

**CITY OF GLENDALE,  
CALIFORNIA**

**SINGLE AUDIT REPORT**

**JUNE 30, 2007**



**CITY OF GLENDALE**  
**SINGLE AUDIT REPORT**

**JUNE 30, 2007**

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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***

To the Honorable Mayor and  
Members of the City Council and Audit Committee  
Glendale, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Glendale, California (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 21, 2007. We conducted our audit in accordance with 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-01 through 2007-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

We noted certain matters that we reported to management of the City of Glendale in a separate letter dated November 21, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Audit Committee, the Honorable Mayor and Members of the City Council, management of the City of Glendale, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinik, Turre, Day & Co., LLP*

Rancho Cucamonga, California  
November 21, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL  
OVER COMPLIANCE, AND SCHEDULE OF FEDERAL IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and  
Members of the City Council and Audit Committee  
City of Glendale, California

**Compliance**

We have audited the compliance of the City of Glendale, California, (the City) with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of the City's major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

## **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Glendale as of and for the year ended June 30, 2007, and have issued our report thereon dated November 21, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We noted certain matters that we reported to management of the City of Glendale in a separate letter dated January 21, 2008.

This report is intended solely for the information and use of the Audit Committee, the Honorable Mayor and Members of the City Council, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinek, Tami, Day & Co., LLP*

Rancho Cucamonga, California  
January 21, 2008



**CITY OF GLENDALE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Entity or Grant Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Pass-through Los Angeles County Department of Community and Senior Citizens Services: Food Distribution Program	10.570	CK42141	\$ 25,468
<b>Total U.S. Department of Agriculture</b>			<b>25,468</b>
<b>U.S. Department of Health and Human Services</b>			
Pass-through Los Angeles County Department of Community and Senior Citizens Services: Aging Cluster			
Special Programs for the Aging - Title VII	93.042	CK42350	72,360
Special Programs for the Aging-Title III, Part B	93.044	CK42141	906
Special Programs for the Aging-Title III, Part C	93.045	CK42141	179,413
Total Aging Cluster			<u>252,679</u>
CalWORKs Youth Program	93.556	20133	<u>112,127</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>364,806</b>
<b>U.S. Department of Housing and Urban Development:</b>			
Direct Programs:			
Home Investment Partnership Act	14.239	M-06-MC-06-0512	3,507,463
Community Development Block Grant Entitlement Program	14.218	B-06-MC-06-0518	4,627,853
Emergency Shelter Grants Program	14.231	S-06-MC-06-0518	147,799
Supportive Housing Program-WCC Assistance for Families	14.235	CA16B11-2005	13,841
Supportive Housing Program-Project Achieve Supportive Housing	14.235	CA16B21-2001	128,181
Supportive Housing Program-Family Scatter Site/ Tran Hous	14.235	CA16B31-2012	52,001
Supportive Housing Program-Hamilton Court	14.235	CA16B41-2007	86,454
Supportive Housing Program-Project Achieve Supportive Housing	14.235	CA16B41-2002	140,325
Supportive Housing Program-HMIS	14.235	CA16B41-2003	43,457
2004 SHP Renewal-IURD Scatter	14.235	CA16B512-004	132,071
2005 SHP Renewal - Hamilton Ct	14.235	CA16B512-005	79,076
2004 Chester Street Permanent Supportive Housing	14.235	CA16B412-001	532
2005 SHP Renewal - Freedom House	14.235	CA16B512-007	133,413
2005 SHP Renewal SSO PATH ACH	14.235	CA16B512-002	417,839
2005 SHP Renewal - HMIS	14.235	CA16B512-003	66,127
2003 Funded SHP PATH ACHIEVE	14.235	CA16B312-001	95,019
2005 S+C Chronic Homeless Prog	14.235	CA16B512-001	4,306
2006 SHP renewal project -Next Step	14.235	CA16B612-002	7,645
Sub-total			<u>1,400,287</u>
Special Needs Assistance - 1998 Shelter Care Plus Grant	14.238	CA16C81-2001	132,667
Special Needs Assistance - 1999 Shelter Care Plus Grant	14.238	CA16C91-2001	78,117
Special Needs Assistance - 2001 Shelter Care Plus Grant	14.238	CA16C11-2001	107,098
Sub-total			<u>317,883</u>
Section 8-Housing Assistance-Voucher Program [1]	14.871	CA114V	<u>13,395,156</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>23,396,441</b>

