

CITY OF FORT BRAGG, CALIFORNIA

# Agreed Upon Procedures

---

## Cost Allocation Application Review

**Joseph J Arch, CPA JJACPA, Inc.**

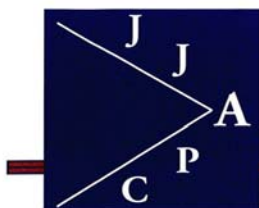
**9/14/2016**

**City of Fort Bragg**  
**Agreed Upon Procedures**  
**Cost Allocation Application Review**

**Table of Contents**

---

|   | <u><b>Page</b></u> |
|---|--------------------|
| Independent Accountants’ Report on Applying Agreed-Upon Procedures..... | 1                  |
| Attachment A – Procedures and Findings.....                             | 2-4                |
| Appendix B – Finance Director Prepared Schedules.....                   | 5                  |



JJACPA, Inc.

A Professional Accounting Services Corp.

---

INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES

We have performed the agreed-upon procedures enumerated in Attachment A, which were agreed to by the City solely to assist you in obtaining information regarding specific cost allocation calculations. Management of the City is responsible for the accounting records pertaining to the City's compliance pursuant to any Federal, State or Local regulation for which this information may pertain. 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 in Attachment A either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. 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.

This report is intended solely for the information and use of the City and its management and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

September 14, 2016

*JJACPA, Inc.*

JJACPA, Inc.  
Dublin, California

## **Attachment A—Agreed-Upon Procedures Engagement**

- 1) Review the cost allocation procedures performed by the City in prior years and report on our findings. The period identified by the Finance Director has been determined to be fiscal year beginning July 1, 2010 through the fiscal year ended June 30, 2016

**Procedures and Findings:** The City's Finance Director prepared various schedules detailing the differences caused by prior year cost allocations. These schedules presented a particular methodology that included certain assumptions based upon the amounts recorded and schedules used for the allocations.

The assumptions used included General Fund allocations for support departments were fully allocated, except for City Attorney costs, which were allocated at 50%, to other funds for non-payroll expenditures. The following General Fund departments were used for the allocations:

City Attorney, Council, City Manager, City Clerk, Human Resources, Finance, Community Development and Non-departmental.

The results indicated the following:

All departments included above were appropriately shown in the Finance Director prepared schedules.

The methodology used in prior year schedules appeared to be based upon budgeted amounts instead of adjusted at year end based upon actual results. In addition, allocating full cost to other funds is not an accurate basis by which these allocations should be recorded because it does not account for the General fund's participation in the allocation formula.

We also reviewed the methodology developed as a result of these variances and concur with the changes that were made to these allocations and the policy developed. Further, the adjustment to actual at fiscal year-end will make the projections more accurate on a year by year basis and be more reflective of each fund's participation in the expenditures.

- 2) Review the schedules and documents prepared by the Finance Director indicating an over-allocation to the City's enterprise funds in prior years. The period identified by the Finance Director has been determined to be fiscal year beginning July 1, 2010 through the fiscal year ended June 30, 2016.

## **Attachment A, continued—Agreed-Upon Procedures Engagement**

**Procedures and Findings:** The City's Finance Director prepared various schedules detailing the differences caused by prior year cost allocations. These schedules presented as Appendix B were validated and traced to entries recorded in the City's general ledger to establish the reliability of the schedules. The results indicated the following:

Upon tracing amounts recorded to the Water and Wastewater Funds, all amounts were accurate and traced to the schedules in Appendix B without exception.

Further tracing indicated amounts for use of City facilities had not been charged to either the Water or Wastewater Funds. The fixed assets to be transferred accounted for 25% of shared buildings to each of the two Enterprise Funds. The shared buildings to be proportionately transferred are City Hall, Town Hall and the Corporation Yard, all of which are utilized by Water and Wastewater personnel and operations. The amounts were recalculated and we are recommending the loan be reduced by a like amount for each fund or \$579,331 per fund.

