



# **FY 2023/24 Annual Comprehensive Financial Report (ACFR) & Year-End Budget Adjustments**

**City Council Meeting  
January 21, 2025**

# Presentation Overview

- **FY 2023/24 Year-End Audit and Annual Comprehensive Financial Report (ACFR)**
  - Presentation given by Auditor Jonathan Foster CPA, Partner – DavisFarr
- **FY 2023/24 Year-End Budget Adjustment Requests**



# City FY 2023/24 Year-End Audit and Annual Comprehensive Financial Report (ACFR)



# Reports Issued

- **Audited Opinion**
  - Unmodified
- **Communication to those in Governance**
- **Internal Control Letter – issued in conjunction with Single Audit Report**
  - One material audit adjustment noted
- **In progress**
  - Single Audit over Federal Expenditures



# Areas of Audit Focus

Pension Obligations

OPEB Obligations

Revenue and  
Expenditure testing

Testing of Capital  
Asset Activities

Single Audit

# FY 2023/24 Performance (Audited)

## Government-Wide Highlights:

Description	In Thousands
<u>ASSETS</u>	
Current and Other Assets	\$523,525
Non-Current Assets	5,207
Capital Assets	932,745
<b>Total Assets</b>	<b>1,461,477</b>
Deferred Outflows – Pensions & OPEB	135,090
<u>LIABILITIES</u>	
Current and Other Liabilities	75,969
Long-Term Obligations*	604,946
<b>Total Liabilities</b>	<b>680,915</b>
Deferred Inflows – Pension & OPEB	18,868
<b>TOTAL NET POSITION</b>	<b>\$896,784</b>

\* Reflects GASB 68 recording of Net Pension Liability of \$193,451 million

# General Fund Reserves (Audited)

Fund Balance Category	FY 19/20 Audited	FY 20/21 Audited	FY 21/22 Audited	FY 22/23 Audited	FY 23/24 Audited
Economic Uncertainties	25,010	25,381	26,114	48,411	49,090
Equipment Replacement	8,295	8,295	8,295	8,295	8,295
General Plan Maintenance	791	791	1,143	1,515	1,651
General Liability Plan Migration	2,801	2,801	2,801	2,801	2,801
Capital Improvement Reserve (CIR)	8,046	8,230	8,597	9,086	9,425
Pension Rate Stabilization		741	2,206	4,160	5,517
Cityview Replacement	1,028	1,028	1,028		
Strategic Initiatives	16,536	16,536	16,536		
Section 115 Trust	10,003	12,878	15,927	20,641	24,423
Triple Flip	896	749	109		
Year-End Market Value	1,983	1,983	1,983		3,025
Housing Agreement	101	174	1,657		
Litigation Reserves		3,650	3,650	3,650	3,650
AES Reserves		4,900	4,900	4,900	
HB Recovery Fund				10,886	10,886
Oceanview Estates				365	641
Other Fund Balance*	4,598	6,472	7,878	11,827	12,915
Unassigned					
<b>Total Fund Balance</b>	<b>80,088</b>	<b>94,609</b>	<b>102,824</b>	<b>126,537</b>	<b>132,319</b>

\* Other Fund Balance includes Encumbrances, Non-Spendable, and Restricted Items.

# FY 2023/24 General Fund (Audited) (Fund 100)

Description	In Thousands
Revenue (Recurring)	\$290,289
Revenue (One-Time) *	2,276
Planned Use of Reserves	4,900
<b>Total Sources of Funds</b>	<b>\$297,465</b>
Expenditures less UAL	266,694
CalPERS UAL	4,643
POB Payment	13,255
One-Time Expenditures**	6,038
<b>Total Expenditures</b>	<b>\$290,630</b>
Other Restricted Changes in General Fund Balance***	4,119
<b>General Fund (Fund 100) Surplus</b>	<b>\$2,716</b>

\* FY 23/24 one-time revenue consists of \$2.3M for Emerald Cove Superior Court Judgment

\*\* Includes \$4.9M for AES Transfer and \$1.1M Transfer of 50% of Emerald Cove settlement to the General Liability Fund

\*\*\* Includes adjustments to YE Market Value and set-asides for Ocean View Estates and General Plan Maintenance