[1] Denotes major program

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF GLENDALE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Grantor/Pass-through Grantor/Program and/or Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity or Grant Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Labor</b>			
Direct Programs:			
Social Security Administration 2006-2009	96.008	14-W-50006-9-02	77,331
Social Security Administration 2006-2009	96.008	14-W-50006-9-02	17,253
Sub-total			<u>94,584</u>
Pass-through State of California Employment Development Department:			
Workforce Investment Act Cluster			
Wagner Peysner	17.260	R588764	20,250
Title I 15% Adult Spec 2005-2007	17.260	R588764	275,153
Title I 15% Pilot (Incentive Award) 2004-2007	17.260	R588764	3,714
WIA Adult 2004-2006	17.258	R692515	225,933
WIA Dislocated Worker 2004-2006	17.260	R692515	334,872
WIA Youth 2004-2006	17.259	R692515	104,669
WIA Rapid Response 2004-2006	17.260	R692515	303,816
15% Pilot Spec Incentive Award	17.267	R692515	6,248
Nurses Training Program	17.258	R692515	287,289
WIA Adult 2006-2008	17.258	R760363	748,271
WIA Dislocated Worker 2006-2008	17.260	R760363	768,029
WIA Youth 2006-2008	17.259	R760363	399,129
WIA Rapid Response 2006-2007	17.260	R760363	568,232
WIA Disney Dislocated Worker 2006-2007	17.260	R760363	40,835
WIA Emergency Grant 2005-207	17.260	R692515	284,566
Sub-total			<u>4,371,006</u>
Pass-through City of Hawthorne:			
STEP (City of Hawthorne)	17.260	73483	36,314
STEP South Bay	17.260	74892	49,755
Sub-Total			<u>86,069</u>
Total Workforce Investment Act Cluster			<u>4,457,074</u>
<b>Total U.S. Department of Labor</b>			<u><b>4,551,658</b></u>
<b>U.S. Department of Justice:</b>			
Direct Programs:			
Interagency Communications Interoperability System	16.710	2005CKWX0334	451,913
2006 Justice Assistance Grant	16.738	2007-DJ-BX-0863	10,518
Sub-total			<u>462,431</u>
Pass-through County of Los Angeles:			
FY 2005 State Homeland Security Grant	97.004		269,355
FY 2005 State Homeland Security Grant Part 2	97.004		180,277
FY 2006 State Homeland Security Grant	97.004		96,812
FY 2003 Part 2 State Homeland Security Grant	97.004	2003-35	13,538
Sub-total			<u>559,982</u>
<b>Total U.S. Department of Justice</b>			<u><b>1,022,413</b></u>

[1] Denotes major program

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF GLENDALE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Entity or Grant Identifying Number	Federal Expenditures
<b>U.S. Department of Transportation</b>			
Pass-through State Department of Transportation:			
Highway Planning and Construction Cluster			
SR134 & San Fernando Phase II	20.205	RPSTPL-5144(028)	442,379
Brand Blvd. Improvements Phase I	20.205	STPLH-5144 (034)	115,460
Glenoaks Blvd Street Rehabilitation Program	20.205	STPLH-5144 (038)	<u>111,482</u>
			669,321
Senior Citizen Education Program	20.600	2700-101-0890(38/05)	<u>25,572</u>
<b>Total U.S. Department of Transportation</b>			<u><b>694,893</b></u>
<b>Department of Homeland Security:</b>			
Direct Programs:			
FY 2004 Metropolitan Medical Response System	97.071	2004-0045	161,651
Pass-through Governor's Office of Emergency Services:			
Public Assistance Grants (Northridge Earthquake) [1]	97.036	FEMA-1008-DR-CA OES ID #037-30000	4,342,175
Public Assistance Grants (January 2005 Rainstorm) [1]	97.036	FEMA-1557-DR-CA OES ID #037-30000	980,918
Public Assistance Grants February 2005 Rainstorm) [1]	97.036	FEMA-1585-DR-CA OES ID #037-30000	<u>99,430</u>
Sub-total			5,422,523
Pass-through State Office of Homeland Security:			
Metropolitan Medical Response System	97.071		741,534
Pass-through Los Angeles County:			
FY 2005 Metropolitan Medical Response System	97.067	2003-0023	92,567
FY 2004 Metropolitan Medical Response System	97.067		<u>180,736</u>
Sub-total			273,303
Pass-through City of Los Angeles:			
FY 2005 Urban Area Security Initiative	97.008	2004-14	1,144,507
FY 2006 Urban Area Security Initiative	97.067	2005-15	<u>394,877</u>
Sub-total			<u>1,539,384</u>
<b>Total Department of Homeland Security</b>			<u><b>8,138,395</b></u>

