

CITY OF BURBANK, CALIFORNIA
SINGLE AUDIT OF FEDERAL AWARDS
JUNE 30, 2014

CITY OF BURBANK, CALIFORNIA

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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, 2014, 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 24, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency noted in the accompanying schedule of findings and questions costs described as Finding Number 2014-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

In addition, we noted certain matters that we have reported to management and the City Council in a separate letter dated November 24, 2014.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

White Nelson Nick Evans LLP

Irvine, California
November 24, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

City Council
City of Burbank
Burbank, California

Report on Compliance for Each Major Federal Program

We have audited the City of Burbank's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited 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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 24, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

White Nelson Dick Evans LLP

Irvine, California
November 24, 2014

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

CITY OF BURBANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2014

Federal Grantor / Pass - Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursement to Subrecipient
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants - Entitlement Grant	14.218	B-12-BC-06-0513	\$ 1,122,975	\$ -
		M-11-MC-06-0504		
		M-12-MC-06-0504		
		M-13-MC-06-0504		
HOME Investment Partnerships Program	14.239	M-14-MC-06-0504	1,420,758	-
Section 8 - Housing Assistance - Voucher Program	14.871	CA105VO	8,864,676	-
Total U.S. Department of Housing and Urban Development			<u>11,408,409</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Please provide	15,080	-
		Please provide	18,128	-
			<u>33,208</u>	<u>-</u>
Total U.S. Department of Justice			<u>33,208</u>	<u>-</u>
<u>U.S. Department of Labor</u>				
Passed through the State of California Employment Development Department:				
Local Workforce Investment Area	17.258	Catalog 417260	82,655	-
<u>U.S. Department of Transportation</u>				
Passed through State of California Department of Transportation:				
Highway Planning and Construction	20.205			
Safe Routes to Schools - Near Schools		SRTSL 5200(026)	744,195	
Phase II of Burbank Channel Bikeway Path		CML-2500(046)	163,387	
Buena Vista/Vanowen RR Crossing		STPLH 5200(021)	97,827	-
HSIP Cycle #3 – Verdugo at Parish and Keystone		HSIPL 5200(039)	36,002	-
STPL -- Victory Buena Vista to Mariposa		STPL 5200(042)	30,555	-
Total U.S. Department of Transportation			<u>1,071,966</u>	<u>-</u>

(Continued)

See Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 through 5) and Notes to Schedule of Expenditures of Federal Awards (pages 8 and 9).

CITY OF BURBANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2014

Federal Grantor / Pass - Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursement to Subrecipient
<u>U.S. Department of Health and Human Services</u>				
Passed through the Los Angeles County Area Agency on Aging - Special Programs for the Aging: Aging Cluster:				
Title III, Part B - Grants for supportive services and senior centers	93.044	CK 40280	\$ 250	\$ -
Title III, Part C1-Congregate Nutrition	93.045	CK 40280	137,634	-
Title III, Part C2-Home Delivered Meals		CK 40280	151,676	-
			<u>289,310</u>	<u>-</u>
Nutrition Services Incentive	93.053	CK 40280	43,986	-
Total U.S. Department of Health and Human Services			<u>333,546</u>	<u>-</u>
<u>Corporation for National and Community Service</u>				
Direct Program:				
Retired Seniors Volunteers Program	94.002	440P034/19	44,519	-
<u>U.S. Department of Homeland Security</u>				
Passed through the City of Los Angeles:				
Urban Area Security Initiative (UASI) 2013	97.008	UASI 13 - C120805	547	-
Urban Area Security Initiative (UASI) 2012	97.008	UASI 12 - C120805	214,950	-
Urban Area Security Initiative (UASI) 2011	97.008	UASI 11 - C120805	163,917	-
			<u>379,414</u>	<u>-</u>
State Homeland Security Grant (SHSGP) 2012	97.067	2011-2012	15,000	-
Total U.S. Department of Homeland Security			<u>394,414</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 13,368,717</u>	<u>\$ -</u>

See Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 through 5) and Notes to Schedule of Expenditures of Federal Awards (pages 8 and 9).

