

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the City of Burbank (the City) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter dated June 4, 2019 and in our planning letter dated June 4, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of other existing policies was not changed during the year ended June 30, 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the City's financial statements are as follows:

- a. Management's estimate of the fair value of investments is based on quoted prices in active markets. When quoted prices in active markets are not available, fair values are based on evaluated prices received by the City from a third party service provider.
- b. Management's estimate of the value of capital assets (infrastructure assets) is based on industry standards.
- c. Management's estimate of useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

## **Significant Audit Findings (Continued)**

### *Qualitative Aspects of Accounting Practices (Continued)*

#### Sensitive Estimates (Continued)

- d. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.
- e. The actuarially determined contributions, OPEB expense, net OPEB liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by a third-party actuary.
- f. The claims liability for worker's compensation and general liabilities are based on estimates by the claims administrator.
- g. The liability for landfill closure and post-closure care costs are based on estimates by City's public works department.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were reported in Note 8 regarding landfill closure and post-closure care costs, Note 15 regarding the claims payable, Note 17 regarding the defined benefit pension plans, Note 18 regarding the City's other post-employment benefit plans, and Note 20 regarding the restatement of net position and fund balances.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Significant Audit Findings (Continued)**

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 19, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Matters**

We applied certain limited procedures to management’s discussion and analysis, the defined benefit pension plans’ schedules of changes in the net pension liability and related ratios and the schedules of contributions, and the other post-employment benefit plans’ schedules of changes in the net OPEB liability and related ratios and the schedules of contributions, which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund financial statements and budget and actual schedules of revenues, expenditures and changes in fund balances (supplementary information), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the introductory section and statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

**Restriction on Use**

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

*White Nelson Dick Evans LLP*

Irvine, California  
November 19, 2019

Attachment

Account		Description	Debit	Credit
<b>Passed Journal Entries</b>				
<b>Passed Journal Entries JE # 301</b>				
KNOWN: To adjust cutoff based on search for unrecorded liabilities.				
483-63165-0000	Maintenance of electric equipment	147,064.00		
496-20000-0000	Accounts payable	147,067.00		
537-20000-0000	Accounts payable	290,920.00		
483-20000-0000	Accounts payable			147,064.00
496-62316-0000	Software & hardware			147,067.00
537-62316-0000	Software & hardware			290,920.00
<b>Total</b>		<b>585,051.00</b>		<b>585,051.00</b>
<b>Passed Journal Entries JE # 302</b>				
KNOWN: To place completed project into service.				
GASB 34	Equipment	596,625.00		
GASB 34	Construction in Progress			596,625.00
		<b>596,625.00</b>		<b>596,625.00</b>