We further recommend the City's overhead allocation allow for a "true up" at fiscal year end to account for actual results rather than a budgetary allocation. This will also aid in future budgets to reflect an estimate projected on actual amounts rather than budgetary estimates.

# Appendix B

---

Finance Director Prepared Schedules

| FY 10-11 SALARY & BENEFIT ALLOCATION PERCENTAGES |                                   |                                      |  |   |  |                           |
|--|-----------------------------------|--------------------------------------|--|---|--|---------------------------|
|  | Fund<br>Personnel<br>Expenditures | Salary &<br>Benefits<br>Allocation * | Sub-Total Fund<br>Salary & Benefit<br>Cost | Salary & Benefit<br>Cost Credited<br>to WW from Water | Sub-Total Fund<br>Salary & Benefit<br>Cost | % of<br>Allocated<br>Cost |
| GF   |                                   |                                      |  |   | 3,257,154                                  |                           |
| RDA  |                                   | 245,663                              | 245,663                                    |   | 245,663                                    | 12%                       |
| RDA Housing                                      |                                   | 77,146                               | 77,146                                     |   | 77,146                                     | 4%                        |
| Fleet  |                                   | 78,653                               | 78,653                                     |   | 78,653                                     | 4%                        |
| Water Enterprise                                 |                                   | 751,077                              | 751,077                                    | 240,372   | 991,449                                    | 38%                       |
| Wastewater Enterprise                            | 649,423                           | 404,943                              | 1,054,367                                  | (240,372)   | 813,996                                    | 41%                       |
| Gas Tax  |                                   | 35,768                               | 35,768                                     |   | 35,768                                     | 2%                        |
|  | 649,423                           | 1,593,250                            | 2,242,674                                  | (240,372)   | 2,002,302                                  | 100%                      |

|                        |              |
|------------------------|--------------|
| Total Budgeted Payroll | 5,259,456.00 |
| GF                     | 3,257,154.04 |

|                |         |           |           |   |           |
|----------------|---------|-----------|-----------|---|-----------|
| Revised Totals | 649,423 | 1,593,250 | 2,242,673 | - | 5,499,828 |
|----------------|---------|-----------|-----------|---|-----------|

#### Non-Salary General Fund Costs to be Allocated

(LINKED to Finance Master Exp WB)

|                   |         |
|-------------------|---------|
| Legal (50%)       | 65,000  |
| Council           | 20,300  |
| GF - City Manager | 4,550   |
| GF - City Clerk   | 6,360   |
| HR                | 11,300  |
| Finance           | 81,415  |
| Comm Dev          | 7,275   |
| Non-Dept          | 522,615 |
|                   | 718,815 |
| 13%               |         |
| Public Works      | 111,125 |
|                   | 829,940 |

**SALARY & BENEFIT ALLOCATION PERCENTAGES**

|                        |              |
|------------------------|--------------|
| Total Budgeted Payroll | 5,668,083.00 |
| GF                     | 3,537,637.97 |

|                       | Fund<br>Personnel<br>Expenditures | Salary &<br>Benefits<br>Allocation | Sub-Total Fund<br>Salary & Benefit<br>Cost | Salary & Benefit<br>Cost Credited<br>to WW from Water | Sub-Total Fund<br>Salary & Benefit<br>Cost | % of<br>Allocated<br>Cost | Revised % | True Up |
|-----------------------|-----------------------------------|------------------------------------|--|---|--|---------------------------|-----------|---------|
| GF                    |                                   |                                    |  |   | 3,537,638                                  |                           | 62%       |         |
| RDA                   |                                   | 267,438                            | 267,438                                    |   | 267,438                                    | 13%                       | 5%        |         |
| RDA Housing           |                                   | 80,299                             | 80,299                                     |   | 80,299                                     | 4%                        | 1%        |         |
| Fleet                 |                                   | 114,267                            | 114,267                                    |   | 114,267                                    | 5%                        | 2%        |         |
| Water Enterprise      |                                   | 462,148                            | 462,148                                    | 171,682   | 633,830                                    | 30%                       | 11%       | 159,870 |
| Wastewater Enterprise | 741,538                           | 464,755                            | 1,206,293                                  | (171,682)   | 1,034,611                                  | 49%                       | 18%       | 260,959 |
|                       | 741,538                           | 1,388,907                          | 2,130,445                                  | 0   | 2,130,445                                  | 100%                      |           |         |
| Revised Totals        | 741,538                           | 1,388,907                          | 2,130,445                                  | 0   | 5,668,083                                  |                           |           |         |

