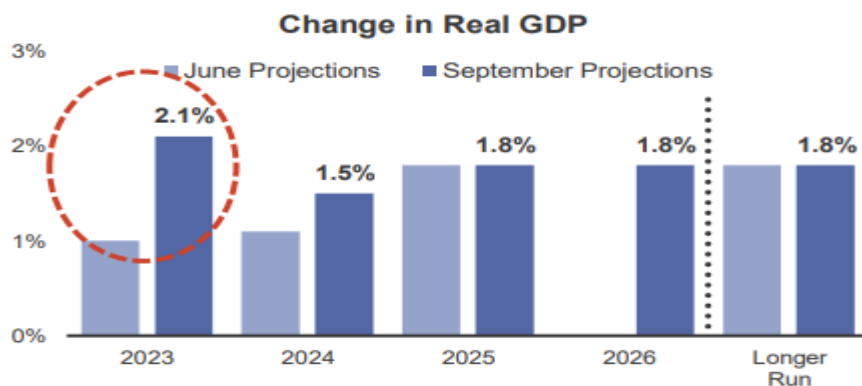
Economic Outlook

As the COVID-19 pandemic almost shut down the entire global, national, and local economies, GDP showed drastic swings through 2020. While there were signs of promising recovery in 2021, the global unrest, like the war in Ukraine, and lasting recovery from COVID-19, the economy started to falter, and GDP dropped to negative levels 2022. After two consecutive quarters of GDP decline in 2022, the average annual 2022 GDP recovered to 2.1%, reported by Bureau of Economic Analysis (www.bea.gov) November 2023.

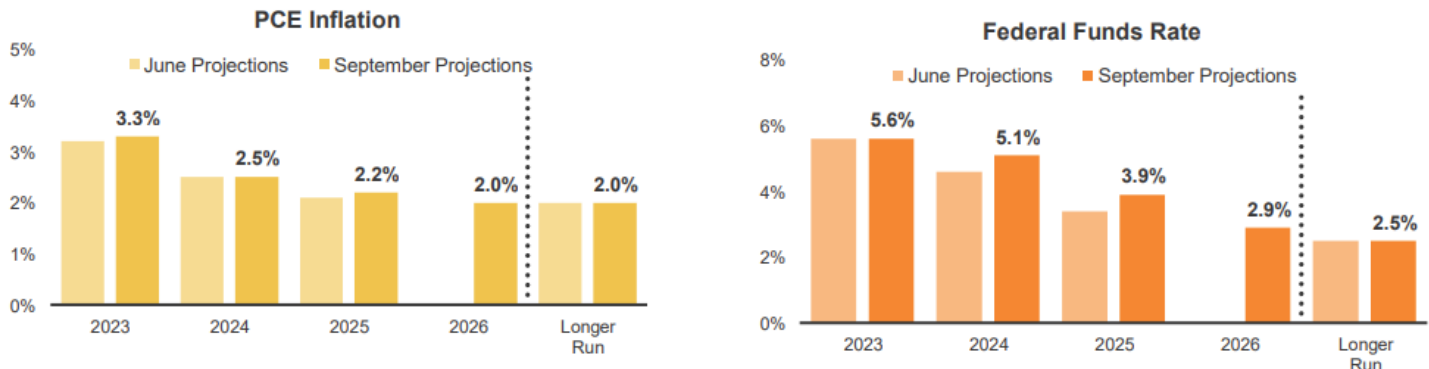


2023 3rd quarter end showed promising growth trending toward 3%. But more recently J.P. Morgan & CO, as of November 13, 2023, project a little bit more tempered growth of 2.4%.

The Federal Reserve projections as of September 2023 also showed a tempered GDP growth of 2.1% for 2023.



The Fed's GDP growth projections through 2026 also remain tampered even with their projected stabilized Personal Consumption Expenditures (PCE) inflation and the Federal Funds rate starting to decrease from its high 5.6% projection for 2023.



The expectation with continued higher than historically past low interest rates, and inflation rates remaining around 3% and presumably a strong job market indicates continued high prices resulting in continued increases in operating, equipment and construction costs and a high cost of obtaining capital for growth.

The results of the challenging economy were a reality for the District when preparing the FY23-24 Budget that could not sustain the reductions in revenue simultaneously with increases in costs. The District had to cut around \$900,000 out of its on-going operating budget to present a balanced budget.

The reduction in financial strength is evidenced in the District key financial metrics, Fund Balance, Net Position and Cash and Investments balances. All have expectedly been declining but with a faster rate than anticipated due to COVID-19, and global and national economic drivers, like high inflation, fed interest rate hikes, and financial market slow-down or decline, while somewhat offset by awarded COVID-19 relief funds, and GASB 87 & 96 implementation to recognize long-term leases/IT Subscriptions as assets on the balance sheet:

Governmental Fund Basis

- FY22-23 – \$29M
- FY21-22 – \$32M
- FY20-21 – \$35M
- FY19-20 – \$40M

GAAP Basis / Net Position / Equity / Principal

- FY22-23 – \$56M
- FY21-22 – \$57M
- FY20-21 – \$58M
- FY19-20 – \$61M

Cash and Investments

- FY22-23 – \$13.6M / 115 Pension & OPEB Trust \$3.7M (+ 300K)
- FY21-22 – \$17.7M / 115 Pension & OPEB Trust \$3.4M (- 600K)
- FY20-21 – \$21.4M / 115 Pension & OPEB Trust \$4.0M (+700K)
- FY19-20 – \$26.6M / 115 Pension & OPEB Trust \$3.3M

The most accessible financial resource is the District's Investment Portfolio that has declined mainly due to the \$12M investment in the Healthy Living Development (see page 76.) Therefore, the District has changed its strategy with the PFM Asset Management team from managing its portfolio on a cash flow needs basis instead of a benchmark driven strategy and liquidity is the primary objective.

As the District will continue facing economic challenges, the progress on realizing the redevelopment plans is critical for the District. Being awarded the \$6.3M grant from the California Department of Health Care

Services in May 2022 to build a youth wellness center, will allow the District to begin Phase I of the Healthy Living Campus ([Healthy Living Campus](#)) redevelopment plan. The new allcove Beach Cities youth mental health facility is planned to be completed in mid to late 2025, when the plan is to begin construction of the remaining elements of Phase I of the Healthy Living Campus.

The District remains committed to its community and residents to provide essential health services where gaps exist through facilities, events, programs and services, like continuing mental health programming for the youth in the schools, and at allcove Beach Cities housed at the District campus, executing Mental Health First Aid workshops, deploying the District Social workers for home-visits and support for the elderly, running the District general Help Line, delivering services to at risk-residents through Community Services Help Fund, and continuously update its website ([Public Health Topics](#)) with the most updated Public Health Announcements, and communicate and engage meaningfully with residents through volunteer opportunities, virtual meetings, activities, newsletters, and social media.

Together with its Board of Directors and input from the Community, the District will continue to review priorities to ensure a balanced budget, sound financial stewardship and delivery of its Programs and Services.

BEACH CITIES HEALTH DISTRICT

Statement of Net Position

As of June 30, 2023
(with comparative data for prior year)

	Governmental Activities	
	2023	2022
ASSETS		
Cash and investments (note 2)	\$ 13,614,885	17,680,617
Restricted cash and investments - pension (note 2)	3,035,156	2,839,414
Accounts receivable - net	1,247,889	232,806
Interest receivable	38,618	41,687
Taxes receivable	134,104	241,892
Prepaid items	134,943	134,373
Lease receivable (note 3)	14,813,058	16,261,346
Notes receivable - net (note 4)	1,427,208	2,079,986
Investment in limited partnerships (note 6)	10,247,541	10,376,834
Net OPEB asset (note 11)	-	97,352
Capital assets not being depreciated (note 5)	17,108,392	14,354,523
Capital assets - net of accumulated depreciation (note 5)	14,536,133	15,285,245
TOTAL ASSETS	76,337,927	79,626,075
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (note 9)	2,122,558	795,611
OPEB related (note 11)	85,970	38,199
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,208,528	833,810
LIABILITIES		
Accounts payable	549,271	701,981
Accrued liabilities	172,832	127,266
Accrued payroll	168,826	231,643
Subscription-based IT payable (note 8)	70,235	-
Deposits	177,137	180,145
Unearned service fees	467,321	406,330
Noncurrent liabilities:		
Due within one year:		
Leases payable (note 7)	793,792	660,920
Compensated absences payable (note 7)	278,088	265,156
Due in more than one year:		
Leases payable (note 7)	636,337	1,430,128
Compensated absences payable (note 7)	259,692	192,259
Net pension liability (note 9)	4,125,037	1,319,472
Net OPEB liability (note 11)	71,327	-
TOTAL LIABILITIES	7,769,895	5,515,300
DEFERRED INFLOWS OF RESOURCES		
Lease related (note 3)	14,053,555	15,817,732
Pension related (note 9)	579,575	1,524,346
OPEB related (note 11)	332,471	462,381
TOTAL DEFERRED INFLOWS OF RESOURCES	14,965,601	17,804,459
NET POSITION		
Net investment in capital assets	30,214,396	27,548,720
Restricted for medical building purposes	1,156,703	1,156,703
Unrestricted	24,439,860	28,434,703
TOTAL NET POSITION	\$ 55,810,959	57,140,126

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Statement of Activities

Year ended June 30, 2023
(with comparative data for prior year)

Functions	Expenses	Program Revenues			Governmental Activities	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net (Expense) Revenue and Change in Net Position	
					2023	2022
Primary government:						
Preventive health services	\$ 16,500,659	5,785,507	1,980,050	-	(8,735,102)	(5,995,203)
Loss on disposal of assets	-	-	-	-	-	(17,386)
Interest on long-term debt	128,310	-	-	-	(128,310)	(197,443)
Total	\$ 16,628,969	5,785,507	1,980,050	-	(8,863,412)	(6,210,032)
General revenues:						
Property taxes					4,751,854	4,478,036
Income from limited partnerships					1,618,389	1,384,062
Earnings (losses) on investments					795,602	(532,478)
Other income					368,400	39,600
Total general revenues					7,534,245	5,369,220
Change in net position					(1,329,167)	(840,812)
Net position, beginning of year					57,140,126	57,980,938
Net position, end of year					\$ 55,810,959	57,140,126

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT
Governmental Funds

Balance Sheet

As of June 30, 2023
(with comparative data for prior year)

	General Fund	Prospect One Fund	Totals	
			2023	2022
<u>ASSETS</u>				
Cash and investments (note 2)	\$ 12,458,182	1,156,703	13,614,885	17,680,617
Restricted cash and investments - pension	3,035,156	-	3,035,156	2,839,414
Account receivable - net	1,217,748	-	1,217,748	224,590
Interest receivable	38,618	-	38,618	41,687
Leases receivable (note 3)	14,813,058	-	14,813,058	16,261,346
Notes receivable - net investment (note 4)	1,427,208	-	1,427,208	2,079,986
Taxes receivable	134,104	-	134,104	241,892
Pass through grants receivable	30,141	-	30,141	8,216
Prepaid items	134,943	-	134,943	134,373
Investment in limited partnerships (note 6)	10,247,541	-	10,247,541	10,376,834
TOTAL ASSETS	43,536,699	1,156,703	44,693,402	49,888,955
<u>LIABILITIES</u>				
Accounts payable	549,271	-	549,271	701,981
Accrued expenses	172,832	-	172,832	127,266
Accrued payroll	168,826	-	168,826	231,643
Deposits	177,137	-	177,137	180,145
Unearned service fees	467,321	-	467,321	406,330
TOTAL LIABILITIES	1,535,387	-	1,535,387	1,647,365
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue	371,682	-	371,682	394,416
Lease Related (note 3)	14,053,555	-	14,053,555	15,817,732
TOTAL DEFERRED INFLOWS OF RESOURCES	14,425,237	-	14,425,237	16,212,148
<u>FUND BALANCES</u>				
Nonspendable:				
Prepaid items	134,943	-	134,943	134,373
Note receivable	1,427,208	-	1,427,208	2,079,986
Investment in limited partnerships	10,247,541	-	10,247,541	10,376,834
Committed:				
Capital investment	5,800,531	-	5,800,531	9,119,958
Restricted:				
Pension trust	3,035,156	-	3,035,156	2,839,414
Medical building	-	1,156,703	1,156,703	1,156,703
Assigned	-	-	-	-
Unassigned	6,930,696	-	6,930,696	6,322,174
TOTAL FUND BALANCES	27,576,075	1,156,703	28,732,778	32,029,442
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 43,536,699	1,156,703	44,693,402	49,888,955

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

As of June 30, 2023

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 28,732,778
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.	371,682
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:	
Leases payable	(1,430,129)
Subscription-based IT payable	(70,235)
Compensated absences	(537,780)
Net pension and OPEB liabilities and related deferred inflows of resources are not due and payable in the current period. Deferred outflow of resources is not considered a current asset or financial resource. As a result, these items are not reported in the governmental funds (notes 9 and 11).	
Deferred outflows - pension related	2,122,558
Deferred inflows - pension related	(579,575)
Net pension liability	(4,125,037)
Deferred outflows - OPEB	85,970
Deferred Inflows - OPEB	(332,471)
Net OPEB liability	(71,327)
Capital assets, net of accumulated depreciation, have not been included as financial resources in governmental funds.	<u>31,644,525</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 55,810,959</u>

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2023
(with comparative data for prior year)