[1] Denotes major program

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF GLENDALE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Entity or Grant Identifying Number	Federal Expenditures
<b>Institute of Museum and Library Services</b>			
Pass-through California State Library:			
English Literary - WIA	45.310	33973V341	39
Library Services for Small Businesses	45.310	40-6350	3,182
Local History Digital Resource	45.310	40-6261	634
Service Learning at the Library	45.310	40-6425	377
Early Learning ELF Grant	45.310	40-6752	<u>2,814</u>
<b>Total Institute of Museum and Library Services</b>			<u><b>7,047</b></u>
<b>Environmental Protection Agency</b>			
Chromium 6 Removal Studies Phase II	66.606	X-97947901	35,538
Chromium 6 Removal Studies III S&T	66.606	X-96916501	148,089
Chromium 6 Removal Studies III STAG	66.202	XP-96990301	<u>9,361</u>
<b>Total Environmental Protection Agency</b>			<u><b>192,987</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 38,394,108</b></u>

[1] Denotes major program

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF GLENDALE**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2007**

***NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**A. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the Federal grant activity of the City of Glendale, California (the City) and is presented on the modified-accrual basis of accounting which is described in the notes to the City's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**B. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified-accrual basis of accounting, which is described in Note #1 to the City's financial statements.

**C. Relationship to Basic Financial Statements**

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's financial statements.

Federal award revenues are reported principally in the City's financial statements as revenue from other agencies in the General, Special Revenue Funds, and Enterprise Funds.

**D. Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, with the amounts reported in the related federal financial reports.

***NOTE #2 – OUTSTANDING LOANS***

At June 30, 2007, outstanding loans under the Department of Housing and Urban Development – Section 108 were \$1,280,000.

**CITY OF GLENDALE**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2007**

**NOTE #3 – AMOUNT PROVIDED TO SUBRECIPIENTS**

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the City provided federal awards to subrecipients as follows:

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Award Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
Communtiy Development Block Grant	14.218	\$ 833,153
Emergency Services Grant	14.231	140,575
Supportive Housing Program	14.235	<u>1,181,401</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>2,155,129</u>
<b>U.S. Department of Labor</b>		
Workforce Investment Act Cluster	17.259	<u>242,715</u>
<b>Total U.S. Department of Labor</b>		<u>242,715</u>
<b>Total Amount Provided to Subrecipients</b>		<u><u>\$ 2,397,844</u></u>

**CITY OF GLENDALE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**I. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>14.871</u>	<u>Section 8 Housing Assistance</u>
<u>97.036</u>	<u>Public Assistance Grants</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,151,823</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**CITY OF GLENDALE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2007**

**II. FINANCIAL STATEMENT FINDINGS**

**Significant Deficiency 2007-01**

**Non-Recurring Journal Entries**

**Criteria or Specific Requirement:**

The City should maintain and monitor policies and procedures to ensure that general ledger accounts reflect proper and complete activity consistent with their basis of accounting.

**Condition Found:**

As a result of our audit of the City's year-end revenue accruals, we noted that several accounts included accruals recorded twice, thus overstating revenue. In addition we noted that a sample of the year-end closing entries did not have the appropriate level of review and approval documented.

**Context:**

The condition was noted during our testing of the City's receivable balances.

**Effect:**

As a result of the above, the City was required to post material adjustments to balance sheet and revenue accounts in order to conform with generally accepted accounting principles.

**Recommendation:**

We recommend that the City implement effective controls to ensure year-end adjusting entries are properly review and approved prior to posting to the general ledger. We also suggest that the City utilize a log to track each post close adjustments to prevent the double booking of year end adjustments. Lastly, account analysis should be performed or documented to demonstrate the reasonableness of adjusted accounts to ensure accuracy and completeness for financial statement presentation.