**Non-Salary General Fund Costs to be Allocated**

|   |           |
|---|-----------|
| Legal (total less \$30k)  | 170,000   |
| Council   | 7,200     |
| GF - City Manager   | 3,750     |
| GF - City Clerk   | 3,850     |
| HR  | 18,950    |
| Finance   | 71,400    |
| CDD   | 9,175     |
| Non-Dept (excluding transfers, OPEB<br>& PayGo Retiree Medical Costs) | 534,703   |
| GF Retiree Medical PayGo  | 819,028   |
| Public Works  | 173,350   |
|   | 135,038   |
|   | 1,127,416 |
| Retiree Medical Benefits  |           |
| OPEB FY11/12 Funding  | 231,000   |
| WW PayGo  | 71,238    |
|   | 302,238   |
|   | 1,429,654 |



**SALARY & BENEFIT ALLOCATION PERCENTAGES**

|                        |              |
|------------------------|--------------|
| Total Budgeted Payroll | 5,617,548.00 |
| GF                     | 3,495,029.15 |

|                       | Fund<br>Personnel<br>Expenditures | Salary &<br>Benefits<br>Allocation | Sub-Total Fund<br>Salary & Benefit<br>Cost | Salary & Benefit<br>Cost Credited<br>to WW from Wat | Sub-Total Fund<br>Salary & Benefit<br>Cost | % of<br>Allocated<br>Cost | Revised % | True Up |
|-----------------------|-----------------------------------|------------------------------------|--|---|--|---------------------------|-----------|---------|
| GF                    |                                   |                                    |  |   | 3,495,029                                  |                           | 62%       |         |
| CVSC                  |                                   | 51,604                             | 51,604                                     |   | 51,604                                     | 2.43%                     | 1%        |         |
| RDA                   |                                   | 189,269                            | 189,269                                    |   | 189,269                                    | 8.92%                     | 3%        |         |
| RDA Housing           |                                   | 71,666                             | 71,666                                     |   | 71,666                                     | 3.38%                     | 1%        |         |
| Fleet                 |                                   | 106,059                            | 106,059                                    |   | 106,059                                    | 5.00%                     | 2%        |         |
| Water Enterprise      |                                   | 492,069                            | 492,069                                    | 181,770   | 673,839                                    | 31.75%                    | 12%       | 182,912 |
| Wastewater Enterprise | 720,541                           | 491,311                            | 1,211,852                                  | (181,770)   | 1,030,082                                  | 48.53%                    | 18%       | 279,613 |
|                       | 720,541                           | 1,401,978                          | 2,122,519                                  | -   | 2,122,519                                  | 97.57%                    |           |         |
| Revised Totals        | 720,541                           | - 1,401,978                        | - 2,122,519                                | - -   | 5,617,548                                  | -                         | 1         |         |

**Non-Salary General Fund Costs to be Allocated**

|                                |           |
|--------------------------------|-----------|
| Legal                          | 160,000   |
| Council                        | 28,700    |
| GF - Admin                     | 48,450    |
| GF - City Clerk                | 4,360     |
| Finance                        | 13,350    |
| CDD                            | 16,950    |
| Public Works Admin             | 43,672    |
| Non-Dept (excluding transfers) | 1,209,388 |
|                                | 1,524,870 |

