



Honorable Mayor and Members of the Hermosa Beach City Council

**FISCAL YEAR 2023–2024 ANNUAL COMPREHENSIVE FINANCIAL REPORT
(INCLUDING REPORT FROM INDEPENDENT AUDITOR)**

(Administrative Services Director Brandon Walker)

Recommended Action:

Staff recommends City Council receive and file the FY 2023–24 Annual Comprehensive Financial Report (ACFR) (**Attachment 1**), which includes the report from Gruber and Lopez, Inc., the City’s independent auditors.

Executive Summary:

The purpose of this report is to present the City’s Annual Comprehensive Financial Report (ACFR) for fiscal year ending June 30, 2024.

The City received an unmodified (“clean”) opinion on the financial statements in the City’s ACFR. The unmodified opinion is the highest-level opinion the City can receive. The opinion asserts that the City complies with all Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB) requirements.

The City’s ACFR also includes the Certificate of Achievement for Excellence in Financial Reporting award from the Government Finance Officers Association (GFOA) for the prior fiscal year ended June 30, 2023. The City has received the award from GFOA since 1990 in recognition of publishing a high quality ACFR. The FY 2023–24 ACFR was submitted to GFOA with the expectation of receiving this award again.

Background:

Annually, the Administrative Services Department prepares and publishes the City’s ACFR following the completion of a financial audit performed by an independent, Certified Public Accountant (CPA) firm. The independent CPA firm is Gruber and Lopez, Inc.

The ACFR, previously known as the Comprehensive Annual Financial Report, is designed to assist the reader in properly understanding the City financial statements covering City activities from July 1, 2023 to June 30, 2024. This is accomplished by supplementing the financial statements with background on the City structure, the environment the City operates in, and the types of services the City of Hermosa Beach provides. It also provides an analysis concerning the City’s financial and economic situation along with relevant multi-year economic and demographic information.

The basic structure and contents of an ACFR are set by authoritative accounting and financial standards. The Governmental Accounting Standards Board (GASB) sets the ACFR standards. Pursuant to GASB, the City's ACFR is divided into three sections: Introductory, Financial, and Statistical.

The Introductory section contains a Letter of Transmittal. This letter includes a brief overview of the City, economic outlook, financial planning, and relevant policies. The Introductory section also includes the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the prior fiscal year ACFR.

The Financial section contains the independent CPA auditor's report, Management's Discussion & Analysis (MD&A), and the basic financial statements (including notes). The firm of Gruber and Lopez, Inc. issued an unmodified ("clean") opinion on the financial statements for the fiscal year ended June 30, 2024. This means that its examination, testing, and audit procedures allowed them to conclude that the financial statements present fairly, in all material respects, the financial position of the City. This is the best opinion that the City can receive from its auditors.

The MD&A provides an objective and easily readable analysis of the City's financial activities and results of operations. The MD&A also provides an analysis of general fund budgetary variations, condensed comparative information between the 2023 and 2024 fiscal years and a discussion of currently known facts, decisions or conditions of future significance.

The Statistical Section is the final section of the ACFR. This section presents operational, economic and historical City data that provides a context for assessing the City's economic condition. The data includes information on financial trends, revenue capacity, debt capacity, City demographic and departmental operating information.

General Plan Consistency:

PLAN Hermosa, the City's long-range planning document, was adopted by the City Council in August 2017, and envisions a future where "Hermosa Beach is the small town others aspire to be; a place where our beach culture, strong sense of community, and commitment to sustainability intersect." One of the guiding principles to achieve the vision is to make decisions and take actions that help contribute to the City's economic and fiscal stability.

This report and associated recommendations have been evaluated for their consistency with the City's General Plan. Relevant policies are listed below:

Infrastructure Element

Goal 1. Infrastructure systems are functional, safe, and well maintained.

Policies:

- **1.2 Priority investments.** Use City Council established priorities and the Capital Improvement Program (CIP) to identify and allocate funding for projects identified in the infrastructure plan.
- **1.9: Preventative street maintenance projects.** Include street slurry projects and other preventive projects in the CIP each year, with sufficient funding.

Public Safety Element

Goal 5. High quality police and fire protection services provided to residents and visitors.

Policy:

- **5.2 High level of response.** Achieve optimal utilization of allocated public safety resources and provide desired levels of response, staffing, and protection within the community.

Fiscal Impact:

There is no fiscal impact associated with receiving and filing the ACFR.

At its June 11, 2024 meeting, Council approved and adopted the Fiscal Year 2024–25 budget. Staff previously recommended Council approve transfers of FY 2023–24 unspent funds in the General Fund at year end to the Insurance Fund, if needed, to restore the fund balance to \$3.0 million and the transfer of any remaining funds to the Capital Improvement Fund for future Capital Improvement Project (CIP) needs.

At the end of 2023–24, the City’s FY 2023–24 unspent funds in the General Fund was \$3,128,672. Staff performed a transfer from the 2023–24 General Fund unspent funds of \$425,521 to the Insurance Fund and \$2,703,151 to the Capital Improvement Fund at 2023–24 year end.

Attachment:

FY 2023–24 ACFR

Respectfully Submitted by: Henry Chao, Finance Manager

Concur: Charlotte Newkirk, Senior Finance Analyst

Noted for Fiscal Impact: Brandon Walker, Administrative Services Director

Reviewed by: Angela Crespi, Deputy City Manager

Approved: Suja Lowenthal, City Manager