



Budget and Audit Committee Report

915 I Street, 1st Floor

Sacramento, CA 95814

www.cityofsacramento.org

File ID: 2017-00086

January 24, 2017

Consent Item 05

Title: Fiscal Year 2015/16 Independent Accountants' Report on the Appropriation Limit Calculation

Recommendation: Pass a Motion accepting and forwarding to City Council the Fiscal Year 2015/16 Independent Accountants' Report on the Appropriation Limit Calculation.

Location: Citywide

Contact: Russell Robertson, Accounting Manager, (916) 808-1712; Leyne Milstein, Director, (916) 808-8491, Department of Finance

Presenter: None

Department: Finance

Attachments:

1-Description/Analysis

2-2016 City of Sacramento GANN Limit AUP

Description/Analysis

Issue Detail: Section 1.5 of Article XIII-B of the California Constitution requires that local governments engage their auditors to apply certain agreed-upon procedures to the appropriation limit data compiled by the local government. The City's appropriations limit calculation agreed-upon procedures have been conducted to confirm that the City is meeting the requirements for the fiscal year ending June 30, 2016.

Policy Considerations: This report is consistent with the City's fiscal transparency and accountability principles.

Economic Impacts: None.

Environmental Considerations: Not applicable.

California Environmental Quality Act (CEQA): This action is not a project subject to CEQA because it involves only organizational or administrative activities that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines §15378(b)(5).)

Sustainability: Not applicable.

Commission/Committee Action: None.

Rationale for Recommendation: It is in the best interest of the City to receive and file the Appropriations Limit Calculation agreed-upon procedures report for the following reasons:

- Compliance with the requirements established in Section 1.5 of Article XIII-B of the California Constitution requires that the annual calculation of the appropriations limit shall be reviewed as part of an annual financial audit.
- The public accounting firm of Vavrinek, Trine, Day and Co., LLP, has performed the agreed-upon procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Financial Considerations: The total appropriations shall not exceed the appropriations limit of the City for the prior year adjusted for the change in the cost of living and the change in population.

Local Business Enterprise (LBE): No goods or services are being purchased under this report.

CITY OF SACRAMENTO, CALIFORNIA

Independent Accountants' Report on
Applying Agreed-Upon Procedures Related To
The Article XIII-B Appropriations Limit Calculation

For the Fiscal Year Ended June 30, 2016



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES RELATED TO
THE ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION**

To the Honorable Mayor and Members of City Council
of the City of Sacramento
Sacramento, California

We have performed the procedures enumerated below to the Appropriations Limit Calculation of the City of Sacramento, California (City), for the year ended June 30, 2016. These procedures, which were agreed to by the City, were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City's management is responsible for the Appropriations Limit Calculation. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish the City's 2015-16 appropriations limit and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.

Finding: We noted that the City's calculation worksheet utilized the population growth factor from the example calculation found in the Department of Finance (DOF) Price and Population information letter dated May 2015. The City's calculation used the .93 factor from the DOF example rather than the 1.04 factor in Attachment B from the information letter.

2. We added last year's limit to the annual adjustment amount, and compared the resulting amount to the 2015-16 appropriations limit.

Finding: We noted the adjustment amount was miscalculated due to the finding in No. 1 above. The City's calculation included the .93 factor from the DOF example rather than the 1.04 factor in Attachment B from the information letter, resulting in an error in the estimation of the 2015-2016 appropriations limit of approximately \$755 thousand.

3. We compared the current year information to the worksheets described in procedure No. 1 above.

Finding: We noted that the City's calculation worksheet utilized the population growth factor from the example calculation found in the Department of Finance (DOF) Price and Population information letter dated May 2015. The City's calculation used the .93 factor from the DOF example rather than the 1.04 factor in Attachment B from the information letter.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by the City Council.

Finding: No exception was noted as a result of our procedures.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the Appropriations Limit Calculation. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of City Council and management of the City and is not intended to be and should not be used by anyone other than those specified parties.

Varrinik, Trine, Day & Co. LLP

Sacramento, California
December 23, 2016