

RESOLUTION NO. ____-2016

RESOLUTION OF THE FORT BRAGG CITY COUNCIL

and

RESOLUTION NO. ID ____-2016

RESOLUTION OF THE FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT BOARD

**APPROVING IMPLEMENTATION OF CORRECTIVE ACTION PLAN TO ADDRESS PRIOR
YEAR COST ALLOCATION ERRORS**

WHEREAS, while developing the FY 2016-17 budget, an accounting error was discovered that, in prior years, resulted in an over-allocation of non-personnel overhead costs from the General Fund to the Water and Wastewater Enterprises; and

WHEREAS, at the May 25, 2016 budget workshop, the Fort Bragg City Council/ Fort Bragg Municipal Improvement District Board directed staff to determine the extent of the over-allocation with the intent that the General Fund repay the Enterprise Funds; and

WHEREAS, City staff determined that the error began in FY 2011 and, since then, resulted in a total over-allocation in the amount of \$3,345,767; and

WHEREAS, the City's external auditors, JJACPA Inc., reviewed staff's determination and issued an Agreed Upon Procedures Report including findings and recommendations; and

WHEREAS, the City's external auditors, JJACPA Inc., found a second allocation error that resulted in an under-allocation of facility costs from the General Fund to the Water and Wastewater Enterprises; and

WHEREAS, on October 25, 2016, the Finance & Administration Committee reviewed the Agreed Upon Procedures Report and the proposed corrective action plan and recommended that the plan be implemented.

NOW, THEREFORE, BE IT RESOLVED that the Fort Bragg City Council and Fort Bragg Municipal Improvement District Board, do hereby approve the corrective action plan to address prior year cost allocation errors; and

BE IT FURTHER RESOLVED that the corrective actions are comprised of: (1) transferring \$2,000,000 in cash from the General Fund to the Enterprise Funds; (2) transferring \$1,158,662 in fixed assets from the General Fund to the Enterprise Funds; and (3) executing an interfund loan between the General Fund and Wastewater Enterprise Fund in the amount of \$187,105 at an annual rate of .55% and a term of 5 years, to be effective July 1, 2017.

The above and foregoing Resolution was introduced by Council/Board Member _____, seconded by Council/Board Member _____, and passed and adopted at a regular meeting of the City Council of the City of Fort Bragg/District Board of the Fort Bragg Municipal Improvement District No. 1 held on the 28th day of November, 2016, by the following vote:

**AYES:
NOES:
ABSENT:
ABSTAIN:
RECUSED:**

**DAVE TURNER,
Mayor/Chair**

ATTEST:

**June Lemos
City Clerk/District Clerk**