

CITY OF GLENDALE
SINGLE AUDIT REPORT
JUNE 30, 2005

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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 (the City) as of and for the year ended June 30, 2005, and have issued our report thereon dated November 18, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

However, we noted certain matters that we reported to management of the City of Glendale in a separate letter dated November 18, 2005.

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 used by anyone other than these specified parties.

Vavnick, Time Day, Co, LLP

Rancho Cucamonga, California
November 18, 2005



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE 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, 2005. The City's major federal programs are identified in the summary of independent 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 on 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, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those compliance requirements that are required to be reported in accordance with OMB *Circular A-133* and which are described in the accompanying schedule of federal awards findings and questioned costs as items 2005-1 through 2005-2.

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 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 and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of federal awards findings and questioned costs as items 2005-1 and 2005-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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, 2005, and have issued our report thereon dated November 18, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City's 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.

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 those specified parties.

Kvarnick, Trine, Day & Co., LLP

Rancho Cucamonga, California
March 28, 2006

CITY OF GLENDALE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Entity or Grant Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Direct Program:			
FY 2002 Metropolitan Medical Response System	93.233-01-0061	233-01-0061	\$ 246,797
Pass-through Los Angeles County Department of Community and Senior Citizens Services:			
Aging Cluster			
Special Programs for the Aging - Title VII	93.042	CK42350	46,580
Special Programs for the Aging-Title III, Part B	93.044	CK42141	580
Special Programs for the Aging-Title III, Part C	93.045	CK42141	168,614
Nutrition Services Incentive Program	93.053	CK42141	25,250
Total Aging Cluster			241,024
Total U.S. Department of Health and Human Services			487,821
U.S. Department of Housing and Urban Development:			
Direct Programs:			
Home Investment Partnership Act	14.239	M-03-MC-16-0512	2,806,536
Community Development Block Grant Entitlement Program [1]	14.218	B-03-MC-06-0518	3,337,962
Emergency Shelter Grants Program	14.231	S-03-MC-06-0518	165,123
Supportive Housing Program [1]	14.235	CA16B11-2004	1,476,733
Shelter Care Plus Grant	14.238	CA16C11-2001	242,827
Section 8-Housing Assistance-Voucher Program [1]	14.871	CA114V	13,207,456
Total U.S. Department of Housing and Urban Development			21,236,637
U.S. Department of Labor			
Pass-through State of California Employment Development Department:			
Workforce Investment Act Cluster			
WIA Adult 2003-2005	17.258	R485318	203,297
WIA Youth 2003-2005	17.259	R485318	289,676
WIA Rapid Response 2003-2005	17.260	R485318	73,728
WIA Dislocated Worker 2003-2005	17.260	R485318	225,181
WIA Adult 2004-2006	17.258	R380546	506,748
WIA Youth 2004-2006	17.259	R380546	433,073
WIA Dislocated Worker 2004-2006	17.260	R380546	494,777
WIA Rapid Response 2004-2006	17.260	R380546	313,589
Sub-total			2,540,069

[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, 2005**

Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Entity or Grant Identifying Number	Federal Expenditures
Federal, Continued			
Pass-through City of Hawthorne:			
PAN (SCAIP-527)	17.260	R485314	\$ 39,794
Hawthorne STEP	17.260	73483	36,724
Sub-Total			<u>76,518</u>
Total Workforce Investment Act Cluster [1]			2,616,587
Pass-through State of California Employment Development Department:			
Employment Service - Title I One Stop	17.207	R588764	<u>464</u>
Total U.S. Department of Labor			<u>2,617,051</u>
U.S. Department of Justice:			
Direct Programs:			
Asset Forfeiture	16.000		146,166
2001 Nunn-Lugar-Domenici Domestic Preparedness Equipment Program	16.006	2002-TE-CX-0065	7,057
2002-2003 Community Based Wildfire Protection	16.006	233-01-0061	<u>20,920</u>
Sub-total			<u>27,977</u>
Pass-through County of Los Angeles:			
FY 2002 State Domestic Preparedness	16.007	2002-133	56,786
FY 2003 Part 2 State Homeland Security Grant [1]	16.007	2003-35	<u>103,068</u>
Sub-total			<u>159,854</u>
Total U.S. Department of Justice			<u>333,997</u>
U.S. Department of Transportation			
Pass-through State Department of Transportation:			
SR134 & San Fernando Phase II [1]	20.205	RPSTRL-5144 (028)	308,972
SR134 & San Fernando Phase II [1]	20.205	IPSTPL-5144 (024)	4,759,055
Glendale Ave Rehabilitation Project [1]	20.205	STPLH-5144 (031)	452,352
Hazard Elimination Safety [1]	20.205	STPLH-5144	<u>25,000</u>
Total U.S. Department of Transportation			<u>5,545,379</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, 2005**

Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Entity or Grant Identifying Number	Federal Expenditures
Federal, Continued			
Department of Homeland Security:			
Direct Programs:			
2002 Assistance to Firefighters Act.	97.044	EMW-2002-FG-11780	\$ 7,066
2003 Assistance to Firefighters Act	97.044	EMW-2003-02447	17,052
Sub-total			<u>24,118</u>
FY 2004 Metropolitan Medical Response System [1]	97.071	EMW-2004-GR-0684	<u>51,056</u>
Sub-total Direct Programs			75,174
Pass-through Governor's Office of Emergency Services:			
Public Assistance Grants (Northridge Earthquake)	97.036	FEMA-1008-DR-CA OES ID #037-30000	598,811
Pass-through Los Angeles County:			
FY 2004 State Homeland Security Grant Program [1]	97.004	2004-45	698,906
Pass-through City of Los Angeles:			
FY 2003 Urban Area Security Initiative Part II [1]	97.008	107464	668,595
FY 2004 Urban Area Security Initiative [1]	97.008	107647	360,580
Sub-total			<u>1,029,175</u>
Total Department of Homeland Security			<u>2,402,066</u>
Institute of Museum and Library Services			
Pass-through California State Library:			
Reach Out and Read Grant	45.310	40-6378	2,485
Services for Small Businesses in a Box	45.310	40-6350	1,565
Global Materials Grant Program	45.310	40-6238	26,569
Total Institute of Museum and Library Services			<u>30,619</u>
Environmental Protection Agency			
Vulnerability Assessment and Security Improvements at Water Utilities	66.476	HS-82991401	<u>289,933</u>
Chromium 6 Removal Studies	66.606	X-97947901	223,898
Chromium 6 Removal Studies	66.606	X-96916501	13,266
Sub-total			<u>237,164</u>
Total Environmental Protection Agency			<u>527,097</u>
Total Expenditures of Federal Awards			<u>\$ 33,180,667</u>

[1] Denotes major program

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF GLENDALE

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2005

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, 2005, outstanding loans under the Department of Housing and Urban Development – Section 108 are \$1,590,000.

CITY OF GLENDALE

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2005**

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:

Program Title	Federal CFDA Number	Federal Award Expenditures
Communtiy Development Block Grant	14.218	\$ 712,533
Supportive Housing Program	14.235	1,337,627
Workforce Investment Act Cluster	17.259	380,515
Total Amount Provided to Subrecipients		<u>\$ 1,718,142</u>

CITY OF GLENDALE

SUMMARY OF AUDITORS' RESULTS YEAR ENDED JUNE 30, 2005

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</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)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Community Development Block Grant
<u>14.218</u>	<u>Entitlement Program</u>
<u>14.235</u>	<u>Supportive Housing Program</u>
<u>14.871</u>	<u>Section 8-Housing Assistance-Voucher Program</u>
<u>17.258, 17.259, 17.260</u>	<u>Workforce Investment Act Cluster</u>
<u>16.007</u>	<u>FY 2003 Part 2 State Homeland Security Grant</u>
<u>20.205</u>	<u>Highway, Planning and Construction</u>
<u>97.071</u>	<u>FY 2004 Metropolitan Medical Response System</u>
<u>97.004</u>	<u>FY 2004 State Homeland Security Grant Program</u>
<u>97.008</u>	<u>FY 2003 Urban Area Security Initiative Part II</u>
<u>97.008</u>	<u>FY 2004 Urban Area Security Initiative</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 995,420</u>
Auditee qualified as low-risk auditee?	<u>No</u>

CITY OF GLENDALE

**SCHEDULE OF FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005**

None noted.

