



City Council Staff Report

Subject: Annual Comprehensive Financial Report and GANN Appropriations Limit Schedule for the Fiscal Year ended June 30, 2024

Date: February 25, 2025

Submitted By: Diane Ahn, Accounting Officer
Daniel Choe, Administrative Services Deputy Director

Department: Administrative Services - Finance

Recommendation:

Adopt a Resolution of the City Council of the City of Rocklin Accepting the Annual Comprehensive Financial Report and GANN Appropriations Limit Schedule for the Fiscal Year Ended June 30, 2024.

Background:

Rocklin Municipal Code, Title 2, Section 2.28.030, requires an annual audit of all City financial transactions by an independent auditor and the submission of an audit report to the City Council. Additionally, California Constitution Article XIII B Section 1.5 requires a review of the annual appropriations limit (GANN) as part of an annual financial audit.

The City contracted with Chavan & Associates LLP, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit and prepare the Annual Comprehensive Financial Report (ACFR) (Attachment 2). The following are the financial highlights for the fiscal year ended June 30, 2024, as reported in the ACFR.

Government-Wide

As of the close of Fiscal Year (FY) 2023/24, the City's assets and deferred outflows exceeded its total liabilities and deferred inflows by \$427.9 million, reflecting an increase of \$7.5 million (1.8%) from previous year's \$420.3 million. This net position serves as an indicator of the City's overall financial health and ability to meet future obligations.

The City's Government-Wide General Revenues increased by 10.2%, from \$74.6 million to \$82.2 million. These revenues come from sources such as property tax, sales and use tax, gas tax, transient occupancy tax, motor vehicle fees, franchise fees, impact fees, investment earnings, and other revenues. In FY 2023/24, property taxes increased by 5.2%, sales tax and use tax by 9.5%, impact fees by 157.5%, and investment earnings by 94.8%. Program Revenues – which includes fees and grants tied to specific services – declined by 16.5% (\$3.8 million) from the prior year.

The City's Government-Wide expenses increased by 7% from \$87.8 million to \$93.9 million. This rise is attributed to the cost of providing essential services, maintaining infrastructure, and other operational needs. Despite the increase, the City's overall financial position remains stable.

General Fund

General Fund revenues for FY 2023/24 totaled \$68 million, while expenditures amounted to \$66.1 million. The General Fund received \$5.9 million in transfers from other funds and transferred \$0.56 million to other funds, resulting in a net increase of \$7.3 million in the fund balance. This growth was driven by higher revenues from property tax, sales and use tax, and interest earnings, along with salary savings and lower spending on infrastructure projects.

Financial Audit

The auditor's letters to the City Council (Attachments 4 and 5) are required by audit standards, and they convey there were no difficulties encountered performing the audit or disagreements between the auditors and City staff, upcoming accounting pronouncements, and other information relative to the audited financial statements.

GANN Appropriations Limit

Under Article XIIB of the California Constitution (the GANN Spending Limitations Initiative), California governmental agencies are restricted in the amount of annual appropriations derived from tax proceeds. Section 1.5 of Article XIIB, effective July 1, 1990, requires a limited procedures review of the appropriation limit as part of the annual audit. The audits for the fiscal year ending June 30, 2024 reviewed the City's GANN Appropriation Limit Schedule, and no exceptions were noted (Attachment 3).

Staff recommends the City Council accept the ACFR and GANN Appropriations Limit Schedule for the fiscal year ended June 30, 2024, and the auditor's letters to the City Council for the following reasons:

- An annual audit is required by the Rocklin Municipal Code, and federal and state grant requirements.
- The public accounting firm of Chavan & Associates, LLP has audited the City's FY 2023/24 financial statements and has issued an unqualified ("clean") auditor's opinion that the financial statements are fairly presented in accordance with generally accepted accounting principles, as well as there were no reported material weaknesses or significant deficiencies.
- The auditor's letters to the City Council reflects no significant audit issues or disagreements with management relative to the audit.
- Chavan & Associates, LLP has reviewed the GANN appropriations limit for the fiscal year ended June 30, 2024, per established procedures, and no exceptions were noted.

Fiscal Impact:

There is no direct fiscal impact to the General Fund from the staff recommendation.

ATTACHMENTS:

1. Resolution
2. Resolution Exhibit A - ACFR
3. Resolution Exhibit B - GANN Appropriations Limit
4. Governance Communication
5. Management Letter