**CITY OF GLENDALE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2007**

**II. FINANCIAL STATEMENT FINDINGS, Continued**

**Views of Responsible Officials and Planned Corrective Action:**

The City currently has a procedure for year-end adjusting entries. The planning process starts in May of each year. Finance management reviews the prior year entries and develops a log of all expected entries. Every entry is assigned to staff based on the departments they cover. Once the journal entries are prepared, they are signed by the preparer, reviewed by their immediate supervisor and then approved by Accounting Services Administrator. In addition, the journals are scanned and available in FileNet and Shared Drive for more review. One journal of the 450 total journals processed for year end was inadvertently duplicated which resulted in overstating some revenue accounts. The City will endeavor to be more accurate in the future and in addition balance sheet accounts will have lead sheets to ensure all accounts are properly accounted for.

**Significant Deficiency 2007-02**

**Internal Service Funds Capital Assets**

**Criteria or Specific Requirement:**

Proprietary funds, including internal service funds use the economic resources measurement focus and accrual basis of accounting. In accordance with generally accepted accounting principles, capital assets in such funds are capitalized at the fund level and depreciated over their estimated useful lives.

**Condition Found:**

Proprietary funds, including internal service funds use the economic resources measurement focus and accrual basis of accounting. In accordance with generally accepted accounting principles, capital assets purchased in such funds are capitalized at the fund level and depreciated over their estimated useful lives. We noted that in the Equipment Reserve Fund, Helicopter Depreciation Fund, Tech Equipment Fund and Application Software Replacement Fund, the City is expensing capital assets when purchased and capitalizing the assets at the government-wide level, a method inconsistent with generally accepted accounting principles. This treatment results in an understatement of net assets for each of the internal service funds noted. We also note the related depreciation expense is not recorded in these funds.

**Context:**

The condition was noted during our year-end audit procedures.

**Effect:**

As a result of the above, we noted a misstatement of net assets.

**Recommendation:**

We recommend that the City implement procedures to ensure the financial statements are in accordance with generally accepted accounting principles.

**CITY OF GLENDALE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2007**

**II. FINANCIAL STATEMENT FINDINGS, Continued**

**Views of Responsible Officials and Planned Corrective Action:**

The internal service funds mentioned above are established to accumulate cash for replacement of future assets for General fund departments. These funds are governmental funds in nature. As such, at the end of the year all of these funds' activities are allocated to governmental activities at the government wide statements where depreciation expense and capitalization takes place by departments. These internal service funds have no operating activities because all the assets are put in operation in the respective general fund departments. Therefore, it defeats the purpose to record depreciation expense in these funds where measurements of economic resources are not necessary. The City understands that the accounting treatment of these internal service funds is unusual; however, we need to see the bigger picture of how these funds are utilized. We respectively disagree with the auditors on this recommendation.

**Significant Deficiency 2007-03**

**Cash and Investments with Fiscal Agent**

**Criteria or Specific Requirement:**

Cash and investments are valued in accordance with the provisions of Government Accounting Standards Board Statement No. 31.

**Condition Found:**

As of June 30, 2007, the City has cash held with Southern California Public Power Authority (SCPPA) to be utilized for future capital projects with SCPPA. It was noted that a portion of the amount held with SCPPA was not recorded as an asset on the City's balance sheet. In FY 2006, the City recorded an initial deposit w/ SCPPA, but did not record additional amounts for refunds or interest payments subsequent to the initial deposit.

**Context:**

The condition was noted during our testing of cash and investment balances.

**Effect:**

As a result of the above, we noted an understatement of cash.

**Recommendation:**

We recommend that the City implement procedures to ensure that all cash balances held with fiscal agents are properly accounted for on a timely basis and reported in the financial statements. We further recommend that the City Treasurer act as the fiduciary agent of all cash held with third party fiscal agents to ensure a full accounting of the City's cash and investments with fiscal agent is accounted for in a timely basis.

**CITY OF GLENDALE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2007**

**II. FINANCIAL STATEMENT FINDINGS, Continued**

**Views of Responsible Officials and Planned Corrective Action:**

The City agrees with this recommendation. We have already requested SCPPA to carbon copy the Finance department a statement each month. We will be booking the adjusting entry shortly.

**CITY OF GLENDALE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2007**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

There are no findings that represent reportable conditions and instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.