CITY OF BURBANK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2014

1. GENERAL:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Burbank (the City). The City's reporting entity is defined in Note 1 of the notes to the City's financial statements. All financial assistance received directly from federal agencies and federal financial assistance passed through other government agencies to the City is included in the accompanying schedule.

2. BASIS OF ACCOUNTING:

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in the Note 1 of the notes to the City's financial statements.

3. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree to amounts reported within the City's Comprehensive Annual Financial Report.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying schedule agree with amounts reported in federal financial reports.

5. CONTINGENCIES:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

See Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 through 5) and the Schedule of Expenditures of Federal Awards (pages 6 and 7).

CITY OF BURBANK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2014

6. FEDERALLY FUNDED LOANS:

The City administers loans, primarily deferred loans, made from funds provided by the following federal programs:

<u>Federal Programs</u>	<u>Loans Expended During the Year Ended June 30, 2014</u>	<u>Loans Outstanding as of June 30, 2014</u>
Community Development		
Block Grant		
CFDA #14.218	\$ -	\$ 2,478,285
HOME Investment		
Partnership Program		
CFDA #14.239	\$ 1,299,874	\$ 9,595,008

See Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 through 5) and the Schedule of Expenditures of Federal Awards (pages 6 and 7).

CITY OF BURBANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2014

1. Summary of Auditors' Results:

Financial Statements

Type of auditor's report issued:

- Unmodified

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiency identified? yes none reported

Noncompliance material to financial statements noted: yes no

Federal Awards:

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiency identified? yes none reported

Type of auditor's report issued on compliance for major programs:

- Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

yes no

Identification of major programs:

CFDA Number

14.239
14.871

Name of Federal Program or Cluster

HOME Investment Partnership Program
Section 8 - Housing Assistance - Voucher Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 401,062

Auditee qualified as low-risk auditee?

yes no

See 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* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 5).

CITY OF BURBANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2014

2. FINDINGS RELATING TO FINANCIAL STATEMENTS:

MATERIAL WEAKNESS

Finding Number 2014-01

Condition

The City, including the Successor Agency, a private purpose trust fund of the City, did not properly record long-term debt and investments related to pledged bonds.

Criteria

The City is required to produce financial statements that are free of material misstatements.

Cause

The City did not have a thorough understanding of the transactions related to the pledged bonds.

Effect

The City's financial statements as of June 30, 2013 were misstated due to the following:

- In 2011, the 2007 Series A Revenue Bonds were incorrectly transferred from the Public Financing Authority Fund to a former redevelopment agency fund.
- In 2003, the City did not correctly account for the investments in pledged bonds, which resulted in the understatement of investments in pledged bonds.
- In 2007, the 2003 Subordinate bonds were incorrectly removed from a former redevelopment agency fund.

The above misstatements resulted in a restatement of the net position of the governmental activities and business-type activities, the fund balance of the Public Financing Authority Debt Service Fund, the net position of the Electric Utility Enterprise Fund and the net position of the Successor Agency Private Purpose Trust Fund at July 1, 2013.

See 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* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 5).

CITY OF BURBANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2014

2. FINDINGS RELATING TO FINANCIAL STATEMENTS (CONTINUED):

MATERIAL WEAKNESS (CONTINUED):

Finding Number 2014-01 (Continued)

Recommendation

We recommend that the City implement procedures and processes to document unusual and/or significant transactions. Detailed documentation for unusual and/or significant transactions should be required and should include a conclusion on how such transactions are to be recorded and disclosed in the financial statements. In addition, the transactions should be reviewed and approved by an appropriate city employee before they are recorded.

Management Response

Management has current procedures in place to note significant transactions that take place during the year in order to fully review and discuss the proper recording with the City Auditors. The review of this bond was initiated not only through regular audit procedures but through Management's disclosure of the purchase of pledged bonds which occurred during the fiscal year. Management is strongly committed to providing accurate and reliable financial statements. Management's current practice is to note all significant transactions and confirm the appropriate accounting treatment with the auditors. Management will review this established procedure with all accounting personnel to help insure compliance in the future.

3. FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARDS:

None noted.

See 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* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 5).

CITY OF BURBANK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2014

There were no findings or questioned costs reported for the year ended June 30, 2013.

See 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* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 5).