



Report of Independent Auditors
and Financial Statements

City of Hanford
Transportation Development Act Fund Non-Transit
Operations

June 30, 2023 and 2022

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Report of Independent Auditors

The City Council
City of Hanford, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Transportation Development Act Fund Non-Transit Operations (the TDA) for the City of Hanford, California (the City), pertaining to Article 8 Section 99400(a) of the Public Utilities Code as recorded in the City's Local Transportation Fund (LTF), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Fund of the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the TDA Fund of the City, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the TDA Fund of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements present only the TDA Fund of the City referred to above and are not intended to present the financial position of the City as a whole and the respective changes in financial position, or where applicable, its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Restatement of Previously Issued Financial Statements

As discussed in Note 5 to the financial statements, the TDA Fund of the City has restated their previously issued financial statements to correct for misstatements related to the recognition of revenue. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TDA Fund of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Matter*Auditor's Report on the June 30, 2022 Financial Statements*

The financial statements of the Transportation Development Act Fund Non-Transit Operations for the City of Hanford, California for the year ended June 30, 2022 were audited by another auditor whose report dated February 21, 2023, expressed an unmodified opinion on those financial statements.

As part of our audit of the June 30, 2023 financial statements, we also audited the adjustments described in Note 5 that were applied to restate the June 30, 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2022 financial statements of the TDA Fund of the City other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2022 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2024 on our consideration of the TDA Fund of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the TDA Fund of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TDA Fund of the City's internal control over financial reporting and compliance.



Medford, Oregon
May 14, 2024

Basic Financial Statements

City of Hanford
Transportation Development Act Fund Non-Transit Operations
Balance Sheets
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (Restated)
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 6,067,673	\$ 5,335,584
Receivables	<u>1,460,388</u>	<u>1,754,115</u>
Total assets	<u><u>\$ 7,528,061</u></u>	<u><u>\$ 7,089,699</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	<u>\$ -</u>	<u>\$ 891,911</u>
Total liabilities	<u>-</u>	<u>891,911</u>
FUND BALANCE		
Restricted	<u>7,528,061</u>	<u>6,197,788</u>
Total fund balance	<u>7,528,061</u>	<u>6,197,788</u>
Total liabilities and fund balance	<u><u>\$ 7,528,061</u></u>	<u><u>\$ 7,089,699</u></u>

See accompanying notes.

City of Hanford
Transportation Development Act Fund Non-Transit Operations
Statements of Revenues, Expenditures, and Changes in Fund Balance
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (Restated)
REVENUES		
Allocation from County of Kings Local Transportation Fund	\$ 1,423,998	\$ 1,743,033
Interest and investment earnings (losses)	99,059	(130,680)
Miscellaneous revenue	<u>45,918</u>	<u>11,082</u>
Total revenues	<u>1,568,975</u>	<u>1,623,435</u>
EXPENDITURES		
Street and road maintenance	232,958	798,081
Investment fees	<u>5,744</u>	<u>3,900</u>
Total expenditures	<u>238,702</u>	<u>801,981</u>
Net change in fund balance	<u>1,330,273</u>	<u>821,454</u>
FUND BALANCE, beginning of year (as previously reported)	6,197,788	459,691
Prior period adjustment (Note 5)	<u>-</u>	<u>4,916,643</u>
FUND BALANCE, beginning of year (as restated)	<u>6,197,788</u>	<u>5,376,334</u>
FUND BALANCE, end of year	<u>\$ 7,528,061</u>	<u>\$ 6,197,788</u>

See accompanying notes.

City of Hanford

Transportation Development Act Fund Non-Transit Operations

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Reporting entity – Article 8 allocations under Public Utilities Code Section 99400(a) of the Transportation Development Act (TDA) are recorded in the Local Transportation Fund (LTF) – Fund No. 50 (the Fund) of the City of Hanford, California (the City). The basic financial statements included in this report are intended to present the financial position and results of operations of only the transactions of the LTF of the City. They are not intended to present the financial position and the results of operations of the City taken as a whole. For additional information regarding the City, please refer to the Annual Comprehensive Financial Report available from the City.

Measurement focus, basis of accounting, and financial statement presentation – The basic financial statements of the TDA Fund of the City are prepared on the basis of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments*, and related standards.