	General	Prospect	Totals	
	Fund	One	2023	2022
	Fund	Fund		
REVENUES				
Financing and rental income related to leases	\$ 4,223,972	-	4,223,972	4,324,421
Property taxes	4,751,854	-	4,751,854	4,478,036
Program income	1,584,269	-	1,584,269	1,186,035
Income from limited partnership	1,618,389	-	1,618,389	1,384,062
Investment earnings (loss)	795,602	-	795,602	(532,478)
Other revenues	368,400	-	368,400	39,600
Intergovernmental	<u>1,980,050</u>	<u>-</u>	<u>1,980,050</u>	<u>2,437,091</u>
TOTAL REVENUES	<u>15,322,536</u>	<u>-</u>	<u>15,322,536</u>	<u>13,316,767</u>
EXPENDITURES				
Current:				
Salaries and related expenses	6,832,167	-	6,832,167	6,659,067
Health programs	1,440,055	-	1,440,055	1,535,537
Professional fees	2,190,355	-	2,190,355	1,613,190
Facilities management	1,867,551	-	1,867,551	1,505,279
Community relations	546,031	-	546,031	364,334
General and administrative	500,422	-	500,422	460,320
Human resources	198,092	-	198,092	149,521
Information services	209,562	-	209,562	250,840
Cost of goods sold	8,067	-	8,067	6,624
Other	69,090	-	69,090	99,636
Capital outlay	3,909,241	-	3,909,241	3,598,656
Debt service:				
Principal retirement	720,257	-	720,257	610,724
Interest and other fiscal charges	<u>128,310</u>	<u>-</u>	<u>128,310</u>	<u>197,443</u>
TOTAL EXPENDITURES	<u>18,619,200</u>	<u>-</u>	<u>18,619,200</u>	<u>17,051,171</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,296,664)</u>	<u>-</u>	<u>(3,296,664)</u>	<u>(3,734,404)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from lease payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,768</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,768</u>
NET CHANGES IN FUND BALANCES	<u>(3,296,664)</u>	<u>-</u>	<u>(3,296,664)</u>	<u>(3,226,636)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>30,872,739</u>	<u>1,156,703</u>	<u>32,029,442</u>	<u>35,256,078</u>
FUND BALANCES, END OF YEAR	<u>\$ 27,576,075</u>	<u>1,156,703</u>	<u>28,732,778</u>	<u>32,029,442</u>

See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Governmental Funds

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

Year ended June 30, 2023

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (3,296,664)

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	4,052,315
Depreciation expense	(2,117,793)

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.	660,919
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To record the net change in compensated absences in the Statement of Activities.	(80,365)
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Revenues that are measurable but not available are recorded as unavailable revenue under the modified accrual basis of accounting.	(22,734)
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The net pension liability included in the Statement of Activities does not provide (require) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(533,847)
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Other postemployment benefits (OPEB) included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>9,002</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,329,167)</u>
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See accompanying notes to basic financial statements.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(With comparative information for the last 10 years) *

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

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

(a) Reporting Entity

The accompanying financial statements include the District and Prospect One Corporation (Prospect One). 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. Prospect One was established to construct and operate a medical office building for the benefit of the District. The criteria used in determining the scope of the reporting entity is based on the provisions of GASB Statement No. 14, as amended by GASB Statements No. 39 and No. 61. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has accounted for Prospect One as a blended component unit. Despite being legally separate, this entity is intertwined with the District and in substance, part of the District's operations.

(b) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Generally, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Certain taxes, interest, subventions, and grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received within the availability period.

(d) Fund Classifications

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

(e) Cash and Investments

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code §53600.3) which states, in essence, that when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

The District's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from Securities and Exchange Commission (SEC)-registered securities exchanges or National Association of Securities Dealers Automated Quotations System (NASDAQ) dealers. The Local Agency Investment Fund (LAIF) determines the fair value of its portfolio quarterly and reports a factor to the District; the District applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

(f) Fair Value Measurements

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

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

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

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

(g) Receivables and Payables

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

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

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

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

- *Tax Collections* – Collection of taxes is the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.
- *Tax Levy Apportionments* – Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.
- *Property Tax Administration Fees* – The State of California Fiscal Year 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

(h) Prepaid Items

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

(i) Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 – 32
Machinery and equipment	2 – 9
Furniture and fixtures	2 – 9
Subscription assets	2 – 4

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

(j) Leases

The District is a lessee for leases of parking and office space. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the basic financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the District has determined is reasonably certain of being exercised. In those situations, the lease is amortized over the useful life of the underlying asset.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise. The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the Statement of Net Position.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

(k) Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation leave (compensated absences). The District estimates the amount of compensated absences to be used within one year by averaging compensated absences used over the past five years. As of June 30, 2023, the balance of vacation leave is \$537,780.

(l) Subscription-Based Information Technology (IT) Arrangements

The District is a participant in subscription-based IT arrangements as detailed in Footnote 8. The District recognizes a subscription-based IT payable and right to use IT assets in the financial statements.

At the commencement of the arrangement, the District initially measures the payable at the present value of payments expected to be paid during the arrangement term. Subsequently, the payable is reduced by the principal portion of payments made. The right to use assets are initially measured at the initial amount of the subscription-based IT payable. Subsequently, the right to use assets are amortized over the life of the arrangement term.

(m) Long-Term Obligations

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

(n) Deferred Outflows/Inflows of Resources

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(o) Pensions

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

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

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

(p) Other Postemployment Benefits (OPEB)

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

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

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

(q) Fund Balances

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

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

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

(r) Net Position

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

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

(s) Estimates

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

(t) Prior Year Data

Selected information from the prior year has been included in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022 from which this selected financial data was derived. Certain minor reclassifications of prior year data have been made in order to enhance its comparability with current year figures.

(2) **Cash and Investments**

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 13,614,885
Restricted cash and investments - pension	<u>3,035,156</u>
Total cash and investments	<u>\$ 16,650,041</u>

Cash and investments as of June 30, 2023 consist of the following:

Petty cash	\$ 2,300
Deposits with financial institutions	470,121
Investments	<u>16,177,620</u>
Total cash and investments	<u>\$ 16,650,041</u>

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments (Continued)

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Government Investment Pools	n/a	None	None
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Insured passbook on demand deposits with banks and savings and loans	n/a	20%	\$100,000
Negotiable certificates of deposit	1 year	30%	\$100,000
Time certificates of deposit	2 years	50%	\$100,000
Bankers acceptances	180 Days	20%	None
Commercial paper	180 Days	25%	None
Mutual funds (must be comprised of eligible securities permitted under this policy)	n/a	20%	None
Money market funds (must be comprised of eligible securities permitted under this policy)	n/a	20%	None
Registered state warrants or treasury notes of the State of California	5 years	25%	None
Indebtedness of any local agency within the State of California	5 years	25%	None
Repurchase agreements	90 Days	20%	None
Medium term notes	5 years	30%	None
Obligations of the International Bank for Reconstruction and Development, the International Finance Corporation, and the Inter-American Development Bank	5 years	30%	None

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

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

Investment Type	Totals	<u>Remaining Maturity (in Months)</u>		
		12 Months or Less	13 to 36 Months	37 to 60 Months
U.S Treasury bonds	\$ 6,309,841	-	5,931,966	377,875
Medium term notes	3,756,780	-	3,299,017	457,763
Supra-national agency bonds/notes	320,418	-	320,418	-
Asset-backed security/collateralized mortgage obligation	431,932	-	260,701	171,231
CAMP	33,370	33,370	-	-
Federal agency bond/notes	1,303,513	-	1,303,513	-
LAIF	36,161	36,161	-	-
Municipal bonds/notes	781,285	-	781,285	-
Federal agency collateralized mortgage obligation	169,164	-	169,164	-
Held by Trust:				
PARS pooled trust - pension	<u>3,035,156</u>	<u>3,035,156</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 16,177,620</u>	<u>3,104,687</u>	<u>12,066,064</u>	<u>1,006,869</u>

Disclosures Relating to Credit Risk

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments (Continued)

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year End			
			AAA	AA	A	Not Rated
U.S. Treasury bonds	\$ 6,309,841	n/a	\$ -	6,309,841	-	-
Medium term notes	3,756,780	A	-	1,179,602	2,577,178	-
Supra-national agency bonds/notes	320,418	AA	320,418	-	-	-
Asset-backed security/collateralized mortgage obligations	431,932	AA	431,932	-	-	-
CAMP	33,370	n/a	-	-	-	33,370
Federal agency bonds/notes	1,303,513	n/a	-	1,303,513	-	-
LAIF	36,161	n/a	-	-	-	36,161
Municipal bonds/notes	781,285	n/a	-	596,371	-	184,914
Federal agency collateralized mortgage obligations	169,164	n/a	-	169,164	-	-
Held by trust:						
PARS pooled trust - pension	<u>3,035,156</u>	n/a	<u>3,035,156</u>	-	-	-
Total	<u>\$16,177,620</u>		<u>\$3,787,506</u>	<u>9,558,491</u>	<u>2,577,178</u>	<u>254,445</u>

Custodial Credit Risk

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

As of June 30, 2023, the District has a custodial credit risk exposure of \$16,177,620 because the securities were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

Investment in State Investment Pool

The District is a voluntary participant in Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in California Asset Management Program (CAMP)

The District is a voluntary participant in the CAMP, which is an investment pool offered by the California Asset Management Trust. The trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500, et seq.) for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. In accordance with Section 53601(p) of the California Government Code, CAMP's investments are limited to investments permitted by subdivisions (a) to (r), inclusive, of Section 53601. The District reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2023, fair value approximated cost and had an average maturity of less than 60 days.

Cash and Investments – OPEB and Pension Trusts

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

Risk tolerance:	Moderate.
Risk management:	The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.
Investment objective:	To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments (Continued)

Strategic ranges:	<u>OPEB</u>
	0% – 10% Cash
	40% – 60% Fixed income
	40% – 60% Equity
	 <u>Pension</u>
	0% – 10% Cash
	45% – 65% Fixed income
	30% – 50% Equity

Fair Value Measurement

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2023:

Investment Type	Fair Value Hierarchy				Fair Value
	N/A	Level 1	Level 2	Level 3	
U.S. Treasury bonds	\$ -	6,309,841	-	-	6,309,841
Medium term notes	-	-	3,756,780	-	3,756,780
Supra-national agency bonds/notes	-	-	320,418	-	320,418
Asset-backed security/collateralized mortgage obligations	-	-	431,932	-	431,932
CAMP	33,370	-	-	-	33,370
Federal agency bonds/notes	-	-	1,303,513	-	1,303,513
LAIF	36,161	-	-	-	36,161
Municipal bonds/notes	-	-	781,285	-	781,285
Federal agency collateralized mortgage obligations	-	-	169,164	-	169,164
Held by trust:					
PARS pooled trust - pension	3,035,156	-	-	-	3,035,156
Total investments	\$ 3,104,687	6,309,841	6,763,092	-	16,177,620

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(3) **Leases Revenue and Receivables**

Leases subject to GASB 87 – Leases Receivable:

South Bay Family Healthcare Center

The District entered into a lease agreement dated June 29, 2009 with South Bay Family Healthcare Center to lease a medical and office building at 2114 Artesia Boulevard, Redondo Beach. The lease began in July 2009 and will end in June 30, 2030. The monthly base rent is \$14,612 and is adjusted by 3% each year. A discount rate of 5.00% is used to calculate the net present value of the lease receivable. The District recognized \$152,982 in lease revenue and \$61,060 in interest revenue during FY 2022/23 related to this lease. As of June 30, 2023, the District's receivable for lease payments is \$1,153,213 and deferred inflows of resources in the amount of \$1,070,878.

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 will end on February 29, 2048. The monthly base rent is \$25,667. A discount rate of 5.00% is used to calculate the net present value of the lease receivable. The District recognized \$170,652 in lease revenue and \$220,437 in interest revenue during FY 2022/23 related to this lease. As of June 30, 2023, the District's receivable for lease payments is \$4,360,923 and deferred inflows of resources in the amount of \$4,209,375.

Silverado Senior Living

The District entered into a lease agreement dated May 18, 2006, with Silverado Senior Living, Inc. to lease 35,008 square feet located at 514 N. Prospect Avenue, Redondo Beach. The lease is for a term of 10 years and commenced in May 2006 and will end on June 30, 2031. The monthly base rent was \$80,000 for FY 2022/23. A discount rate of 5.00% is used to calculate the net present value of the lease receivable. The District recognized \$766,008 in lease revenue and \$342,253 in interest revenue during FY 2022/23 related to this lease. As of June 30, 2023, the District's receivable for lease payments is \$6,507,896 and deferred inflows of resources in the amount of \$6,128,054.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(3) **Leases Revenue and Receivables (Continued)**

Leaps and Bounds Child Development Center

The District entered into a lease agreement dated May 18, 2006, with Leap and Bound Child Development Center, LLC, to lease the 2-story building consisting of approximately 6,200 square feet situated on approximately 15,808 square feet of land including parking area located at 601 South Pacific Coast Highway, Redondo Beach. The lease is for a term of 10 years, with one 10-year option to extend, and commenced on May 18, 2006 and will end on May 17, 2026. The base rent for the lease and reimbursement to the District for common area operating expenses was a total of \$16,659 per month for FY 2022/23 and is increased annually at the rate of 2% annually. A discount rate of 5.00% is used to calculate the net present value of the lease receivable. The District recognized \$179,796 in lease revenue and \$33,440 in interest revenue during FY 2022/23 related to this lease. As of June 30, 2023, the District's receivable for lease payments is \$577,974 and deferred inflows of resources in the amount of \$539,387.