CITY OF GLENDALE

SCHEDULE OF FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS JUNE 30, 2005

The following findings represent reportable conditions and instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

Finding 2005-1

Program: State Homeland Security Grant Cluster

CFDA No.: 16.007, 97.071, 97.004

Federal Agency: Department of Justice/Department of Homeland Security

Pass-through Agency: Los Angeles County

Award No.: 2004-45/EMW-2004-GR-0684

Award Year: FY 2003 Part II/FY 2004

Compliance Requirement: Equipment and Real Property Management

Questioned Costs: None

Criteria:

The *March 2004 OMB Circular A-133 Compliance Supplement* requires that records are maintained on all equipment with a useful life of more than one year and an acquisition cost of \$5,000 or more per unit; a physical inventory of equipment is taken at least once every two years and is reconciled to the equipment records; and an appropriate control system is used to safeguard equipment, and equipment is adequately maintained.

Condition Found:

In performing compliance testwork over equipment management, it is noted the City has not performed a physical inventory in the past two years. In addition, the City's official capital asset records do not include the location and percentage of Federal participation in the cost of the equipment. Further, it is noted the City does not consistently affix a property tag to each equipment item greater than \$5,000. During a physical inspection of current year equipment purchases, it was noted that the equipment identification numbers labeled on purchased emergency vehicles did not agree to the tag numbers listed on the City's official capital asset records.

Context:

In 2005, total federal expenditures for the programs are \$853,029 and the total amount expended for equipment is approximately \$725,000.

Effect:

Capital assets may not be included or identified as federally funded in the City's property records.

Cause:

The City does not have proper internal controls in place to ensure compliance over equipment management.

CITY OF GLENDALE

SCHEDULE OF FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS JUNE 30, 2005

Recommendation:

We recommend that the City implement policies and procedures to ensure that a physical inventory is performed once every two years, as required. In addition, we recommend that the City review all equipment purchases each year to ensure that they are properly capitalized in accordance with the City's capitalization policy. Finally, we recommend that the City implement a procedure to ensure assets are immediately tagged upon receipt and that assets purchased with federal funds are properly identified and tracked in the capital assets system in accordance with Federal requirements.

View of responsible officials and corrective action:

A physical inventory is scheduled for fiscal year 2005-06. An inventory policy will be implemented to ensure assets are tagged and tracked in accordance with Federal requirements.

Finding 2005-2

Program: Urban Area Security Initiative

CFDA No.: 97.008

Federal Agency: Department of Homeland Security

Pass-through Agency: City of Los Angeles

Award No.: 107464/107647

Award Year: FY 2003/FY 2004

Compliance Requirement: Equipment and Real Property Management

Questioned Costs: None

Criteria:

The *March 2004 OMB Circular A-133 Compliance Supplement* requires that records are maintained on all equipment with a useful life of more than one year and an acquisition cost of \$5,000 or more per unit; a physical inventory of equipment is taken at least once every two years and is reconciled to the equipment records; and an appropriate control system is used to safeguard equipment, and equipment is adequately maintained.

Condition Found:

In performing compliance testwork over equipment management, it is noted the City has not performed a physical inventory in the past two years. In addition, the City's official capital asset records do not include the location and percentage of Federal participation in the cost of the equipment. Further, it is noted the City does not consistently affix a property tag to each equipment item greater than \$5,000. During a physical inspection of current year equipment purchases, it was noted that the equipment identification numbers labeled on purchased emergency vehicles did not agree to the tag numbers listed on the City's official capital asset records.

CITY OF GLENDALE

SCHEDULE OF FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS JUNE 30, 2005

Context:

In 2005, total federal expenditures for this program is \$1,029,175 and the total amount expended for equipment is approximately \$979,260.

Effect:

Capital assets may not be included or identified as federally funded in the City's property records.

Cause:

The City does not have proper internal controls in place to ensure compliance over equipment management.

Recommendation:

We recommend that the City implement policies and procedures to ensure that a physical inventory is performed once every two years, as required. In addition, we recommend that the City review all equipment purchases each year to ensure that they are properly capitalized in accordance with the City's capitalization policy. Finally, we recommend that the City implement a procedure to ensure assets are immediately tagged upon receipt and that assets purchased with federal funds are properly identified and tracked in the capital assets system in accordance with Federal requirements.

View of responsible officials and corrective action:

A physical inventory is scheduled for fiscal year 2005-06. An inventory policy will be implemented to ensure assets are tagged and tracked in accordance with Federal requirements.