The TDA Fund of the City is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheets. The Statements of Revenues, Expenditures and Changes in Fund Balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the TDA Fund of the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, compensated absences are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the TDA Fund of the City's policy to use restricted resources first, then unrestricted resources as they are needed. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for the governmental fund.

The TDA Fund of the City reports the following major governmental fund:

The **Special Revenue Fund** is the general operating fund of the TDA Fund of the City and accounts for all revenues and expenditures of the TDA Fund of the City.

Cash and Investments – The TDA Fund of the City maintains its cash account with the City of Hanford Treasury as part of the common investment pool. The City is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

City of Hanford

Transportation Development Act Fund Non-Transit Operations

Notes to Financial Statements

State statutes and the City's investment policy authorize the City Treasury to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchase agreements, and the State Treasurer's Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments held by the City Treasury are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the City Treasury.

Credit quality ratings are not available for the TDA Fund of the City investments as all cash is invested as part of the common investment pool of the City. The TDA Fund of the City does not have any deposits with financial institutions as of June 30, 2023 and 2022.

Accounts receivable – The TDA Fund of the City utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2023 and 2022, management considered all accounts to be fully collectible, and, therefore, no allowance was recorded in the accompanying financial statements.

Non-exchange transactions – Non-exchange transactions, in which the TDA Fund of the City gives or receives value without directly receiving or giving equal value in exchange, include Article 8 allocations under Public Utilities Code Section 99400(a) of the TDA. With the accrual basis of accounting, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Deferred outflows and inflows of resources – Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the TDA Fund of the City recognizes deferred outflows and inflows of resources.

In addition to assets, the balance sheets will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the TDA Fund of the City that is applicable to a future reporting period.

In addition to liabilities, the balance sheets will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the TDA Fund of the City that is applicable to a future reporting period.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

City of Hanford

Transportation Development Act Fund Non-Transit Operations

Notes to Financial Statements

Fund balance – In the fund financial statements, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the TDA Fund of the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable* – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed* – Amounts constrained to specific purposes by the TDA Fund of the City itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the TDA Fund of the City takes the same highest level action to remove or change the constraint.
- *Assigned* – Amounts the TDA Fund of the City intends to use for a specific purpose. Intent can be expressed by the TDA Fund of the City or by an official or body to which the City Council delegates the authority.
- *Unassigned* – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund of the TDA Fund of the City.

The TDA Fund of the City establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved contracts. Assigned fund balance is established by the TDA Fund of the City through adoption or amendment of the budget, or future year budget, plan as intended for a specific purpose.

The TDA Fund of the City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted fund balance is available.

Budgeting procedures – Each year, management of the TDA Fund of the City prepares a proposed budget, which is presented to the City Council. The annual budget is then legally enacted through adoption of a budget resolution.

An operating budget is adopted each fiscal year on the modified accrual basis of accounting. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Operating budgets that have not been encumbered lapse at the end of the fiscal year.

City of Hanford
Transportation Development Act Fund Non-Transit Operations
Notes to Financial Statements

Governmental accounting standards update – During the year ending June 30, 2023, the TDA Fund of the City implemented the following standards with no financial impact:

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the certain requirements of this statement to reporting periods beginning after June 15, 2022.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99 – *Omnibus 2022*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

Released GASB Standards to be implemented in future financial statements are as follows:

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

Subsequent events – In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards.

City of Hanford
Transportation Development Act Fund Non-Transit Operations
Notes to Financial Statements

Note 2 – Cash and Investments

Cash and investments as of June 30, 2023 and 2022, consist of the following:

	2023	2022
Cash and cash equivalents in City of Hanford Treasury	<u>\$ 6,067,673</u>	<u>\$ 5,335,584</u>
Total interest and investment earnings (losses) from City of Hanford	<u>\$ 99,059</u>	<u>\$ (130,680)</u>

See the City of Hanford Annual Financial Report for disclosures related to risks and fair value measurements.

Note 3 – Transportation Development Act Allocations

The City receives TDA funds from the County of Kings LTF in accordance with resolutions by the Kings County Association of Governments. The amounts identified are to be expended in accordance with Public Utilities Code Section 99400(a).