Beach District Surgery Center

The District entered into a lease agreement dated January 25, 2005, with Beach District Surgery Center, LP, to lease the first floor consisting of approximately 13,104 square feet located at 514 N. Prospect Avenue, Suite 100, Redondo Beach. The lease was for a term of five years and commenced on March 1, 2005 and will end on February 28, 2025. The base rent for the lease and reimbursement to the District for common area operating expenses was a total of \$45,180 per month for FY 2022/23. A discount rate of 5.00% is used to calculate the net present value of the lease receivable. The District recognized \$494,971 in lease revenue and \$57,205 in interest revenue during FY 2022/23 related to this lease. As of June 30, 2023, the District's receivable for lease payments is \$879,427 and deferred inflows of resources in the amount of \$824,951.

Prospect One

The District entered into a lease agreement dated June 1, 1998 with Prospect One Corporation for the use of certain parking facilities. The lease commenced on June 1, 1998 and will end on May 31, 2030. The base rent for the lease to the District was a total of \$16,667 per month for FY 2022/23. A discount rate of 5.00% is used to calculate the net present value of the lease receivable. The District recognized \$161,770 in lease revenue and \$62,134 in interest revenue during FY 2022/23 related to this lease. As of June 30, 2023, the District's receivable for lease payments is \$1,167,443 and deferred inflows of resources in the amount of \$1,118,910.

Kaiser Foundation Health Plan, Inc.

The District entered into a lease agreement dated March 7, 2023 with Kaiser Foundation Health Plan, Inc. for the use of physical therapy services. The lease commenced on March 7, 2023 and will end on December 31, 2024. The base rent for the lease to the District was a total of \$9,447 per month for FY 2022/23. A discount rate of 5.00% is used to calculate the net present value of the lease receivable. The District recognized \$28,342 in lease revenue and \$2,287 in interest revenue during FY 2022/23 related to this lease. As of June 30, 2023, the District's receivable for lease payments is \$166,182 and deferred inflows of resources in the amount of \$162,000.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

Leases not subject to GASB 87 – Leases as Lessor:

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, capped at an increase of three percent per year, on a non-cumulative basis. As of June 30, 2023, the base rent increased to \$30,589 per month.

Omnilore

The District entered into a lease agreement dated August 1, 2016, with Omnilore, to lease L8 (Lower Level) approximately 1,280 square feet at 514 N. Prospect Avenue, Redondo Beach. The lease is for a term of three years and commenced on August 1, 2021. Per the lease agreement, the base rent for the lease and reimbursement to the District for common area operating expenses was a total of \$1,600 per month payable on the 1st day each month following the commencement date of the lease. As of June 30, 2023, the monthly base rent was \$1,600.

Community Psychiatry Management, LLC

The District entered into a temporary medical office space agreement dated November 11, 2019, with Community Psychiatry Management, LLC, for temporary use of medical office space of approximately 3,717 square feet located at 514 N. Prospect Avenue, 3rd floor, Redondo Beach. Community Psychiatry Management, LLC is to remit a license fee of \$11,000 each month to the District until the lease agreement is finalized. The District entered into a lease agreement for a term of four years on February 1, 2020. The base rent for the lease was a total of \$11,039 per month payable on the 1st day each month following the commencement date of the lease. The base rent is to increase four percent per year. As of June 30, 2023, the monthly base rent has increased to \$12,417.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(4) Notes Receivable

As of June 30, 2023, the District’s net investment in notes receivable was:

Ducot note – unpaid balance	\$ 1,631,988
Ducot note – unamortized purchase discount	<u>(550,001)</u>
Net investment in notes receivable	1,081,987
Note – South Bay Family Health Care	<u>345,221</u>
Total net investment in notes receivable	<u>\$ 1,427,208</u>

Ducot

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.

As of June 30, 2023, the note had an unpaid balance of \$1,631,988 and a remaining unamortized purchase discount of \$550,001, resulting in the reporting of a note receivable at a net cost of \$1,081,987.

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

Fiscal Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,066,330	91,329	1,157,659
2025	<u>565,658</u>	<u>13,172</u>	<u>578,830</u>
Totals	<u>\$ 1,631,988</u>	<u>104,501</u>	<u>1,736,489</u>

Venice Family Clinic (Formerly known as Southbay Family Health Care)

On May 15, 2021, the District executed a standard industrial/commercial single tenant lease agreement and a revolving credit agreement with Beach Cities Child Development Center for the premises located at 2114 Artesia Boulevard, 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 up to \$420,000 to be used by the lessee to make improvements to the premises.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(4) Notes Receivable (Continued)

The District advanced \$412,054 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 credit agreement (which has been cancelled) by executing a term promissory note with an initial principal balance of \$412,054, dated July 1, 2021.

The outstanding amount under the term note bears interest equal to 5%. Monthly payments are due through June 30, 2030; unless the parties agree to extend the lease beyond June 30, 2030. As of June 30, 2023, the note has a balance of \$345,221. Principal and interest to be received on the note are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	\$ 36,002	16,443	52,445
2025	37,844	14,601	52,445
2026	39,780	12,665	52,445
2027	41,816	10,630	52,446
2028	43,955	8,491	52,446
<u>2029 - 2030</u>	<u>145,824</u>	<u>11,513</u>	<u>157,337</u>
Totals	<u>\$ 345,221</u>	<u>74,343</u>	<u>419,564</u>

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets

Changes in capital assets for governmental activities for the fiscal year ended June 30, 2023 were as follows:

	Balance at June 30, 2022 *	Additions	Deletions	Balance at June 30, 2023
Capital assets not being depreciated:				
Land	\$ 4,401,926	-	-	4,401,926
Construction in progress	9,952,597	2,940,810	(186,941)	12,706,466
Total capital assets not being depreciated	<u>14,354,523</u>	<u>2,940,810</u>	<u>(186,941)</u>	<u>17,108,392</u>
Capital assets being depreciated:				
Buildings and improvements	48,738,800	-	-	48,738,800
Equipment, furniture and fixtures	1,705,606	1,112,123	(165,666)	2,652,063
Subscription-based IT assets	151,558	105,000	-	256,558
Lease assets	507,768	-	-	507,768
Total capital assets being depreciated	<u>51,103,732</u>	<u>1,217,123</u>	<u>(165,666)</u>	<u>52,155,189</u>
Less accumulated depreciation for:				
Buildings and improvements	(34,640,586)	(1,663,624)	-	(36,304,210)
Equipment, furniture and fixtures	(966,607)	(320,689)	165,666	(1,121,630)
Subscription-based IT assets	-	(73,744)	-	(73,744)
Lease assets	(59,736)	(59,736)	-	(119,472)
Total accumulated depreciation	<u>(35,666,929)</u>	<u>(2,117,793)</u>	<u>165,666</u>	<u>(37,619,056)</u>
Capital assets being depreciated, net	<u>15,436,803</u>	<u>(900,670)</u>	<u>-</u>	<u>14,536,133</u>
Capital assets, net	<u>\$ 29,791,326</u>	<u>2,040,140</u>	<u>(186,941)</u>	<u>31,644,525</u>

* - The beginning balance has been restated to reflect the implementation of GASB 96: Subscription Based IT Arrangements.

Depreciation expense was charged to Preventive Health Services in the amount of \$2,117,793.

(6) Investments in Limited Partnerships

Sunrise Beach Cities Assisted Living, L.P.

On August 20, 2002, the District acquired an 80% limited partnership interest in Sunrise Beach Cities Assisted Living, L.P. (Sunrise). The entity owns and operates an 80-unit assisted living community in Hermosa Beach. Sunrise 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 Basic Financial Statements

(Continued)

(6) Investments in Limited Partnerships (Continued)

As of June 30, 2023, after allocation of partnership income (loss) and distributions from the partnership to the District, the investment in Sunrise was \$10,209,519. Financial statements may be obtained by sending a written request to Sunrise Senior Living, LLC, 7902 Westpark Drive, McLean, Virginia 22102.

Beach District Surgery Center, LLC

In August 2004, the District executed an agreement to enter into a partnership with Beach District Surgery Center, LLC (BDSC) and contributed \$52,500 to acquire a 5% limited partnership interest. BDSC is currently leasing a surgical space in the District's building located at 514 N. Prospect Avenue, Redondo Beach. The partnership is managed by BDSC and additional information regarding the partnership can be obtained by contacting the District. As of June 30, 2023, after allocation of partnership income (loss) and distributions from the partnership to the District, the investment in BDSC was \$38,022. Financial statements may be obtained by sending a written request to Beach District Surgery Center, LLC, 514 N. Prospect Avenue, Suite 100, Redondo Beach, California 90277.

(7) Long-Term Liabilities

The following is a summary of changes in Governmental Activities long-term debt for the fiscal year ended June 30, 2023:

	<u>Balance as of June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2023</u>	<u>Due Within One Year</u>
Leases payable	\$ 2,091,048	-	(660,919)	1,430,129	793,792
Compensated absences payable	<u>457,415</u>	<u>409,973</u>	<u>(329,608)</u>	<u>537,780</u>	<u>278,088</u>
Total	<u>\$ 2,548,463</u>	<u>409,973</u>	<u>(990,527)</u>	<u>1,967,909</u>	<u>1,071,880</u>

Leases Payable

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 was \$7,509,201, which was recorded as lease payable for the acquisition of the parking facilities.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Liabilities (Continued)

During the year ended June 30, 2022, the District paid principal of \$612,723. The outstanding balance was \$1,015,180 as of June 30, 2023. The following is a summary of future minimum lease payment requirements:

Fiscal Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 663,184	56,816	720,000
2025	<u>351,996</u>	<u>5,675</u>	<u>357,671</u>
Totals	<u>\$ 1,015,180</u>	<u>62,491</u>	<u>1,077,671</u>

The District entered into an operating lease agreement with the Redondo Beach Unified School District to lease 6,954 square feet located at 1200 Del Amo Street, Redondo Beach to serve as its administrative offices. The lease is for a term of sixteen years commencing January 1, 2014, and the monthly lease payment is \$6,954 due at the first of each month. The leasing contract presents two options to be extended from January 1, 2030 to December 31, 2044, and January 1, 2045 to December 31, 2059. The base rent will be adjusted by a factor of 3% biennially on the anniversary of the rent date. However, the base rent will be reduced for the last 10 years of the original term by an amount equal to the amortized tenant improvements, and the value of rent adjustment shall not exceed \$232,000. The lease expires December 31, 2029. The following is a summary of future minimum payment requirements:

Fiscal Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 51,930	21,862	73,792
2025	55,885	21,661	77,546
2026	60,012	21,459	81,471
2027	64,381	21,255	85,636
2028	69,362	21,051	90,413
2029 - 2030	<u>113,379</u>	<u>41,487</u>	<u>154,866</u>
Totals	<u>\$ 414,949</u>	<u>148,775</u>	<u>563,724</u>

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(8) Subscription-Based Information Technology (IT) Arrangements

On January 1, 2020, the District entered into a 60-month subscription for the use of CSI Software. An initial subscription liability was recorded in the amount of \$112,301. As of June 30, 2023, the value of the subscription liability is \$70,235. The District is required to make monthly fixed payments of \$3,800 for calendar year 2022 and \$3,990 beginning in January 2023. The subscription has an interest rate of 5.0%. The value of the right to use asset as of June 30, 2023 of \$112,301 with accumulated amortization of \$44,916 is included in note 4 with subscription-based IT assets.

<u>Year</u> <u>Ending</u>	<u>Subscription</u> <u>Payable</u>
2024	\$ 45,397
2025	24,838
	<u>\$ 70,235</u>

(9) Defined Benefit Pension Plan

Plan Description

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

Benefit provisions under the Plans are established by State statute and Local Government resolution. A full description of the pension plan benefit provisions, assumptions (for funding purposes but not accounting purposes), and membership information is listed in the June 30, 2021 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>Miscellaneous</u>	<u>PEPRA</u>
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-60	52-62
Monthly benefits, as a percentage of eligible compensation	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	6.93%	6.75%
Required employer contribution rates	9.12%	7.47%

Contribution Description

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

Actuarial Methods and Assumptions used to determine Total Pension Liability

The June 30, 2021 valuation was used to determine the June 30, 2023 total pension liability, based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Actuarial Cost Method
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Mortality rate table ¹	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

¹ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Preretirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-20220 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as followed:

Asset Class ¹	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity – Cap-weighted	30.0 %	4.54 %
Global Equity – Non-Cap-weighted	12.0	3.84
Private Equity	13.0	7.28
Treasury	5.0	0.27
Mortgage-backed Securities	5.0	0.50
Investment Grade Corporates	10.0	1.56
High Yield	5.0	2.27
Emerging Market Debt	5.0	2.48
Private Debt	5.0	3.57
Real Assets	15.0	3.21
Leverage	(5.0)	(0.59)

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

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.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan (Continued)

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022 measurement date.

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: 6/30/2021 (MD)	\$ 17,900,255	16,580,783	1,319,472
Balance at: 6/30/2022 (MD)	20,085,685	15,960,648	4,125,037
Net Changes during 2021-22	2,185,430	(620,135)	2,805,565

The District's proportionate share of the net pension liability as of June 30, 2021 and 2022 (Measurement Date) was as follows:

	Miscellaneous
Proportion – June 30, 2021 (MD)	0.06949%
Proportion – June 30, 2022 (MD)	0.08816%
Change – Increase (Decrease)	0.01867%

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 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.90 percent) or one percentage-point higher (7.90 percent) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's net pension liability	\$ 6,863,078	4,125,037	1,872,309

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

The EARSL for PERF C for the measurement period ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the measurement period ending June 30, 2022 (the measurement date), the District recognized pension expense of \$921,278 for the Plan.

