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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City Council
City of Burbank
Burbank, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burbank, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, as described below, that we consider to be significant deficiencies.

Unidentified Receivables

Auditors' Comment and Recommendation

During our year-end audit procedures, we noted that the balances reported in the utility billing reports were lower than the balances reported in the general ledger. Upon a review of this difference, the City determined that a significant portion of the balance was not collectable, resulting in a significant audit adjustment. We recommend that the City review its closing procedures over reconciling account balances to ensure that detailed schedules for all significant account balances are reconciled to the general ledger and estimates for uncollectable balances are recorded, where applicable.

Management's Response

The City agrees with the finding. In light of the COVID-19 pandemic, it was reasonable to have a larger allowance for uncollectible accounts. Burbank Water and Power is in the process of reconciling the aforementioned account balances and will review its procedures to ensure that significant account balances are reconciled to the general ledger and estimates for uncollectable balances are recorded in a timely manner.

Supervision of Closing Procedures

Auditors' Comment and Recommendation

Multiple auditor proposed journal entries were recorded based on procedures performed during our audit. These adjustments included entries to adjust accrued expenses in the electric and water funds and to move completed construction projects to a completed capital asset category in the water fund. Additionally, during our review of cutoff procedures over accounts receivable, we noted that a significant balance was recorded to the incorrect fiscal year for the general liability insurance fund. We recommend that the City review its closing procedures for reviewing the general ledger for balances before the start of the audit to reduce the number of auditor proposed journal entries. Further, we recommend that the finance department review cutoff determinations made by departments against applicable generally accepted accounting principles (GAAP) to ensure that cutoff determinations made outside of the finance department are in accordance with GAAP.

Management's Response

The City agrees with the above findings. It should be noted, however, that the adjustments to accrued expenses were not of significant value and the moving of completed construction projects had no impact on the total capital assets reported on the Statement of Net Position or on the Statement of Revenues, Expenses, and Changes in Fund Net Position. Burbank Water and Power will modify its practice to include more frequent reviews of construction in progress projects, in order to improve the timeliness of capitalization.

The audit identified one accounts receivable transaction within the General Liability Insurance Fund that was recorded to the incorrect fiscal year. The City will continue to work closely with the other departments to ensure that all revenues and expenses are recorded in the proper time period and in accordance with GAAP. The City will also review its closing procedures for year-end analysis of general ledger balances in an effort to reduce auditor proposed journal entries going forward.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

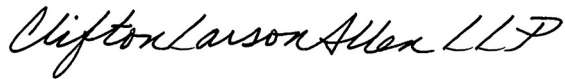
City's Responses to Findings

The City's responses to the findings identified in our audit are described above. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Irvine, California
November 10, 2020