CITY OF GLENDALE

SUMMARY SCHEDULE OF PRIOR AUDIT FINANCIAL STATEMENT FINDINGS JUNE 30, 2005

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior audit's schedule of financial statement findings.

FINDING 2004-1 - CAPITAL ASSETS

CONDITION:

During our examination of the City's capital assets, it was noted the City does not maintain adequate procedures to:

1. Reconcile the fixed asset subsidiary ledgers to the general ledger on a periodic basis.
2. Identify and record fixed asset additions including construction in progress on a timely basis.
3. Account for and track fixed asset disposals.
4. Maintain compliance with established capitalization policies and procedures.
5. Periodically inspect to ensure that recorded assets exist.

RECOMMENDATION:

We recommend that the City develop internal procedures to adequately track the additions and deletions of all City-wide capital assets. In addition, these procedures should include reconciling the City's general ledger to subsidiary ledgers on a monthly basis as well as perform periodic inventories of its capital assets.

STATUS:

Partially implemented. Items # 1, 2, 3 and 4 have been implemented. Item # 5 is not implemented.

CITY OF GLENDALE

SUMMARY SCHEDULE OF PRIOR AUDIT FINANCIAL STATEMENT FINDINGS JUNE 30, 2005

FINDING 2004-2 MONTHLY AND PERIOD-END CLOSING

CONDITION:

The City did not reasonably close its general ledger and trial balances as of June 30, 2004. As a result, the City was required to post material adjustments to many balance sheet and revenue/expenditure accounts in order to conform to generally accepted accounting principles. In addition we noted that some of the year-end closing entries did not have the appropriate level of review. Further, the City does not have an adequate process for compiling, reviewing and issuing its annual financial statements.

RECOMMENDATION:

Prudent accounting practices require general ledger accounts to be reconciled on a periodic basis to ensure that balance sheet and revenue/expenditure accounts are properly stated. In addition, closing procedures are utilized to properly record infrequent transactions and analyze activity to reduce to a relatively low level that material misstatements have not occurred.

We recommend that the City develop monthly and annual closing procedures to ensure that general ledger accounts reflect proper and complete activity consistent with their basis of accounting. Further, we recommend that the City implement effective procedures to ensure the annual financial statements are prepared, reviewed and issued in a timely manner.

STATUS:

Implemented

FINDING 2004-3 - LONG-TERM DEBT MANAGEMENT

CONDITION:

During our examination of the City's long-term debt, it is noted that on August 1, 2003, the City failed to make a scheduled interest payment for its 2003 GWP Electric Revenue Bonds. As a result, the Bond's trustee was forced to utilize cash maintained in the reserve accounts established at the time of the bond issuance. According to the bond covenants for the 2003 Bonds, the City is required to maintain a reserve amount of \$1,070,383. It is noted the trustee transferred \$263,218 from the 2003 Bond's reserve account to cover the shortage of funds available to pay the total interest due. As a result, we noted that the City is not in compliance with the cash reserve requirements for the 2003 GWP Electric Revenue Bonds. We also noted the City may be in non-compliance with the reserve covenant for its 2002 GRA Tax Allocation Bonds. At June 30, 2004, the City's cash reserve funds held with fiscal agents for the 2003 GWP Bonds and the 2002 GRA Bonds were deficient by \$263,000 and \$50,000, respectively. In response to the City's non-compliance with its debt reserve requirement, the finance department recorded a post-closing journal entry, increasing cash with fiscal agent equal to the debt covenant reserve deficiency, and increasing a liability account. It is noted that this post-closing adjustment effectively created cash in order to present compliance on the Agency's general ledger.

CITY OF GLENDALE

**SUMMARY SCHEDULE OF PRIOR AUDIT FINANCIAL STATEMENT FINDINGS
JUNE 30, 2005**

RECOMMENDATION:

We recommend that the City implement policies and procedures to ensure the City maintains compliance with all of its debt covenants and timely submission of debt service payments. Additionally, all entries made by the Accounting Manager should be reviewed and approved by the Assistance Finance Director or person with similar supervisory responsibilities. Adequate documentation should be attached to the entry so that an effective review can be performed. Implementation of review and approval procedures will reduce errors in the general ledger and improve financial reporting.

STATUS:

Implemented