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan (Continued)

As of June 30, 2023, the District reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

0	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 422,696	-
Differences between Expected and Actual Experience	82,839	55,482
Differences between Projected and Actual Investment Earnings	755,597	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	524,093
Change in Employer's Proportion	473,994	-
Pension Contributions Made Subsequent to Measurement Date	387,432	-
Totals	\$ 2,122,558	579,575

The \$524,093 deferred inflows of resources are derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. The employer's pension expense is adjusted for the amortization of this additional deferral. This item is required to be amortized over the plan's Expected Average Remaining Service Lives (EARSL). The \$387,432 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

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

Measurement Period Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2024	\$ 283,636
2025	259,206
2026	150,560
2027	462,149
2028	-
Thereafter	-
Total	<u>\$ 1,155,551</u>

(10) Deferred Compensation Plan

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(10) Deferred Compensation Plan (Continued)

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

The District contracts with a private deferred compensation administration firm to act as an agent of the District to fulfill all the District's administrative responsibilities. The duties performed by this fiduciary on behalf of the District include assisting employees in the execution of investment transactions and providing summary and participant reporting of these investments. Employees select investments from a range of options presented by the fiduciary.

Since the District has placed the assets into a trust, has little administrative involvement and does not perform the investing function for the plan, the assets of the various deferred compensation plans have been removed from the District's financial statements. The District makes no contribution to the plan on behalf of the members.

(11) Other Postemployment Benefits (OPEB)

Plan Description

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

In 2019, the District established a trust with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for the District's OPEB plan under Section 115 of the Internal Revenue Code. Contributions to the OPEB Trust and earnings on those contributions are irrevocable.

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

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

Benefit's provided

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

Employees Covered

As of the June 30, 2022 measurement date, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	75
Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to, but not yet receiving benefits	<u>13</u>
 Total	 <u>94</u>

Contributions

The annual contribution is based on the actuarially determined contribution. For the measurement period ended June 30, 2022, the District's cash contributions were \$11,376 in benefit payments, an estimated implied subsidy of \$7,174 resulting in total payments of \$18,550.

OPEB Liability

The District's OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the OPEB Liability was determined by an actuarial valuation dated June 30, 2021 that was used to determine the June 30, 2023 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	5.75%
Inflation	2.50%
Salary Increases	2.50%
Investment Rate of Return	5.75%
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Healthcare Trend Rate	Non-Medicare: 6.50% for 2023 decreasing to an ultimate rate of 3.75% in 2076 and later years Medicare (Non-Kaiser): 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years Medicare (Kaiser): 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability, Fiduciary Net Position, and Net OPEB Liability (Asset)

The changes in the OPEB Liability, Fiduciary Net Position, and Net OPEB Liability (Asset) for the HC Plan are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2022 <i>(Measurement Date June 30, 2021)</i>	\$ 614,209	\$ 711,561	\$ (97,352)
Changes recognized for the measurement period:			
Service cost	49,910	-	49,910
Interest	37,654	-	37,654
Contributions - employer	-	18,683	(18,683)
Net investment income	-	(97,917)	97,917
Benefit payments	(18,550)	(18,550)	-
Administrative expense	-	(1,881)	1,881
Net Changes	69,014	(99,665)	168,679
Balance at June 30, 2023 <i>(Measurement Date June 30, 2022)</i>	\$ 683,223	\$ 611,896	\$ 71,327

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the Net OPEB Asset of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
Net OPEB Asset	\$ 181,180	\$ 71,327	\$ (17,543)

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

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

The following presents the Net OPEB Asset of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	1% Decrease	Current Healthcare Trend	1% Increase
Net OPEB Asset	\$ (41,044)	\$ 71,327	\$ 218,256

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (12.2 Years at June 30, 2021)

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

For the fiscal year ended June 30, 2023, the District recognized a net OPEB expense of \$12,232. As of June 30, 2023, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,758	132,208
Changes of Assumptions	-	200,263
Net difference between projected and actual earnings on plan investments	46,978	-
Employer Contributions Made Subsequent to Measurement Date	21,234	-
Totals	\$ 85,970	332,471

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

The \$21,234 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the OPEB Liability during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (36,350)
2025	(39,171)
2026	(43,568)
2027	(18,345)
2028	(44,725)
Thereafter	(85,576)
Total	<u>\$ (267,735)</u>

(12) Risk Management

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

General Liability Insurance

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

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

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

BEACH CITIES HEALTH DISTRICT

Notes to the Basic Financial Statements

(Continued)

(12) Risk Management (Continued)

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

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

Property and Earthquake Insurance

The coverage of this insurance includes all risk of direct physical loss or damage including earthquake and flood, boiler and machinery, and repair or replacement cost valuation for real and personal property. Insurance coverage is for up to \$1,000,000,000 loss limit per occurrence, \$3,500,000 earthquake and flood limit but only for locations 9, 12 & 13 of the Alliant Property Schedule and \$100,000,000 of boiler and machinery loss limit per occurrence. The primary terrorism limit is shared by all of the insured per the Public Entity Property Insurance Program (PEPIP). The deductible amounts per occurrence are \$25,000 for all risk, 5% per unit of insurance subject to \$100,000 minimum for Earthquake, \$250,000 for Flood in Zones A & V, \$100,000 for Flood in zones other than A & V, \$25,000 for boiler and machinery, and \$25,000 for primary terrorism.

BCHD FY22-23

ANNUAL COMPREHENSIVE FINANCIAL REPORT

REQUIRED SUPPLEMENTAL INFORMATION

BEACH CITIES HEALTH DISTRICT

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

Year Ended June 30, 2023

(With comparative information for the last 10 years) *

	Measurement Date								
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Plan's proportion of the net pension liability (asset)	0.0291%	0.0566%	0.0637%	0.0675%	0.0679%	0.0721%	0.0777%	0.6950%	0.0882%
Plan's proportionate share of the net pension liability (asset)	\$ 1,806,648	\$ 1,552,792	\$ 2,212,946	\$ 2,659,667	\$ 2,559,376	\$ 2,886,911	\$ 3,275,728	\$ 1,319,472	\$ 4,125,037
Plan's covered payroll	\$ 3,370,822	\$ 3,443,030	\$ 3,666,056	\$ 3,865,015	\$ 3,948,862	\$ 4,213,339	\$ 4,654,874	\$ 4,622,497	\$ 4,640,323
Plan's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	53.5967%	45.0996%	60.3631%	68.8139%	64.8130%	68.5184%	70.3720%	28.5446%	88.8955%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's proportionate share total pension liability	81.1494%	80.4073%	79.2817%	26.1326%	21.8432%	22.8513%	24.7944%	7.9578%	25.8450%
Plan's proportionate share of aggregate employer contributions	\$ 221,150	\$ 312,865	\$ 338,198	\$ 385,083	\$ 446,314	\$ 523,480	\$ 590,287	\$ 652,148	\$ 827,891

* The fiscal year ended June 30, 2014 was the first year of implementation, therefore information for the period previous to that measurement date is unavailable.

BEACH CITIES HEALTH DISTRICT

Schedule of Pension Plan Contributions

Year Ended June 30, 2023

(With comparative information for the last 10 years) *

	Fiscal Year								
	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Actuarially determined contribution	\$ 284,802	246,826	269,230	271,274	298,759	340,900	368,376	360,309	387,432
Contributions in relation to the actuarially determined contribution	<u>(284,802)</u>	<u>(246,826)</u>	<u>(269,230)</u>	<u>(271,274)</u>	<u>(298,759)</u>	<u>(340,900)</u>	<u>(368,376)</u>	<u>(360,309)</u>	<u>(387,432)</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
Covered payroll	\$ 3,443,030	3,666,056	3,865,015	3,948,862	4,213,339	4,654,874	4,622,497	4,640,323	4,947,249
Contributions as a percentage of covered payroll	8.27%	6.73%	6.97%	6.87%	7.09%	7.32%	7.97%	7.76%	7.83%

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

**BEACH CITIES HEALTH DISTRICT
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
AS OF THE MEASUREMENT DATE**

	Measurement Period					
	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Total OPEB liability:						
Service cost	\$ 109,329	\$ 94,484	\$ 90,951	\$ 51,789	\$ 53,343	\$ 49,910
Interest on the total OPEB liability	21,440	27,131	31,862	32,192	36,833	37,654
Actual and expected experience difference	-	-	(203,672)	-	21,274	-
Changes in assumptions	(93,266)	(38,141)	(178,341)	-	(26,805)	-
Changes in benefit terms	-	-	-	-	-	-
Benefit payments	(15,287)	(18,926)	(10,050)	(9,684)	(12,858)	(18,550)
Net change in total OPEB liability	22,216	64,548	(269,250)	74,297	71,787	69,014
Total OPEB liability - beginning	650,611	672,827	737,375	468,125	542,422	614,209
Total OPEB liability - ending	\$ 672,827	\$ 737,375	\$ 468,125	\$ 542,422	\$ 614,209	\$ 683,223
Plan Fiduciary Net Position						
Contribution - employer	\$ -	\$ -	\$ 643,863	\$ 9,752	\$ 12,944	\$ 18,683
Transfers to pension trust	-	-	-	-	(100,000)	-
Net investment income	-	-	536	17,569	163,539	(97,917)
Benefit payments	-	-	(10,050)	(9,684)	(12,858)	(18,550)
Administrative expense	-	-	(603)	(1,659)	(1,788)	(1,881)
Net change in plan fiduciary net position	-	-	633,746	15,978	61,837	(99,665)
Plan fiduciary net position - beginning	-	-	-	633,746	649,724	711,561
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ 633,746	\$ 649,724	\$ 711,561	\$ 611,896
Net OPEB liability (asset) - ending (a)-(b)	\$ 672,827	\$ 737,375	\$ (165,621)	\$ (107,302)	\$ (97,352)	\$ 71,327
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	135.38%	119.78%	115.85%	89.56%
Covered-employee payroll	\$ 3,865,015	\$ 3,948,380	\$ 5,608,266	\$ 5,906,109	\$ 5,770,423	\$ 5,708,768
Net OPEB liability as a percentage of covered employee payroll	17.41%	18.68%	-2.95%	-1.82%	-1.69%	1.25%

* The fiscal year ended June 30, 2017 was the first year of implementation, therefore information for the period previous to that measurement date is unavailable.

Notes to Schedule:

Changes in assumptions. The discount rate was changed from 3.58 percent to 3.87 for the measurement period ended June 30, 2018, to 6.25 percent for the measurement periods June 30, 2019 and June 30, 2020, and to 5.75% for measurement period June 30, 2021.

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

**BEACH CITIES HEALTH DISTRICT
SCHEDULE OF OPEB PLAN CONTRIBUTIONS**

Year Ended June 30, 2021

	Fiscal Year					
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Actuarially Determined Contribution (ADC)	\$ 130,769	\$ 121,615	\$ 122,813	\$ 58,805	\$ 60,906	\$ 60,906
Contributions in relation to the ADC	(18,926)	(643,863)	(9,752)	(12,944)	(18,683)	(21,234)
Contribution deficiency (excess)	<u>\$ 111,843</u>	<u>\$ (522,248)</u>	<u>\$ 113,061</u>	<u>\$ 45,861</u>	<u>\$ 42,223</u>	<u>\$ 39,672</u>
Covered-employee payroll	\$ 3,948,380	\$ 5,608,266	\$ 5,906,109	\$ 5,770,423	\$ 5,708,768	\$ 6,198,359
Contributions as a percentage of covered-employee payroll	0.48%	11.48%	0.17%	0.22%	0.33%	0.34%

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

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2023 were from the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal, Level % of pay
Amortization Method/Period	Level % of pay
Asset Valuation Method	Market Value
Inflation	2.50%
Payroll Growth	2.75% per annum, in aggregate
Investment Rate of Return	5.75%
Healthcare cost-trend rates	- Non-Medicare: 6.50% for 2023 decreasing to an ultimate rate of 3.75% in 2076 and later years - Medicare: 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021

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

BEACH CITIES HEALTH DISTRICT
General Fund

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

Year ended June 30, 2023
(with comparative data for prior year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2022 Actual
REVENUES:					
Financing and rental income related to lease	\$ 4,765,020	4,765,020	4,223,972	(541,048)	4,324,421
Property taxes	4,750,560	4,750,560	4,751,854	1,294	4,478,036
Program income	1,700,680	1,700,680	1,584,269	(116,411)	1,186,035
Income from limited partnership	1,825,000	1,825,000	1,618,389	(206,611)	1,384,062
Investment earnings	497,561	497,561	795,602	298,041	(532,478)
Other revenue	326,500	326,500	368,400	41,900	39,600
Intergovernmental	985,412	985,412	1,980,050	994,638	2,437,091
TOTAL REVENUES	14,850,733	14,850,733	15,322,536	471,803	13,316,767
EXPENDITURES:					
Current:					
Salaries and related expenses	7,274,255	7,274,255	6,832,167	442,088	6,659,067
Health programs	1,519,071	1,519,071	1,440,055	79,016	1,535,537
Professional fees	2,156,819	2,156,819	2,190,355	(33,536)	1,613,190
Facilities management	1,593,999	1,593,999	1,867,551	(273,552)	1,505,279
Community relations	489,926	489,926	546,031	(56,105)	364,334
General and administrative	466,477	466,477	500,422	(33,945)	460,320
Human resources	202,350	202,350	198,092	4,258	149,521
Information services	305,568	305,568	209,562	96,006	250,840
Cost of goods sold	11,867	11,867	8,067	3,800	6,624
Other	90,000	90,000	69,090	20,910	99,636
Capital outlay	5,825,184	5,825,184	3,909,241	1,915,943	3,598,656
Debt service:					
Principal retirement	612,723	612,723	720,257	(107,534)	610,724
Interest and other fiscal charges	127,677	127,677	128,310	(633)	197,443
TOTAL EXPENDITURES	20,675,916	20,675,916	18,619,200	2,056,716	17,051,171
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,825,183)	(5,825,183)	(3,296,664)	2,528,519	(3,734,404)
OTHER FINANCING SOURCES (USES):					
Proceeds from lease payable	-	-	-	-	507,768
TOTAL OTHER FINANCING SOURCES (USES):	-	-	-	-	507,768
NET CHANGES IN FUND BALANCE	(5,825,183)	(5,825,183)	(3,296,664)	2,528,519	(3,226,636)
FUND BALANCE AT BEGINNING OF YEAR	30,872,739	30,872,739	30,872,739	-	34,099,375
FUND BALANCE AT END OF YEAR	\$ 25,047,556	25,047,556	27,576,075	2,528,519	30,872,739

BEACH CITIES HEALTH DISTRICT

Notes to the Required Supplementary Information

Year ended June 30, 2023

(1) **Pension Information**

Summary of Changes of Benefits or Assumptions

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

Changes of Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Employers should refer to CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2022, which may be accessed on the CalPERS website at www.calpers.ca.gov, to obtain the required supplementary information for proper financial reporting.

