

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, 2016. 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 in our engagement letter dated May 10, 2016 and in our planning letter to you dated May 10, 2016. 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 City are described in Note 1 to the financial statements. As discussed in Note 1N to the financial statements, in fiscal year 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application". GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of GASB Statement No. 72. No other accounting policies were adopted and the application of other existing policies was not changed during the year ended June 30, 2016. 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.

## Significant Audit Findings (Continued)

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

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.
- 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. Management's estimate of the City's Other Post-Employment Benefit Plan's actuarial accrued liability which impacts the annual required contributions are based upon several key assumptions that are set by management with the assistance of an independent third party actuary. These key assumptions include anticipated investment rate of return, health care cost trends, projected salary increases, mortality and certain amortization periods.
- 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, Note 20 regarding the recent changes in legislation affecting California Redevelopment Agencies and Note 21 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.

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

### *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.

The following material misstatements detected as a result of audit procedures were corrected by management:

- a. An adjustment to offset a receivable with a corresponding deposit liability in the Electric Utility Enterprise Fund.
- b. An adjustment to reduce deposit liability in the Water Utility Enterprise Fund to recognize revenue related to a completed project.
- c. An adjustment to reduce construction in progress in the Electric and Water Utility Enterprise Funds to transfer completed projects to capital assets.

### *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.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 23, 2016.

### *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 schedule of funding progress - other post-employment benefit plans, 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 Dickel Evans LLP*

Irvine, California  
November 23, 2016

Client: **BUR003 - BURBANK, CITY OF**  
Engagement: **2016 Audit - City of Burbank**  
Period Ending: **6/30/2016**  
Trial Balance: **2999.99 - Trial Balance Database**  
Workpaper: **1250.07 - Schedule of Uncorrected Misstatements**

Account	Description	Debit	Credit
<b>Passed Journal Entries JE # 301</b>			
To reclass CIP projects that have been completed at 6/30/16.			
534-16506-0000	Interfund asset transfer	373,400.00	
701-37000-0000	Investment in general fixed assets	373,400.00	
534-15032-0000	Infrastructure-work in progress		373,400.00
701-16506-0000	Interfund asset transfer		373,400.00
<b>Total</b>		<b><u>746,800.00</u></b>	<b><u>746,800.00</u></b>
<b>Passed Journal Entries JE # 303</b>			
To waive recognizing revenue for APP deposits that expired			
001-21016-1000	Art in public places	211,701.00	
001-41011-1006	Miscellaneous licenses and permits		211,701.00
<b>Total</b>		<b><u>211,701.00</u></b>	<b><u>211,701.00</u></b>