

**AGREED-UPON PROCEDURES APPLIED TO
THE APPROPRIATIONS LIMITATION
PRESCRIBED BY ARTICLE XIII-B OF THE
CALIFORNIA CONSTITUTION**

**A CCMA WHITE PAPER
FOR
CALIFORNIA
LOCAL GOVERNMENTS**

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INTRODUCTION

Scope and Limitations: This CCMA White Paper summarizes and does not contain all of the information contained in AT-C Section 215, *Agreed-Upon Procedures Engagements*. Readers should look to the full text of the AT-C Section 215 to fully understand the details of their responsibilities. Local governments and their auditors must apply their own professional judgment to determine if information in this CCMA White Paper is appropriate for their facts and circumstances and must ultimately draw their own conclusions as to the proper application of the Statement on Standards for Attestation Engagements (SSAE) No. 19.

Disclaimer: This California Committee on Municipal Accounting White Paper is not authoritative guidance. The views expressed in this White Paper are not official positions of the GASB, the AICPA, the CalCPA or the League of California Cities. Official positions of the GASB and the AICPA are reached only after extensive due process and deliberations. Professional judgment is required.

Introduction to this White Paper: 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. In 1991, the League of California Cities presented in a publication entitled *Article XIII-B Appropriations Limitation Uniform Guidelines* an example of the wording recommended by the League to be used to report on the performance of these procedures. In 1997 the report language in the white paper was revised for changes in the auditing standards for such engagements. The purpose of this white paper is to again revise the prescribed reporting for such engagements to conform to changes in the auditing standards and attestation standards for such engagements that became effective in 2021.

BACKGROUND AND AUTHORITATIVE REFERENCES

In September 1995, the AICPA's Auditing Standards Board issued SAS No. 75, *Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement*. This auditing standard addressed the proper wording for engagements to perform agreed-upon procedures that were applied to the elements of a financial statement, including the accounting records that underlie such financial statements. On the other hand, agreed-upon procedure engagements applied to *nonfinancial* subject matter or assertions were required to be performed under the attestation standards (i.e., SSAE No. 3, etc.), rather than the auditing standards (i.e., SAS 75, etc.). In January 2001, the AICPA's Auditing Standards Board issued SSAE No. 10, *Attestation Standards: Revision and Recodification*, which, in part, amended the attestation standards to remove the requirement for a *written* assertion as a condition of performance for agreed-upon procedures engagements under the attestation standards. With the removal of this requirement, the AICPA's Auditing Standards Board also issued SAS No. 93, *Omnibus Statement on Auditing Standards*, which, in part, rescinded SAS No. 75. This was done in order to consolidate the guidance applicable to agreed-upon procedures engagements under the professional standards. Those standards were superseded by SSAE No. 19, issued in December 2019. The effective date is for reports dated on or after July 15, 2021 with earlier application permitted.

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Applicability of AT-C Section 215 (SSAE No. 19) to Financial Data Derived from Accounting Records

Paragraph .02 of AT-C Section 215 states:

An agreed-upon procedures engagement is an attestation engagement in which a practitioner performs specific procedures on subject matter and reports the findings without providing an opinion or conclusion. The subject matter may be financial or nonfinancial information. Because the needs of an engaging party may vary widely, the nature, timing, and extent of the procedures may vary, as well.

Conclusions

Based upon these definitions, it is clear that AT-C Section 215 (SSAE No. 19) would apply to the reporting associated with the agreed-upon procedures applied to a local government's computation of its statutory appropriation limitation. Accordingly, the accompanying example has been provided to illustrate the appropriate wording to use to report the results of agreed-upon procedures applied to the appropriation limit of a local governmental unit using the language specified by AT-C Section 215 (SSAE No. 19).

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City Council
City of XYZ, California

Independent Accountants' Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below to the accompanying Appropriations Limit worksheet No. 6 (or other alternative computation) of the City of XYZ, California for the year ended June 30, 202X. The management of the City is responsible for the Appropriations Limit worksheet No. 6 (or other alternative computation).

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of meeting the requirements set forth in Section 1.5 of Article XIII B of the California Constitution. These procedures, which were suggested by the League of California Cities and presented in the publication entitled *Agreed-Upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*, were performed solely to assist you in meeting the requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings were as follows:

1. We obtained the completed worksheets No. 1 through No. 7 (or other alternative computations) 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: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet No. 6, we added line A, last year's limit, to line E, total adjustments, and compared the resulting amount to line F, this year's limit.

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

3. We compared the current year information presented in the accompanying Appropriations Limit worksheet No. 6 to the other worksheets described in No. 1 above.

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

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet No. 6 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.

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We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet No. 6 (or other alternative computation). Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be 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.

Firm's signature

Firm's City

[Date of opinion on City financial statements]