Summary of Actuarial Methods and Assumptions

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were from the June 30, 2020 public agency valuations.

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Lessor of contract COLA or 2.3% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

Subsequent Events: On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset

BEACH CITIES HEALTH DISTRICT

Notes to Required Supplementary Information

Year ended June 30, 2022

(Continued)

(1) Pension Information (Continued)

Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

(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 that exceeded appropriations in the General Fund for the year ended June 30, 2023:

	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Expenditures in Excess of Appropriation</u>
General Fund:			
Professional fees	\$ 2,156,819	2,190,355	(33,536)
Facilities management	1,593,999	1,867,551	(273,552)
Community relations	489,926	546,031	(56,105)
General and administrative	<u>466,477</u>	<u>500,422</u>	<u>(33,945)</u>
Total expenditures	<u>\$ 4,707,221</u>	<u>\$ 5,104,359</u>	<u>\$ (397,138)</u>

STATISTICAL SECTION

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the required supplementary information says about the District's overall financial health.

1. Financial Trends:

These schedules contain trend information to help the reader understand how the District's financial performance has changed over time.

2. Demographic and Economic Information:

These schedules present information to help the reader understand the environment which the District's services take place.

3. Operating and Other:

These schedules contain information about the District's operations.

4. Revenue Capacity:

These schedules contain information to help the reader assess revenue factors for the year.

5. Debt Capacity:

These schedules present information to help the reader assess the District's outstanding debt.

BCHD FY22-23

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FINANCIAL TRENDS

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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Revenues											
Financing and Rental Income ¹	2,591,094	2,657,864	4,076,146	4,116,447	4,394,800	4,649,091	4,766,430	4,756,865	4,589,435	4,296,858	4,201,238
Property Taxes	2,734,979	2,874,045	2,960,181	3,145,703	3,355,324	3,591,891	3,793,278	3,994,702	4,345,848	4,478,036	4,751,854
Program Revenues	2,417,327	2,806,501	2,376,262	2,572,774	2,702,307	2,671,695	2,809,085	2,073,958	305,976	1,186,035	1,584,269
Income from Limited Partnerships	1,574,326	2,134,248	1,919,408	2,083,332	2,001,129	2,473,590	2,071,315	2,002,771	1,175,456	1,384,062	1,618,389
Earnings on Investment	1,037,688	1,235,885	917,677	1,301,865	619,756	555,677	1,700,327	2,224,613	1,337,999	(532,478)	795,602
Other/Intergovernmental Income	239,430	170,706	110,180	75,955	26,113	68,292	105,551	246,943	840,568	2,476,691	2,348,450
Total Revenues	10,594,844	11,879,249	12,359,854	13,296,076	13,099,429	14,010,236	15,245,986	15,299,852	12,595,282	13,289,204	15,299,802
Expenses											
Government Activities											
Salaries & related	5,167,681	5,493,593	5,420,574	5,079,186	5,510,905	6,294,225	6,397,769	7,106,933	6,792,171	6,004,111	7,437,376
Grants and projects	1,484,011	1,309,116	1,345,957	1,269,788	1,362,201	1,430,245	1,367,437	1,384,088	1,595,867	1,535,537	1,440,055
Professional Fees	1,501,649	1,233,726	1,274,132	1,349,459	1,344,893	1,613,841	1,745,219	2,191,562	2,181,469	1,613,190	2,190,355
Facilities Management ¹	333,023	558,702	1,457,267	1,627,570	1,502,474	1,530,223	1,577,812	1,557,559	1,454,836	1,505,279	1,867,551
Community Relations	321,082	538,505	748,104	538,321	695,570	556,361	786,681	546,574	679,739	364,334	546,031
G & A Miscellaneous	742,973	457,203	299,102	352,838	276,885	315,722	398,781	426,512	386,927	460,320	500,422
Human Resources	184,585	194,802	281,259	255,180	275,356	181,568	212,553	193,862	142,338	149,521	198,092
Information Systems	112,203	166,911	118,294	157,465	148,804	146,959	172,013	194,186	192,759	250,840	209,562
Cost of Goods Sold	137,891	117,052	47,843	32,958	35,655	34,840	28,875	25,281	2,826	6,624	8,067
Other	51,895	45,471	58,475	59,445	59,160	71,784	69,792	73,360	111,998	104,636	(73,984)
Interest Cost	450,756	419,436	394,683	367,891	338,893	307,507	273,537	236,768	196,972	197,443	187,649
Total Activity Expenses	10,487,749	10,534,517	11,445,690	11,090,101	11,550,796	12,483,275	13,030,469	13,936,685	13,737,902	12,191,835	14,511,176
Net Operating Income/<Loss> bf Depreciation	107,095	1,344,732	914,164	2,205,975	1,548,633	1,526,961	2,215,517	1,363,167	(1,142,620)	1,097,369	788,626
Depreciation on Fixed Assets	1,766,544	1,773,383	1,911,166	1,954,717	1,983,688	1,986,001	1,725,828	1,772,782	1,777,244	1,920,796	2,117,793
Net Capital Assets Written-Off						176,595				17,386	
Changes in Net Position	(1,659,449)	(428,651)	(997,002)	251,258	(435,055)	(635,635)	489,689	(409,615)	(2,919,864)	(840,813)	(1,329,167)

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

CAPITAL ASSETS

Audit Group	Project	Cost Basis	Accumulated Depreciation as of 06/30/2022	FY22-23 Depreciation Amount	Book Value as of 06/30/2023
BUILDING					
	2114 Artesia Building Improvements	1,136,938	862,124	36,675	238,139
	512 Building	4,057,716	2,638,072	135,257	1,284,388
	514 Building - Power Plant	3,340,841	2,580,445	115,887	644,509
	514 Building Improvements	5,714,227	2,900,437	310,383	2,503,407
	514 Center for Excellence-Asset Activation	95,090	42,314	4,967	47,809
	514 N Prospect Avenue-North Tower	10,167,125	7,675,531	350,591	2,141,003
	514 N Prospect Avenue-South Tower	11,127,681	9,748,192	194,934	1,184,556
	520 N. Prospect Avenue	3,456,200	2,245,953	115,364	1,094,883
	601 S. Pacific Coast Highway	1,724,928	739,055	81,402	904,471
	Adventure Plex Capital Projects	5,470,544	3,761,068	186,234	1,523,241
	Center for Health and Fitness - Improvements	1,375,150	920,653	67,751	386,747
	Energy and Power Solutions	175,520	129,012	8,762	37,746
	Office Building Improvements and upgrades	716,539	280,615	39,069	396,855
	Parking lot upgrade	89,152	57,012	4,411	27,729
	SIDEWALK RENOVATION	91,325	66,086	6,088	19,151
	BUILDING Total	48,738,976	34,646,567	1,657,775	12,434,634
FF&E					
	514 Building - Power Plant	47,797	31,282	1,912	14,603
	514 Building Improvements	26,706	15,320	1,068	10,317
	514 Center for Excellence-Asset Activation	119,162	60,324	23,832	35,006
	Adventure Plex Capital Projects	137,073	109,543	14,708	12,822
	allcove Youth Wellness Center	782,750	-	64,381	718,369
	Building Contingency	99,560	4,778	17,547	77,235
	Building Contingency - APLEX	46,621	1,597	7,770	37,254
	Building Improvements Contingency - 514	175,740	(0)	13,305	162,435
	Building Improvements Contingency - BCHD	71,057	0	2,924	68,133
	Care Mgt Software	26,558	20,287	3,265	3,006
	Center for Health and Fitness - Improvements	336,340	193,909	67,268	75,163
	Contract Management Software	22,995	3,585	2,948	16,462
	Credit Card Processor Machines	3,950	1,742	790	1,418
	CSI Software	72,065	72,065	-	-
	DelAmo - Building Contingency	29,411	3,078	5,882	20,450
	DelAmo - HVAC	91,095	5,675	18,213	67,207
	Great Plains Project Tracking Software	13,765	7,686	2,753	3,326
	IT Server and IT Automation	43,145	14,588	8,601	19,955
	IT Workstations	78,975	32,032	14,203	32,740
	Liability Waiver Hardware and Software	6,039	6,039	-	-
	Metaviewer - Data Management SW	51,600	31,780	10,320	9,500
	Network Refresh	9,676	-	1,335	8,341
	Office Building Improvements and upgrades	141,429	137,384	2,412	1,633
	PBB Budget SW - Implementation Cost	9,805	-	433	9,372
	PC Live Video Conferencing HW (Granicus/Rooms)	16,294	1,123	3,259	11,913
	Prospero budget software	55,722	5,055	11,144	39,522
	Security Cameras	31,418	21,391	6,284	3,743
	Server upgrade (firewall, Meraki: Switches Break-fixe:	23,401	-	3,784	19,618
	VoIP Phones	12,351	1,427	2,526	8,399
	Workstations (Desktop, Laptops) Refresh	69,389	7,740	19,201	42,449
	FF&E Total	2,651,887	789,430	332,067	1,530,390
	LEASE ASSETS - GASB 87	507,768	59,736	59,736	388,296
	SBITA -GASB 96				
	Prospero budget software subscription	23,918	-	6,344	17,574
	KnowBe4 software subscription	15,339	-	4,979	10,360
	ResourceX Metrics & Scoring software subscription	105,000	-	17,505	87,495
	Daxco software subscription	112,301	-	44,916	67,385
	SBITA Total	256,558	-	73,744	182,814
	GRAND TOTAL	52,155,189	35,495,733	2,123,323	14,536,133

SUMMARY OF MULTI-YEAR CAPITAL PROJECTS

Healthy Living Campus

Beach Cities Health District, a healthcare district focused on preventive health, is working with the community to reimagine our aging, former hospital site to better reflect our mission and meet the current health needs of Hermosa Beach, Manhattan Beach and Redondo Beach residents. In pursuit of this vision, since 2017 we've been dedicated to collecting feedback from the community, consulting with experts and publicly vetting numerous designs and concepts for the 11-acre site with our Board of Directors. A Master Plan has emerged from this iterative, community-driven process to create an innovative Healthy Living Campus anchored in Health, Livability and Community.

Here are some updates regarding the Healthy Living Campus project:

- In May, 2023, Beach Cities Health District (BCHD) was awarded \$6.3 million in grant funding from the California Department of Health Care Services' (DHCS) Behavioral Health Continuum Infrastructure Program (BHCIP). This statewide program supports behavioral health infrastructure projects, providing new opportunities to address gaps in mental health services. This grant is specifically for new construction of allcove Beach Cities, a youth wellness center in Redondo Beach, serving young people ages 12-25 in the county's Service Planning Area (SPA) 8, and comes through the BHCIP Round 4: Children and Youth grants.
- The new, permanent location for allcove Beach Cities is at the southwest corner of Beryl Street and Flagler Lane and is part of BCHD's Healthy Living Campus master plan. The 9,400 square foot, two-story allcove center will be the first building constructed as part of the Campus revitalization, with vehicle access to the energy-efficient center available exclusively via Beryl Street, a change made in response to neighbors' concerns about traffic in the adjacent Torrance neighborhood.
- On August 8, 2022, in a 5-0 vote, the Beach Cities Health District Board of Directors approved the selection of a developer, operator and design/build team for the proposed Healthy Living Campus. PMB, which has developed more than 100 health care projects, and Watermark, the ninth largest senior living operator in the U.S., will be the developer and operator, respectively, for the Residential Care for the Elderly (RCFE) facility on the BCHD campus.
- BCHD has also been working with the City of Redondo Beach on a conditional use permit (CUP) for the Healthy Living Campus master plan. BCHD filed a CUP pre-application with the City of Redondo Beach on Thursday, February 24, 2022.