# General Fund Surplus Allocation

Description	Amount
<b>FY 2023/24 General Fund (Fund 100) Surplus</b>	<b>\$2,715,730</b>
Pension Rate Stabilization	1,357,865
Economic Uncertainties	678,932
Capital Improvement Reserve	339,466
Infrastructure Fund Transfer	339,466
<b>Total Allocated Surplus per Fund Balance Policy</b>	<b>\$2,715,730</b>

**General Fund Reserve Policy requires the following:**

- 50% to Pension Rate Stabilization Reserve (per Unfunded Accrued Liability Pension Funding Policy)

**Remaining surplus allocated as follows (until Economic Uncertainties is fully funded):**

- 50% to Economic Uncertainties Reserve
- 25% to Capital Improvement Reserve
- 25% for Infrastructure Fund

# FY 2023/24 Year-End Budget Adjustments



# FY 2023/24 Year-End Budget Adjustments

- As part of the FY 2023/24 year-end closing process, certain technical year-end budget adjustments are requested to align appropriations in certain funds with actual expenditures incurred through June 30, 2024
- Adjustments are also required to ensure compliance with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB), and other regulatory, contractual or legal requirements.
- All requested appropriation increases are fully offset by commensurate amounts of revenues, available cash, or fund balances in each Fund
- No General Fund adjustments are being requested

# Inter-Fund Transfers

## Surf City “3” Cable Channel, Infrastructure, and Equipment Replacement Funds (243, 314 and 324)

- **\$612K** – transfer from the City “3” Cable Channel Fund (243) into the Infrastructure Fund (314) in the amount of \$611,888.68 to reimburse the Infrastructure Fund for its fair share of various fiber upgrades that benefitted the City’s Cable Channel
- **\$152K** – transfer from the Surf City “3” Cable Channel Fund (243) into the Equipment Replacement Fund (324) in the amount of \$151,615.53 to reimburse the Equipment Replacement Fund for its fair share of server and other equipment upgrades that benefitted the City’s Cable Channel

## Debt Service Bella Terra and Bella Terra Parking Structure Funds (410 and 711)

- **\$184K** – transfer from the Debt Service Bella Terra Fund (410) into the Bella Terra Parking Structure Fund (711) to cover increased maintenance and operations costs that are paid for from the Bella Terra Parking Structure Fund (711).
- A corresponding expenditure appropriation is being requested in the Bella Terra Parking Structure Fund (711) to cover the increased maintenance costs

**Total Inter-Fund Transfer Adjustments - \$947,504.21**

# Appropriation Increases

## Hotel/Motel Business Improvement District (Hotel/Motel BID) Fund (709)

- **\$46,673** to align the budget with actual FY 2023/24 revenues and expenditures. The Hotel/Motel BID Fund is a pass-thru fund in which the City collects self-assessed revenues from the participating hotels and motels and submits them to Visit Huntington Beach per the BID's agreement. There are sufficient offsetting revenues for a **net zero impact**.

## Downtown Business Improvement District (Downtown BID) Fund (710)

- **\$9,011** to align the budget with actual FY 2023/24 revenues and expenditures. All Downtown merchants have a self-assessment through the Business Improvement District (BID) that the City Council approves annually. The City collects the fees and redistributes them back to the District. There are sufficient offsetting revenues for a **net zero impact**.

# Appropriation Increases

## Bella Terra Parking Structure Fund (711)

- **\$184,000** to align the align the budget with actual FY 2023/24 revenues and expenditures. The City collects a maintenance fee from the owners of the center which is used to fund maintenance and operations costs for the structure. There are sufficient offsetting revenues for a net zero impact.

## Used Oil Grant Fund (960)

- **\$12,453.39** to align the budget with actual FY 2023/24 revenues and expenditures. A portion of prior year grant funds from the OPP13 term were unspent and needed to be returned to the Department of Resources Recycling and Recovery (CalRecycle). There are sufficient offsetting grant revenues for a net zero impact.

**Total Appropriation Increases - \$252,137.39**

# Council Action Requested

- Receive and file the FY 2023/24 Annual Comprehensive Financial Report and other auditor-issued reports
- Approve year-end inter-fund transfers in the amount of **\$947,504.21**
- Approve year-end appropriation increases in the amount of **\$252,137.39**
- The General Fund is not impacted by these year-end adjustment requests

**Questions?**