**SALARY & BENEFIT ALLOCATION PERCENTAGES**

|                        |              |
|------------------------|--------------|
| Total Budgeted Payroll | 6,087,026.00 |
| GF                     | 3,842,843.95 |

|                       | Fund<br>Personnel<br>Expenditures | Salary &<br>Benefits<br>Allocation | Sub-Total Fund<br>Salary & Benefit<br>Cost | Salary & Benefit<br>Cost Credited<br>to WW from W | Sub-Total Fund<br>Salary & Benefit<br>Cost | % of<br>Allocated<br>Cost | Revised % | True Up |
|-----------------------|-----------------------------------|------------------------------------|--|---|--|---------------------------|-----------|---------|
| GF                    |                                   |                                    |  |   | 3,842,484                                  |                           | 63%       |         |
| CVSC                  |                                   | 38,342                             | 38,342                                     |   | 38,342                                     | 1.71%                     | 1%        |         |
| RDA                   |                                   | 189,749                            | 189,749                                    |   | 189,749                                    | 8.46%                     | 3%        |         |
| RDA Housing           |                                   | -                                  | -  |   | -  | 0.00%                     | 0%        |         |
| Facilities Maint      |                                   | 79,515                             | 79,515                                     |   | 79,515                                     | 3.54%                     | 1%        |         |
| IT                    | 90,094                            | 10,999                             | 101,093                                    |   | 101,093                                    | 4.50%                     | 2%        |         |
| Fleet                 | 82,864                            | 22,763                             | 105,627                                    |   | 105,627                                    | 4.71%                     | 2%        |         |
| Water Enterprise      |                                   | 494,171                            | 494,171                                    | 178,375   | 672,546                                    | 29.97%                    | 11%       | 167,386 |
| Wastewater Enterprise | 735,974                           | 499,712                            | 1,235,686                                  | (178,375)   | 1,057,311                                  | 47.11%                    | 17%       | 263,147 |
|                       | 908,932                           | 1,335,251                          | 2,244,182                                  | -   | 2,244,182                                  | 98.29%                    |           |         |
| Revised Totals        | 172,958                           | 1,335,251                          | 2,244,182                                  | -   | 6,086,666                                  | 1                         |           |         |

**Non-Salary General Fund Costs to be Allocated**

|                                |           |
|--------------------------------|-----------|
| Legal                          | 160,000   |
| Council                        | 28,700    |
| GF - Admin                     | 48,450    |
| GF - City Clerk                | 4,360     |
| Finance                        | 13,350    |
| CDD                            | 16,950    |
| Public Works Admin             | 43,672    |
| Non-Dept (excluding transfers) | 1,199,388 |
|                                | 1,514,870 |

**SALARY & BENEFIT ALLOCATION PERCENTAGES**

|                        |              |
|------------------------|--------------|
| Total Budgeted Payroll | 6,193,091.00 |
| GF                     | 4,173,190.70 |

|                       | Fund<br>Personnel<br>Expenditures | Salary &<br>Benefits<br>Allocation | Sub-Total Fund<br>Salary & Benefit<br>Cost | Salary & Benefit<br>Cost Credited<br>to WW from Wat | Sub-Total Fund<br>Salary & Benefit<br>Cost | % of<br>Allocated<br>Cost | Revised % | True Up |
|-----------------------|-----------------------------------|------------------------------------|--|---|--|---------------------------|-----------|---------|
| GF                    |                                   |                                    |  |   | 4,173,191                                  |                           | 67%       |         |
| CVSC                  |                                   | -                                  | -  |   | -  | 0.00%                     | 0%        |         |
|                       |                                   |                                    |  |   |  | 0.00%                     | 0%        |         |
| RDA Housing           |                                   | -                                  | -  |   | -  | 0.00%                     | 0%        |         |
| Facilities Maint      |                                   | 82,249                             | 82,249                                     |   | 82,249                                     | 4.07%                     | 1%        |         |
| IT                    | 95,789                            | 18,859                             | 114,648                                    |   | 114,648                                    | 5.68%                     | 2%        |         |
| Fleet                 | 83,933                            | 21,376                             | 105,309                                    |   | 105,309                                    | 5.21%                     | 2%        |         |
| Water Enterprise      |                                   | 489,085                            | 489,085                                    | 178,034   | 667,119                                    | 34.75%                    | 11%       | 150,560 |
| Wastewater Enterprise | 722,272                           | 506,336                            | 1,228,608                                  | (178,034)   | 1,050,575                                  | 50.29%                    | 17%       | 237,101 |
|                       | 901,994                           | 1,117,906                          | 2,019,900                                  | -   | 2,019,900                                  | 100.00%                   |           |         |
| Revised Totals        | 901,994                           | - 1,117,906                        | - 2,019,900                                | - - -   | 6,193,091                                  | -                         | 1         |         |