A thorough environmental impact review process was undertaken by BCHD beginning in June, 2019. Despite delays caused by the COVID-19 pandemic, a comprehensive, 1,778-page Environmental Impact Report (EIR) was certified by a 5-0 vote of the BCHD Board of Directors in September 2021. The certified Final EIR has not been challenged and a peer review commissioned by the City of Redondo Beach agrees with the overall findings of the Final EIR.

allcove Beach Cities

California Department of Health Care Services' (DHCS) Behavioral Health Continuum Infrastructure Program (BHCIP) is a statewide program that supports behavioral health infrastructure projects, providing new opportunities to address gaps in mental health services. In December, Governor Gavin Newsom announced \$480.5 million in awards for 54 projects to improve California's behavioral health infrastructure for children and youth, with Los Angeles County set to receive \$122.4 million for 13 county projects, including allcove Beach Cities.

Beach Cities Health District (BCHD) has been awarded \$6,336,702 in grant funding for new construction of allcove Beach Cities, a youth wellness center in Redondo Beach, serving young people ages 12-25 in the county's Service Planning Area (SPA) 8.

The allcove Beach Cities permanent building is estimated to cost between \$7.3 - \$7.6 million and will be funded by this \$6,336,702 grant, remaining federal funds of about \$500,000 previously awarded, plus the 10% District match requirement of \$532,784 and any additional funding needed will be funded through BCHD's capital investment fund balance. This grant brings the total amount of state and federal monies raised for allcove Beach Cities to \$9.3 million as shown below:

allcove Beach Cities	Budget
CONSTRUCTION	\$ 5,892,200
DESIGN AND PS&E	532,000
DIRECT OWNER	655,000
FF&E	290,000
TOTAL - Minimum Building Requirements	\$ 7,369,200
Grant Funding - State	(6,336,702)
Grant Funding - Federal	(500,000)
District Match	(532,498)
TOTAL - Funding Sources	\$ (7,369,200)
LEED & WELL - SILVER	410,000
LEED & WELL - PLATINUM	1,200,000
TOTAL - MAX SUSTAINABILTY	\$ 1,200,000
Other Sustainability Grant Funding	\$ (1,200,000)
TOTAL - District Cost	\$ (532,498)

allcove Beach Cities opened Jan. 21, 2023, in a temporary location on the Beach Cities Health District Campus in Redondo Beach, offering mental and physical health services, education and employment assistance, peer and family support, and substance use prevention programs for young people ages 12-25 in the greater South Bay. Since opening, more than 1,000 young people have accessed programs and services.

The new, permanent location for allcove Beach Cities will be at the southwest corner of Beryl Street and Flagler Lane and is part BCHD's Healthy Living Campus master plan. The 9,400 square foot, two-story allcove center will be the first building constructed as part of the Campus revitalization, with vehicle access to the energy-efficient center available exclusively via Beryl Street, a change made in response to neighbors' concerns about traffic in the adjacent Torrance neighborhood.

This grant is part of the \$2.2 billion BHCIP funding provided by the Legislature and the Governor, which was authorized in the fiscal year 2021-22 budget to construct, acquire and expand behavioral health facilities and community-based care options as well as invest in mobile crisis infrastructure. BHCIP is part of a broader commitment by the California Health & Human Services Agency (CalHHS) to improve the state's behavioral health and long-term care continuum infrastructure.



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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 ¹	2018-19 ²	2019-20	2020-21	2021-22 ³	2022-23
Beginning Net Position											
Net Investment in Capital Assets	25,352,715	24,157,514	23,675,147	22,754,628	22,572,806	21,873,088	21,620,650	22,183,078	23,560,593	25,790,291	27,548,720
Restricted	-	-	1,206,766	1,206,761	1,206,761	1,156,708	1,156,708	1,156,708	1,156,708	1,156,703	1,156,703
Unrestricted	45,710,592	39,828,027	36,587,345	36,510,867	36,943,947	37,258,663	36,595,718	37,970,631	36,183,501	31,033,944	28,434,703
	71,063,307	63,985,541	61,469,258	60,472,256	60,723,514	60,288,459	59,373,076	61,310,417	60,900,802	57,980,938	57,140,126
Change in Net Position - By Function											
Operating Income / <Loss>	107,095	1,344,732	914,164	2,205,975	1,548,633	1,526,961	2,215,517	1,363,167	(1,142,620)	1,097,369	788,626
Depreciation/Write-Off of Capital	(1,766,544)	(1,773,383)	(1,911,166)	(1,954,717)	(1,983,688)	(2,162,596)	(1,725,828)	(1,772,782)	(1,777,244)	(1,938,182)	(2,117,793)
Current Year Income / <Loss>	(1,659,449)	(428,651)	(997,002)	251,258	(435,055)	(635,635)	489,689	(409,615)	(2,919,864)	(840,813)	(1,329,167)
Prior Period Audit Restatements	(5,418,317)	(2,087,632)				(279,748)	1,447,652				
	(7,077,766)	(2,516,283)	(997,002)	251,258	(435,055)	(915,383)	1,937,341	(409,615)	(2,919,864)	(840,813)	(1,329,167)
Change in Net Position - By Type											
Net Investment in Capital Assets	(1,195,201)	(482,367)	(920,519)	(181,822)	(699,718)	(252,438)	562,428	1,377,515	2,229,698	1,758,428	2,665,675
Restricted	-	1,206,766	(5)	-	(50,053)	-	-	-	(5)	-	-
Unrestricted	(5,882,565)	(3,240,682)	(76,478)	433,080	314,716	(662,945)	1,374,913	(1,787,130)	(5,149,557)	(2,599,241)	(3,994,843)
	(7,077,766)	(2,516,283)	(997,002)	251,258	(435,055)	(915,383)	1,937,341	(409,615)	(2,919,864)	(840,813)	(1,329,168)
Ending Net Position											
Net Investment in Capital Assets	24,157,514	23,675,147	22,754,628	22,572,806	21,873,088	21,620,650	22,183,078	23,560,593	25,790,291	27,548,720	30,214,396
Restricted	-	1,206,766	1,206,761	1,206,761	1,156,708	1,156,708	1,156,708	1,156,708	1,156,703	1,156,703	1,156,703
Unrestricted	39,828,027	36,587,345	36,510,867	36,943,947	37,258,663	36,595,718	37,970,631	36,183,501	31,033,944	28,434,703	24,439,860
	63,985,541	61,469,258	60,472,256	60,723,514	60,288,459	59,373,076	61,310,417	60,900,802	57,980,938	57,140,126	55,810,959

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

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

3) Beach Cities Health District implemented GASB Statement No. 87 requiring reporting the District's Lease Receivable on the Financial Statements resulting in favorable net \$444,000 retroactive restatement of Net Position

Beach Cities Health District
Fund Financial Statements
Statement of Revenues, Expenditures and Change in Fund Balance
Current and Prior Ten Years

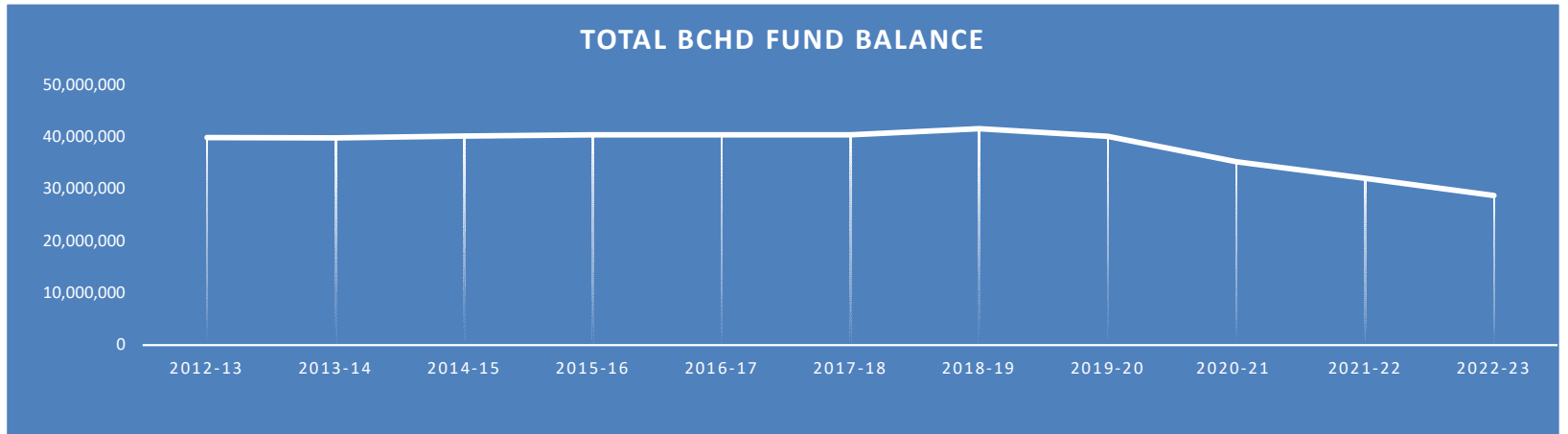
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Revenues											
Financing and Rental Income ¹	2,591,094	2,874,045	4,479,867	4,244,939	4,353,249	4,495,927	4,992,027	4,505,686	4,425,228	4,324,421	4,223,972
Property Taxes	2,734,979	2,806,501	2,960,181	3,145,703	3,355,324	3,591,891	3,793,278	3,994,702	4,345,848	4,478,036	4,751,854
Program Income	2,417,327	2,512,897	2,376,262	2,572,774	2,702,307	2,671,695	2,809,085	2,073,958	305,976	1,186,035	1,584,269
Income from Limited Partnership	1,574,326	2,134,248	1,919,408	2,083,332	2,001,129	2,473,590	2,071,315	2,002,771	1,175,456	1,384,062	1,618,389
Investment Earnings	1,037,688	1,235,885	917,677	1,301,865	619,756	555,677	1,700,327	2,224,613	1,337,999	-532,478	795,602
Other/Intergovernmental Income	239,430	170,706	110,180	75,955	26,251	68,292	105,551	107,956	840,568	2,476,691	2,348,450
Total Revenues	10,594,844	11,734,282	12,763,575	13,424,568	13,058,016	13,857,072	15,471,583	14,909,686	12,431,075	13,316,767	15,322,536
Expenditures											
Salaries & related	5,133,437	5,464,969	5,420,574	5,392,860	5,726,966	5,771,049	6,827,699	6,497,462	6,426,756	6,659,069	6,832,167
Health Programs	1,501,649	1,309,116	1,345,957	1,269,788	1,362,201	1,430,245	1,367,437	1,384,088	1,539,620	1,535,537	1,440,055
Professional Fees	1,484,011	1,233,726	1,274,264	1,349,459	1,344,893	1,613,841	1,745,219	2,191,562	2,181,469	1,613,190	2,190,355
Facilities Management ¹	333,023	558,702	1,457,267	1,627,570	1,502,474	1,530,223	1,599,239	1,557,559	1,454,836	1,505,279	1,867,551
Community Relations	321,082	538,505	748,104	538,321	695,570	556,361	786,681	546,574	679,739	364,334	546,031
General & Administrative	465,278	483,255	389,897	428,946	342,506	372,449	398,781	426,512	386,927	460,320	500,422
Human Resources	184,585	194,802	281,259	255,180	275,356	181,568	212,553	193,862	142,338	149,521	198,092
Information Systems	112,203	166,911	118,294	157,465	148,804	146,959	172,013	194,186	192,759	250,840	209,562
Cost of Goods Sold	137,891	117,052	47,843	32,958	35,655	34,840	28,875	25,281	2,826	6,624	8,067
Other	51,895	45,471	58,475	59,445	59,085	71,784	69,792	73,360	95,737	99,635	69,090
Principal Retirement	292,957	300,564	325,317	352,109	381,107	412,493	446,463	483,232	523,028	610,724	720,257
Interest & Other Fiscal charges	450,756	419,436	394,683	367,891	338,893	307,507	273,537	236,768	196,972	197,443	128,310
Total Expenditures	10,468,767	10,832,509	11,861,934	11,831,992	12,213,510	12,429,319	13,928,289	13,810,446	13,823,007	13,452,516	14,709,959
Contribution to Fund Balance from Operations	126,077	901,773	901,641	1,592,576	844,506	1,427,753	1,543,294	1,099,240	(1,391,932)	(135,749)	612,577
<i>Debt Service as a percentage of Non capital Expenditures</i>	<i>7%</i>	<i>7%</i>	<i>6%</i>	<i>6%</i>	<i>6%</i>	<i>6%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>
Capital Investments	278,386	964,399	573,916	1,344,677	837,317	1,440,938	1,820,366	2,528,078	3,500,175	3,090,888	3,909,241
Capital Investments - lease Assets Excess (deficiency) of Revenue over (under)	(152,309)	(62,626)	327,725	247,899	7,189	(13,185)	(277,072)	(1,428,838)	(4,892,107)	(3,734,405)	(3,296,664)
Expenditures											
Other Financing Sources											
Proceeds from Lease	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Lease Payable	-	-	-	-	-	-	-	-	-	507,768	-
Net Change in Fund Balances	(152,309)	(62,626)	327,725	247,899	7,189	(13,185)	(277,072)	(1,428,838)	(4,892,107)	(3,226,637)	(3,296,664)

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

2) Starting FY21-22 Beach Cities Health District implemented GASB Statement No. 87 requiring reporting the District's Lease Payable on the Financial Statements resulting in no change to the Net Position.

