

# Communication with Those Charged with Governance



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To the Honorable City Council  
of the City of Glendale  
Glendale, 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 Glendale, California (the City), as of and for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our planning letter to you dated May 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *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. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2020. 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 were as follows:

- a. Management's estimate of the fair market value of investments is based on quoted prices in an active market. When quoted prices in active markets are not available, fair values are based on evaluated prices received by the City's broker or custodian.
- b. The estimated useful lives of capital assets for depreciation purposes are based on industry standards.

## Significant Audit Findings (Continued)

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

- c. 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.
- d. The other post-employment benefit plan (OPEB) expense, total OPEB liability, and corresponding deferred outflows of resources and deferred inflows of resources for the City's OPEB plan are based on 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, healthcare cost trends, mortality, and certain amortization periods.
- e. Management's estimate of the sick leave conversion related expense and liability related to the City's Retiree Health Savings Plan is based on actuarial valuation provided by a third-party actuary.
- f. Management's estimate of claims payable liabilities related to general liability and workers' compensation claims is based on actuarial valuations.
- g. The liability for landfill post-closure care costs is based on estimates by the LA County Sanitation District.

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 as follows:

- a. Note 1 regarding Retiree Health Savings Plan
- b. Note 8 regarding the CalPERS defined benefit plans and PARS supplementary retirement plan
- c. Note 9 regarding the City's OPEB plan
- d. Note 11 regarding claims payable
- e. Note 12 regarding landfill closure and post-closure care costs
- f. Note 18 regarding restatement of fund balance and net position

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. Prior-period adjustment was recorded to remove insurance policy amounts from cash with fiscal agent in the Successor Agency Private-Purpose Trust Fund.
- b. Prior-period adjustment was recorded to eliminate unavailable revenues related to loans receivable from the Glendale Successor Agency in the General Fund and a transfer of 20% of the loans receivable balance to the Low and Moderate Income Housing Asset Fund.
- c. An adjustment was made to recognize Redevelopment Property Tax Trust Fund (RPTTF) property tax revenue earned, instead of recording an unearned revenue liability, during the year ended June 30, 2020, in the Glendale Successor Agency Private-Purpose Trust Fund.

### *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 30, 2020.

### *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

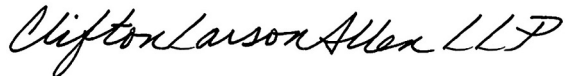
We applied certain limited procedures to the Management's Discussion and Analysis, Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Pension Plan Contributions, and Schedule of Changes in Total OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplements the basic 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 and individual non-major fund financial statements and budget to 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 financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## Restriction on Use

This information 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.

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

**CliftonLarsonAllen LLP**

Irvine, California  
November 30, 2020

**City of Glendale**  
**Waived Adjusting Journal Entries**  
**June 30, 2020**

DESCRIPTION	<u>DEBIT (CREDIT)</u>				
	ASSET	LIABILITY	NET POSITION	REVENUE	EXPENSE
<b>Government-Wide Waived Adjusting Journal Entries:</b>					
<b>Governmental Activities</b>					
<i>To reverse accrual of prepayment of pension contributions</i>					
Wages and benefits payable		1,493,633			
Pension expense					(1,493,633)
<i>To record prior period adjustment related to unearned revenues</i>					
Revenue from other agencies				(1,026,903)	
Interest income				(17,846)	
Fund balance			1,044,749		
<i>To record prior period adjustment related to interest receivable</i>					
Interest income				(256,400)	
Fund balance			256,400		
<i>To adjust fleet inventory balance</i>					
Inventory	123,954				
General supplies					(123,954)
	<u>123,954</u>	<u>1,493,633</u>	<u>1,301,149</u>	<u>(1,301,149)</u>	<u>(1,617,587)</u>
<b>Business-Type Activities</b>					
<i>To reverse accrual of prepayment of pension contributions</i>					
Wages and benefits payable		1,071,977			
Pension expense					(1,071,977)
	<u>-</u>	<u>1,071,977</u>	<u>-</u>	<u>-</u>	<u>(1,071,977)</u>

**City of Glendale**  
**Waived Adjusting Journal Entries**  
**June 30, 2020**

DESCRIPTION	<u>DEBIT (CREDIT)</u>				
	ASSET	LIABILITY	NET POSITION	REVENUE	EXPENSE
<b>Fund FS Waived Adjusting Journal Entries:</b>					
<b>General Fund</b>					
<i>To reverse accrual of prepayment of pension contributions</i>					
Wages and benefits payable		1,195,924			
Pension expense					(1,195,924)
	-	1,195,924	-	-	(1,195,924)
<b>Sewer Utility Fund</b>					
<i>To reverse accrual of prepayment of pension contributions</i>					
Wages and benefits payable		57,742			
Pension expense					(57,742)
	-	57,742	-	-	(57,742)
<b>Electric Utility Fund</b>					
<i>To reverse accrual of prepayment of pension contributions</i>					
Wages and benefits payable		636,581			
Pension expense					(636,581)
	-	636,581	-	-	(636,581)
<b>Water Utility Fund</b>					
<i>To reverse accrual of prepayment of pension contributions</i>					
Wages and benefits payable		139,082			
Pension expense					(139,082)
	-	139,082	-	-	(139,082)
<b>Other Governmental Funds</b>					
<i>To record prior period adjustment related to unearned revenues</i>					
Revenue from other agencies				(1,026,903)	
Interest income				(17,846)	
Fund balance			1,044,749		
<i>To reverse accrual of prepayment of pension contributions</i>					
Wages and benefits payable		536,281			
Pension expense					(536,281)
<i>To record prior period adjustment related to interest receivable</i>					
Interest income				(256,400)	
Fund balance			256,400		
<i>To adjust fleet inventory balance</i>					
Inventory	123,954				
General supplies					(123,954)
	123,954	536,281	1,301,149	(1,301,149)	(660,235)