**Non-Salary General Fund Costs to be Allocated**

|                                |           |
|--------------------------------|-----------|
| Legal                          | 177,000   |
| Council                        | 18,700    |
| GF - Admin                     | 59,750    |
| GF - City Clerk                | 4,875     |
| Finance                        | 16,250    |
| CDD                            | 17,600    |
| Public Works                   | 107,710   |
| Non-Dept (excluding transfers) | 1,005,812 |
|                                | 1,407,697 |
|                                | 1,397,697 |

**SALARY & BENEFIT ALLOCATION PERCENTAGES**

|                        |              |
|------------------------|--------------|
| Total Budgeted Payroll | 6,395,350.00 |
| GF                     | 4,378,384.16 |

|                       | Fund<br>Personnel<br>Expenditures | Salary &<br>Benefits<br>Allocation | Sub-Total Fund<br>Salary & Benefit<br>Cost | Salary & Benefit<br>Cost Credited<br>to WW from Wa | Sub-Total Fund<br>Salary & Benefit<br>Cost | % of<br>Allocated<br>Cost | Revised % | True Up |
|-----------------------|-----------------------------------|------------------------------------|--|--|--|---------------------------|-----------|---------|
| GF                    |                                   |                                    |  |  | 4,378,384                                  |                           | 68%       |         |
| CVSC                  |                                   | -                                  | -  |  | -  | 0.00%                     | 0%        |         |
|                       |                                   |                                    |  |  |  | 0.00%                     | 0%        |         |
| RDA Housing           |                                   | -                                  | -  |  | -  | 0.00%                     | 0%        |         |
| Facilities Maint      |                                   | 80,575                             | 80,575                                     |  | 80,575                                     | 3.99%                     | 1%        |         |
| IT                    | 98,539                            | 27,740                             | 126,279                                    |  | 126,279                                    | 6.26%                     | 2%        |         |
| Fleet                 | 86,570                            | 23,296                             | 109,866                                    |  | 109,866                                    | 5.45%                     | 2%        |         |
| Water Enterprise      |                                   | 464,078                            | 464,078                                    | 183,768  | 647,846                                    | 33.84%                    | 10%       | 148,058 |
| Wastewater Enterprise | 755,570                           | 480,598                            | 1,236,168                                  | (183,768)  | 1,052,400                                  | 50.46%                    | 16%       | 240,515 |
|                       | 940,679                           | 1,076,287                          | 2,016,966                                  | -  | 2,016,966                                  | 100.00%                   |           |         |
| Revised Totals        | 940,679                           | 1,076,287                          | 2,016,966                                  | -  | 6,395,350                                  |                           |           |         |

**Non-Salary General Fund Costs to be Allocated**

|  |           |
|--|-----------|
| Legal  | 170,000   |
| Council                                      | 10,000    |
| GF - Admin                                   | 48,930    |
| GF - City Clerk                              | 5,425     |
| Finance                                      | 33,200    |
| CDD  | 7,800     |
| Public Works                                 | 162,642   |
| Non-Dept (excluding transfers & allocations) | 1,033,591 |
|  | 1,471,588 |
|  | 1,461,588 |