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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Beginning BCHD Fund Balance	40,114,387	39,899,441	39,836,815	40,164,540	40,412,439	40,419,628	40,406,443	41,577,023	40,148,185	35,256,078	32,029,442
Change in Fund Balance											
Operating Income	126,077	901,773	901,641	1,592,576	844,506	1,427,753	1,543,294	1,099,240	(1,391,932)	(135,749)	612,577
Capital Outlay	(278,386)	(964,399)	(573,916)	(1,344,677)	(837,317)	(1,440,938)	(1,820,366)	(2,528,078)	(3,500,175)	(3,090,888)	(3,870,617)
Proceeds from Lease	-	-	-	-	-	-	-	-	-	-	-
Restatements per audit	(62,637)	-	-	-	-	-	1,447,652	-	-	-	(38,624)
	(214,946)	(62,626)	327,725	247,899	7,189	(13,185)	1,170,580	(1,428,838)	(4,892,107)	(3,226,637)	(3,296,664)
General Fund											
Reserved	-	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-	-
Nonspendable	13,984,428	13,657,807	13,362,216	13,096,740	12,702,714	12,693,207	13,535,083	13,651,412	13,143,921	12,591,193	11,809,692
Committed	-	-	-	-	20,813,451	20,701,868	17,758,194	16,187,729	11,125,415	9,119,958	5,800,531
Unassigned	24,708,247	24,972,242	25,595,563	26,108,938	5,746,755	5,854,660	6,604,145	6,545,223	6,551,504	6,322,174	6,930,696
	38,692,675	38,630,049	38,957,779	39,205,678	39,262,920	39,249,735	37,897,422	36,384,364	30,820,839	28,033,325	24,540,919
Special Revenue Funds											
Restricted for medical building purposes	1,206,766	1,206,766	1,206,761	1,206,761	1,156,708	1,156,708	1,156,708	1,156,708	1,156,703	1,156,703	1,156,703
Restricted for 115 Trust - Pension	-	-	-	-	-	-	2,522,893	2,607,113	3,278,536	2,839,414	3,035,156
Ending BCHD Fund Balance	39,899,441	39,836,815	40,164,540	40,412,439	40,419,628	40,406,443	41,577,023	40,148,185	35,256,078	32,029,442	28,732,778



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

BCHD FY22-23

ANNUAL COMPREHENSIVE FINANCIAL REPORT

DEMOGRAPHICS AND ECONOMIC INFORMATION

**Demographic Statistics
Current and Last Ten Years**

Calendar Year	Population			Population Beach Cities Total (1)	Per Capita Personal Income			Per Capita Beach Cities Personal Income Average	Total Beach Cities Income (in thousands) (1) * (2)	Unemployment Rate			Beach Cities Unemployment Rate Average
	City of Redondo Beach (1)	City of Hermosa Beach (1)	City of Manhattan Beach (1)		City of Redondo Beach (2)	City of Hermosa Beach (2)	City of Manhattan Beach* (2)			City of Redondo Beach (3)	City of Hermosa Beach* (3)	City of Manhattan Beach* (3)	
2012	67,007	19,574	35,423	122,004	44,474	42,564	80,467	55,835	6,812,093	10.8%	4.9%	3.2%	6.3%
2013	67,396	19,653	35,619	122,668	46,530	42,564	82,687	57,260	7,024,011	9.2%	4.5%	2.6%	5.4%
2014	67,717	19,750	35,633	123,100	49,400	46,530	80,386	58,772	7,234,833	7.7%	3.6%	3.4%	4.9%
2015	68,095	19,772	35,297	123,164	53,521	49,400	82,335	61,752	7,605,623	6.9%	3.1%	2.7%	4.2%
2016	68,844	19,801	35,488	124,133	57,160	53,521	83,689	64,790	8,042,577	5.0%	2.2%	2.1%	3.1%
2017	68,907	19,616	35,991	124,514	60,087	55,624	86,192	67,301	8,379,917	4.7%	1.9%	2.6%	3.1%
2018	68,677	19,673	35,922	124,272	63,913	58,419	89,306	70,546	8,766,893	4.1%	2.2%	3.4%	3.2%
2019	68,473	19,847	35,991	124,311	60,087	62,224	94,473	72,261	8,982,879	4.0%	2.2%	3.2%	3.1%
2020	66,994	19,614	35,058	122,462	62,528	65,094	97,557	85,235	10,438,008	13.6%	10.2%	7.3%	10.4%
2021	71,560	19,451	35,503	126,514	67,466	68,272	99,805	78,514	9,933,162	7.4%	7.0%	5.2%	6.5%
2022	68,918	18,985	34,137	122,040	69,805	68,272	94,213	77,430	9,449,557	7.3%	6.5%	4.8%	6.2%

* Unemployment rate for 2022 was not available. An average was used.

Source: Comprehensive Annual Financial Reports of City of Hermosa Beach, City of Manhattan Beach, City of Redondo Beach
[U.S. Census Bureau QuickFacts: Redondo Beach city, California](#); [Manhattan Beach city, California](#); [Hermosa Beach city, California](#); [United States](#)

Beach Cities*
Principal Employers
2022

Employer	Employees	Percentage of Total Employees
Northrop Grumman	9,816	14.82%
Redondo Beach Unified School District	915	1.38%
Skechers USA, Inc.	893	1.35%
Skechers Retail Store	888	1.34%
Manhattan Beach Unified School District	745	1.13%
Target Corporation	663	1.00%
Kinecta Federal Credit Union	505	0.76%
City of Redondo	309	0.47%
City of Manhattan Beach	316	0.48%
City of Hermosa	313	0.47%
Cheesecake Factory	291	0.44%
United States Postal Service	246	0.37%
Marriott Manhattan Beach	225	0.34%
Macy's	409	0.62%
Silverado Beach Cities	158	0.24%
Civic Financial Services	200	0.30%
24 Hour Fitness	198	0.30%
Ralph's Grocery	174	0.26%
Hermosa Beach City School District	189	0.29%
Albertsons Companies, Inc. (Vons retail store)	155	0.23%
Other Employers	48,608	73.41%
Total Employees	66,216	100.00%

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

Source: southbaybusiness.org

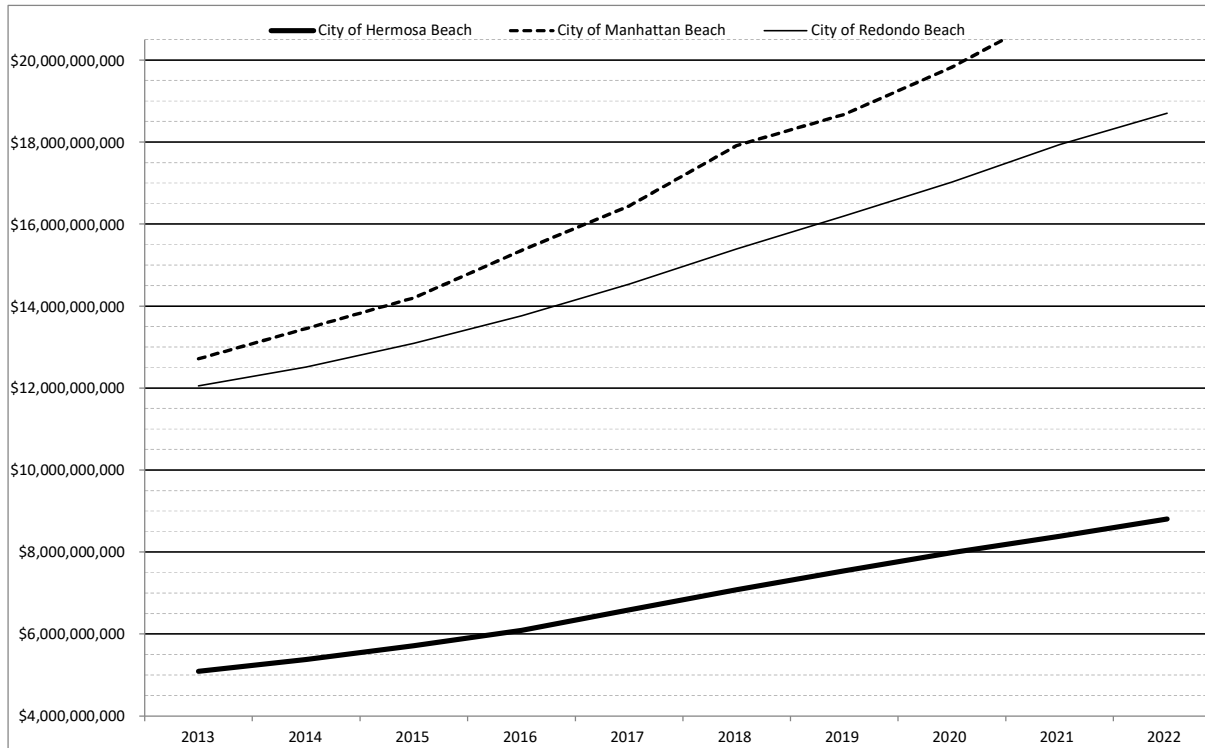
[Microsoft Word - City of Redondo Beach-Footnotes 2021.docx](#)

[CITY OF MANHATTAN BEACH, CALIFORNIA](#)

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

Total Taxable Assessed Value

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
City of Hermosa Beach	5,093,190,000	5,379,727,000	5,711,041,000	6,089,086,000	6,593,784,000	7,082,716,000	7,540,415,000	7,989,293,000	8,388,757,650	8,808,195,533
City of Manhattan Beach	12,713,329,765	13,453,303,900	14,196,903,333	15,352,495,483	16,442,347,904	17,917,796,182	18,676,191,358	19,822,800,094	21,235,867,296	22,187,047,758
City of Redondo Beach	12,050,139,612	12,512,913,143	13,091,580,729	13,761,158,329	14,535,268,607	15,388,290,107	16,200,756,684	17,022,645,724	17,940,220,547	18,706,320,474
Total	\$ 29,856,659,377	\$ 31,345,944,043	\$ 32,999,525,062	\$ 35,202,739,812	\$ 37,571,400,511	\$ 40,388,802,289	\$ 42,417,363,042	\$ 44,834,738,818	\$ 47,564,845,493	\$ 49,701,563,765
<i>Percentage Increase</i>	3.32%	4.99%	5.28%	6.68%	6.73%	7.50%	5.02%	5.70%	6.09%	4.49%
BCHD Property Tax Collected	\$ 2,874,045	\$ 2,960,181	\$ 3,145,703	\$ 3,355,324	\$ 3,591,891	\$ 3,793,278	\$ 3,994,702	\$ 4,345,848	\$ 4,478,036	\$ 4,478,036
BCHD Effective Property Tax %	0.009626%	0.009444%	0.009533%	0.009531%	0.009560%	0.009392%	0.009418%	0.009693%	0.009415%	0.009010%



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

NOTE: In 1978, the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
City of Hermosa Beach Residents - Total	1.040540%	1.038968%	1.035651%	1.036693%	1.04137%	1.06494%	1.05167%	1.06475%	1.06624%	1.04898%
City of Hermosa Beach *	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Overlapping - Hermosa Beach Residents										
Los Angeles County *	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Hermosa Beach Unified School District	0.018550	0.017970	0.014729	0.015746	0.014928	0.040245	0.025942	0.039696	0.039111	0.025213
El Camino community College District	0.018490	0.017498	0.017422	0.017447	0.022942	0.021199	0.022229	0.021555	0.023624	0.020267
Metro Water District	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500
City of Redondo Beach Residents - Total	1.1036%	1.1134%	1.1178%	1.1127%	1.1172%	1.1110%	1.1066%	1.1093%	1.1114%	1.1113%
City of Redondo Beach *	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	0.1875%	0.1578%	0.1580%	0.1581%	0.1583%	0.15871%	0.15883%	0.16317%	0.16331%	0.16263%
Redevelopment Agency	-	-	-	-	-	-	-	-	-	-
Overlapping - Redondo Beach Residents										
Los Angeles County *	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Flood Control	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Metropolitan Water District	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500	0.003500
El Camino Community College District	0.018490	0.017500	0.017420	0.017450	0.022940	0.021200	0.022230	0.021550	0.023620	0.020070
Redondo Beach Unified School District	0.081620	0.092420	0.096890	0.091740	0.090790	0.086300	0.080860	0.084280	0.084300	0.087689
City of Manhattan Beach Residents - Total	1.15891%	1.16402%	1.09278%	1.08753%	1.09412%	1.11931%	1.11857%	1.11721%	1.11560%	1.11456%
City of Manhattan Beach *	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	0.1595%	0.1601%	0.1606%	0.1613%	0.1619%	0.1625%	0.1629%	0.1633%	0.1456%	0.1457%
Overlapping - Manhattan Beach Residents										
Los Angeles County *	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Colleges & School Districts	0.155410	0.1605200	0.0892800	0.0840300	0.0906200	0.1158100	0.1150700	0.1137100	0.1121000	0.1110600
Metro Water District	0.003500	0.0035000	0.0035000	0.0035000	0.0035000	0.0035000	0.0035000	0.0035000	0.0035000	0.0035000
Flood Control District	0.000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000

