

CITY OF MODESTO

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

**FOR THE YEAR ENDED
JUNE 30, 2019**



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

To the Honorable City Council
City of Modesto, California

We have performed the procedures enumerated below to the accompanying calculation of the Appropriation Limit of the City of Modesto, California (the City) for the year ended June 30, 2019. These procedures, which were agreed to by the City and recommended by the California Committee on Municipal Accounting (CCMA) (as presented in the CCMA White Paper entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*) 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.

The sufficiency of these procedures is solely the responsibility of those parties specified in this 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.

The procedures and associated findings are as follows:

- 1) We obtained the City's calculation of the June 30, 2019 appropriations limit and compared the limit and annual adjustment factors included in the calculation to the limit and annual adjustment factors that were adopted by the resolution of the City Council. We also compared the population and inflation factors included in the aforementioned worksheet to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

- 2) For the accompany calculation, we added last year's limit to the total adjustments and compared the resulting amount to this year's limit.

Finding: No exceptions were noted as a result of our procedures.

- 3) We compared the current year information used to determine the current year limit to the appropriations limit calculation prepared by the City and to the information provided by the State Department of Finance.

Finding: As a result of our procedures we found the City used the inflation factor as based on the prior year cost of living increase rather than the current year cost of living increase, as determined by the percentage change in per capita personal income for California. The calculation was done using an inflation factor of 1.0369, as opposed to the correct inflation factor of 1.0367. The result was a miscalculation of the 2019 appropriations limit being overstated by approximately \$85k. The correct appropriations limit calculation for fiscal year 2019 should have been \$448,031,054, as compared to the City calculated limit of \$448,116,876. The City has since corrected the calculation and updated the appropriations limit as adopted for 2019 to properly recalculate the 2020 appropriations limit.

- 4) We compared the prior year appropriations limit calculation presented in the accompanying appropriations limit calculation to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion, on the accompanying 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 use of the City Council and City's management and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
November 6, 2019

**CITY OF MODESTO
 APPROPRIATIONS LIMIT CALCULATION
 FOR THE YEAR ENDED JUNE 30, 2019**

Appropriations Limit, fiscal year 2018, as adopted		<u>\$ 429,107,417</u>
Adjustment Factors:		
Inflation factor, as adopted (1)		1.0369
Population factor, as adopted (2)	x	<u>1.0071</u>
Calculation of factor FY 18-19		<u>1.0443</u>
Annual adjustment in dollars		<u>19,009,459</u>
Appropriations limit, fiscal year 2019, as adopted		<u><u>\$ 448,116,876</u></u>

(1) The inflation factor is based on the current year cost of living increase, as determined by the percentage change in per capita personal income for California. The inflation factor was provided by the State of California’s Department of Finance.

(2) The population factor is based on the annual change in the City of Modesto’s population, for the calendar year preceding the beginning of the fiscal year for which the appropriations limit is to be determined. The population factor was provided by the State of California’s Department of Finance.

In accordance with the requirements of Title II of the Americans with Disabilities Act (“ADA”) of 1990, the Fair Employment & Housing Act (“FEHA”), the Rehabilitation Act of 1973 (as amended), Government Code section 11135 and other applicable codes, the City of Modesto (“City”) will not discriminate against individuals on the basis of disability in the City’s services, programs, or activities. For more information, please visit the City of Modesto website at <https://www.modestogov.com/865/Americans-with-Disabilities-Act-ADA>