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

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

BCHD FY22-23

ANNUAL COMPREHENSIVE FINANCIAL REPORT

OPERATING AND OTHER

Beach Cities Health District

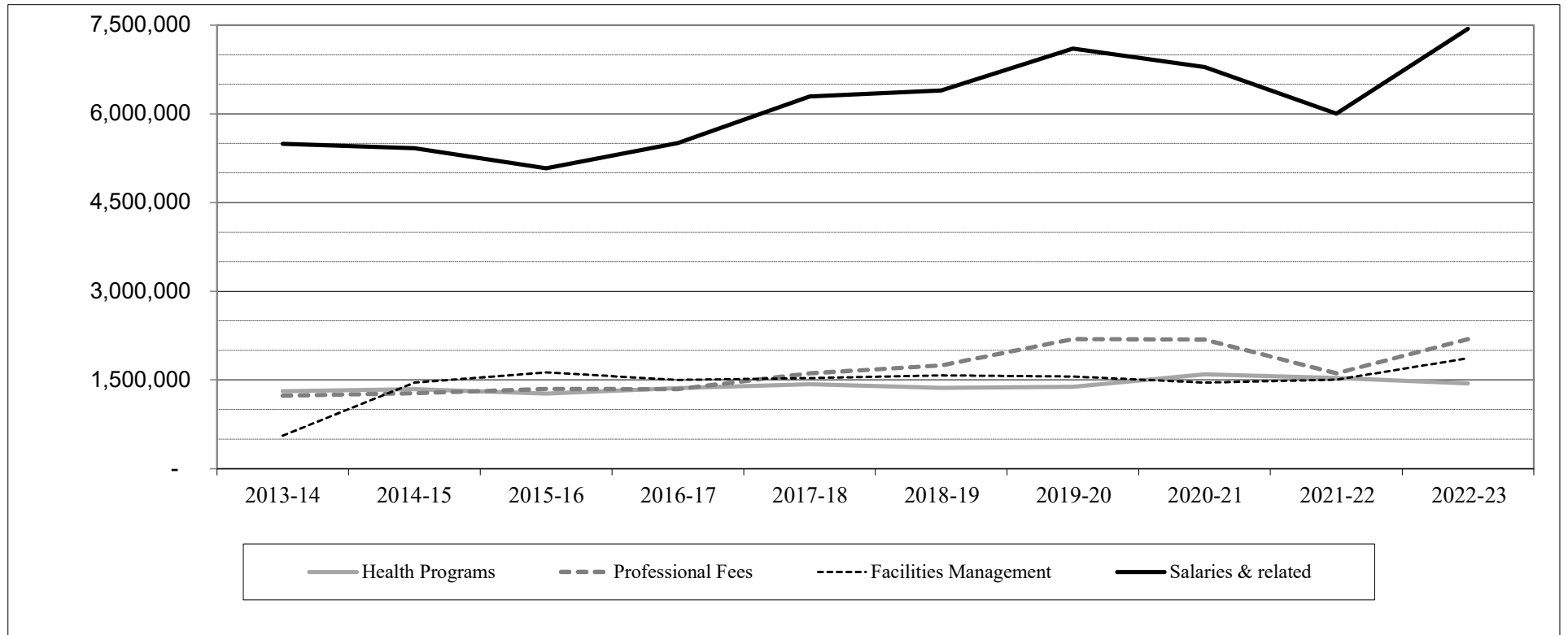
FTE Personnel Summary by Department

Department	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Administrative Support Services</u>											
Executive Admin Support	2.0	2.0	2.2	3.7	3.6	4.2	4.5	3.4	3.5	3.4	3.4
Human Resources	5.0	5.0	3.0	3.0	1.5	2.5	2.7	3.2	3.2	3.5	3.5
Finance Services	5.0	4.5	4.5	4.5	4.5	4.7	5.1	5.3	4.8	4.7	4.6
Total	12.0	11.5	9.7	11.2	9.6	11.4	12.2	11.8	11.4	11.6	11.5
<u>Direct Operating Support</u>											
Information Systems	-	-	-	-	0.2	0.2	0.7	0.2	1.4	1.1	1.1
Business Development											1.4
Volunteer Department	-	-	-	-	2.5	2.7	2.5	2.5	2.4	2.4	2.4
Health Promotions and Communications	3.0	3.0	5.0	5.5	5.6	6.3	6.1	5.9	5.6	6.2	5.2
Total	3.0	3.0	5.0	5.5	8.3	9.2	9.3	8.5	9.3	9.6	10.0
<u>LifeSpan Services</u>											
Admin Services	0.8	0.8	1.0	2.0	3.0	2.0	2.0	1.0	2.0	1.4	0.2
Youth Services	7.8	8.1	5.0	5.1	4.8	4.8	5.6	7.0	8.2	7.0	6.2
Youth Services - allcove	-	-	-	-	-	-	-	-	-	5.0	7.1
Community Services	10.5	10.3	12.3	11.5	10.2	9.9	10.4	10.5	9.7	9.5	7.6
Well-Being Services	2.0	6.0	5.0	5.3	4.0	4.0	4.6	5.5	5.0	3.5	4.2
Total	21.0	25.2	23.3	23.9	21.9	20.7	22.6	24.0	24.8	26.5	25.3
<u>Health & Fitness Operations</u>											
Adventureplex	20.6	21.9	20.0	19.7	23.5	21.2	21.0	20.2	18.5	9.7	10.1
Center for Health & Fitness	17.4	16.1	19.0	16.7	17.9	16.8	17.3	18.3	17.0	12.9	11.5
Medical Fitness Exercise								0.6	0.6	-	-
Total	38.0	38.0	39.0	36.3	41.4	38.0	38.3	39.1	36.1	22.7	21.5
<u>Real Estate - Management</u>	3.0	3.0	3.0	1.9	1.1	0.5	0.6	0.6	0.6	0.4	0.5
<u>Total Operations Positions</u>	77.0	80.7	79.9	78.8	82.3	79.6	82.9	84.2	82.4	70.7	68.7
<u>Real Estate - Capital</u>					0.8	1.5	1.0	1.0	1.9	0.9	0.9
<u>Total Positions</u>	77.01	80.73	79.92	78.81	83.11	81.13	83.89	85.18	84.30	71.52	69.58

Source: BCHD Annual Budget

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

Fiscal Year	General Fund											Total
	Salaries & related	Health Programs	Professional Fees	Community Relations	Facilities Management	General & Administrative	Human Resources	Information Systems	Cost of Goods Sold	Other	Interest Cost	
2012-13	5,167,681	1,484,011	1,501,649	321,082	333,023	742,973	184,585	112,203	137,891	51,895	450,756	10,487,749
2013-14	5,493,593	1,309,116	1,233,726	538,505	558,702	457,203	194,802	166,911	117,052	45,471	419,436	10,534,517
2014-15	5,420,574	1,345,957	1,274,132	748,104	1,457,267	299,102	281,259	118,294	47,843	58,475	394,683	11,445,690
2015-16	5,079,186	1,269,788	1,349,459	538,321	1,627,570	352,838	255,180	157,465	32,958	59,445	367,891	11,090,101
2016-17	5,510,905	1,362,201	1,344,893	695,570	1,502,474	276,885	275,356	148,804	35,655	59,160	338,893	11,550,796
2017-18	6,294,225	1,430,245	1,613,841	556,361	1,530,223	315,722	181,568	146,959	34,840	71,784	307,507	12,483,275
2018-19	6,397,769	1,367,437	1,745,219	786,681	1,577,812	398,781	212,553	172,013	28,875	69,792	273,537	13,030,469
2019-20	7,106,933	1,384,088	2,191,562	546,574	1,557,559	426,512	193,862	194,186	25,281	73,360	236,768	13,936,685
2020-21	6,792,171	1,595,867	2,181,469	679,739	1,454,836	386,927	142,338	192,759	2,826	111,998	196,972	13,737,902
2021-22	6,004,111	1,535,537	1,613,190	364,334	1,505,279	460,320	149,521	250,840	6,624	104,636	197,443	12,191,835
2022-23	7,437,376	1,440,055	2,190,355	546,031	1,867,551	500,422	198,092	209,562	8,067	(73,984)	187,649	14,511,176



BCHD FY22-23

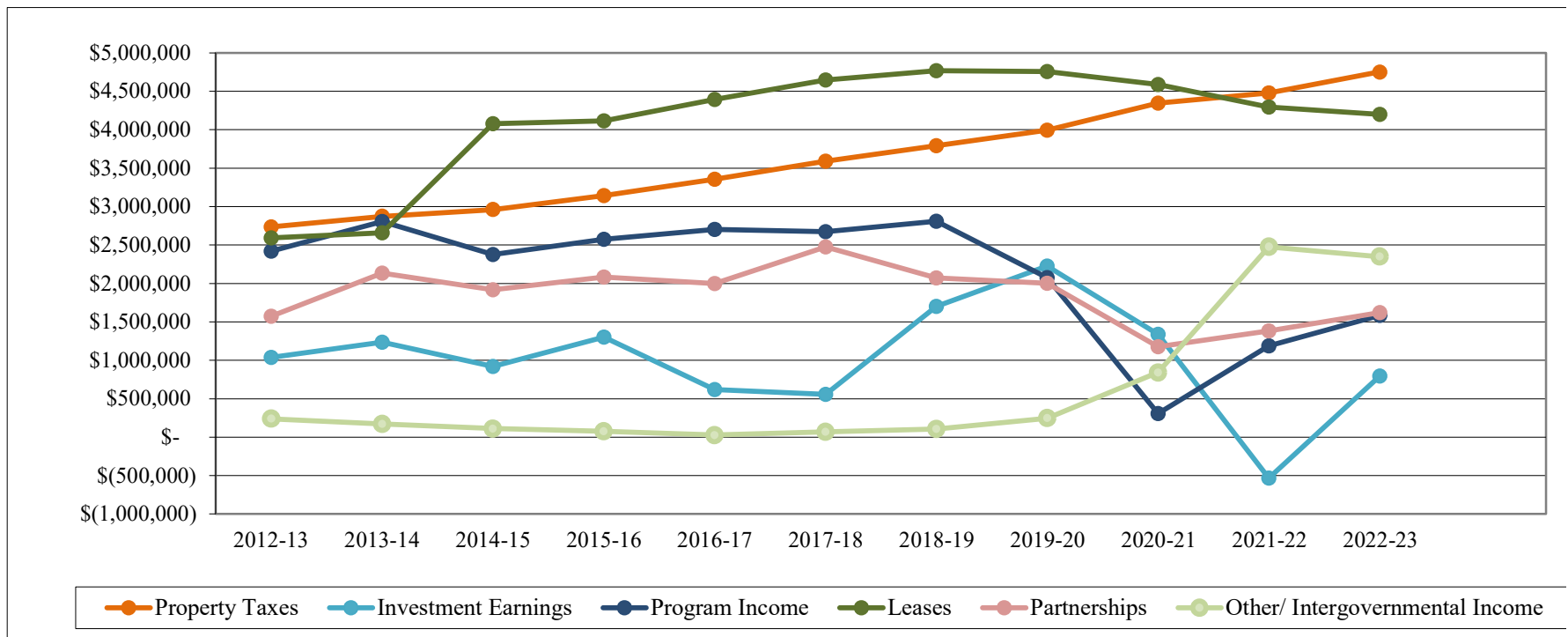
ANNUAL COMPREHENSIVE FINANCIAL REPORT

REVENUE CAPACITY

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

TREND BY FUNDING SOURCE

Fiscal Year	Property Taxes	Investment Earnings	Program Income	Leases	Partnerships	Other/ Intergovernmental Income	Total
2012-13	2,734,979	1,037,688	2,417,327	2,591,094	1,574,326	239,430	10,594,844
2013-14	2,874,045	1,235,885	2,806,501	2,657,864	2,134,248	170,706	11,879,249
2014-15	2,960,181	917,677	2,376,262	4,076,146	1,919,408	110,180	12,359,854
2015-16	3,145,703	1,301,865	2,572,774	4,116,447	2,083,332	75,955	13,296,076
2016-17	3,355,324	619,756	2,702,307	4,394,800	2,001,129	26,113	13,099,429
2017-18	3,591,891	555,677	2,671,695	4,649,091	2,473,590	68,292	14,010,236
2018-19	3,793,278	1,700,327	2,809,085	4,766,430	2,071,315	105,551	15,245,986
2019-20	3,994,702	2,224,613	2,073,958	4,756,865	2,002,771	246,943	15,299,852
2020-21	4,345,848	1,337,999	305,976	4,589,435	1,175,456	840,568	12,595,282
2021-22	4,478,036	(532,478)	1,186,035	4,296,858	1,384,062	2,476,691	13,289,204
2022-23	4,751,854	795,602	1,584,269	4,201,238	1,618,389	2,348,450	15,299,802



Source: Audited Financial Statements

BCHD FY22-23

ANNUAL COMPREHENSIVE FINANCIAL REPORT

DEBT CAPACITY



Beach Cities Health District

Live Well. Health Matters.

Ducot Parking Lease Agreement			
<u>Due Date</u>	<u>Applied to Principal</u>	<u>Applied to Interest</u>	<u>Total Annual Payment</u>
30-Jun-24	663,184	56,816	720,000
30-Jun-25	351,996	8,004	360,000
	\$5,117,753	\$2,442,247	\$7,560,000

Redondo Beach Unified Operating Lease Agreement			
<u>Due Date</u>	<u>Applied to Principal</u>	<u>Applied to Interest</u>	<u>Total Annual Payment</u>
30-Jun-24	51,930	21,862	73,792
30-Jun-25	55,885	21,661	77,546
30-Jun-26	60,012	21,459	81,471
30-Jun-27	64,381	21,255	85,636
30-Jun-28	69,362	21,051	90,413
30-Jun-29	113,379	41,487	154,866
	\$414,949	\$148,775	\$563,724