Note 4 – Economic Dependency

The TDA Fund of the City received the majority of its funding from one source, by Section 99400(a) of the Public Utilities Code. The total amount of revenue from the Public Utilities Code was \$1,423,998 and \$1,743,033, or 91% and 107%, of the total revenue for the years ending June 30, 2023 and 2022. The TDA Fund of the City is thus subject to possible risk of reductions in services and/or closure due to potential future changes of Section 99400(a) of the Public Utilities Code.

City of Hanford
Transportation Development Act Fund Non-Transit Operations
Notes to Financial Statements

Note 5 – Prior Period Adjustments

During the preparation of the financial statements, as of and for the year ended June 30, 2023, management identified an error in the TDA Fund of the City's previously issued financial statements. The error identified was due to the TDA Fund of the City incorrectly recording revenue from taxes, which are nonexchange transactions, as unearned revenue (advances). The revenue from taxes should have been recognized in the fiscal year for which the taxes were levied or assessed. To correct the error, the TDA Fund of the City recorded an adjustment to reduce advances - TDA funding by \$5,872,677, increase allocation from County of Kings Local Transportation Fund by \$956,034, and increase the beginning fund balance by \$4,916,643. The TDA Fund of the City restated the following account balances as of and for the year ended June 30, 2022:

	<u>As Previously Reported</u>	<u>Correction</u>	<u>As Restated</u>
Advances – TDA funding	\$ 5,872,677	\$ (5,872,677)	\$ -
Total liabilities	\$ 6,764,588	\$ (5,872,677)	\$ 891,911
Fund balance, beginning of year	\$ 459,691	\$ 4,916,643	\$ 5,376,334
Fund balance, end of year	\$ 325,111	\$ 5,872,677	\$ 6,197,788
Allocation from County of Kings Local Transportation Fund	\$ 786,999	\$ 956,034	\$ 1,743,033
Total revenues	\$ 667,401	\$ 956,034	\$ 1,623,435
Net change in fund balance	\$ (134,580)	\$ 956,034	\$ 821,454

Report of Independent Auditors 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*

The City Council
City of Hanford, 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 Transportation Development Act Fund Non-Transit Operations (TDA) of the City of Hanford, California (the City), pertaining to Article 8 Section 99400(a) of the Public Utilities Code as recorded in the City's Local Transportation Fund (LTF), as of and for the year ended June 30, 2023, and the related notes to the financial statements and the respective budgetary comparison for the general fund, which collectively comprise the TDA Fund of the City's basic financial statements, and have issued our report thereon dated May 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the TDA Fund of the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the TDA Fund of the City's internal control.

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 entity'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and recommendation as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TDA Fund of 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 financial statements. 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*.

Transportation Development Act Fund Non-Transit Operations of the City of Hanford, California's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the TDA Fund of the City's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendation. The TDA Fund of the City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Medford, Oregon

May 14, 2024

City of Hanford
Transportation Development Act Fund Non-Transit Operations
Schedule of Findings and Recommendations
For the Year Ended June 30, 2023

FINDING 2023-001 – Material Weakness in Internal Controls over Financial Reporting – Revenue Recognition

Criteria – Governmental Accounting Standard Board No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33), requires that governmental entities recognize assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first.

Condition – The TDA Fund of the City receives Article 8 allocation, under Public Utilities Code Section 99400(a) of the Transportation Development Act annually. Prior to the year ended June 30, 2023, the TDA Fund of the City did not properly recognize revenue in the full amount received in the period when an enforceable legal claim arose. Revenue was previously being recorded using eligibility guidance for government-mandated nonexchange transaction, and voluntary nonexchange transactions and reported revenue to the extent expenditures had been incurred.

Context – Funds of \$5,872,677 received in prior fiscal years were reported as Advances – TDA funding (unearned revenue) rather than restricted fund balance.

Effect – Revenue was understated for the year ended June 30, 2022. Beginning fund balance was understated and unearned revenue was overstated as of June 30, 2022. A prior period restatement was required to correct beginning fund balance, and an adjustment was required for the year ended June 30, 2022, to adjust revenue, unearned revenue, and beginning fund balance for financial reporting purposes.

Cause – The TDA Fund of the City did not have the appropriate controls in place to identify proper revenue recognition for nonexchange transactions.

Recommendation – We recommend revenue recognition training for the management of the TDA Fund of the City.

Views of responsible officials – The change in revenue recognition was done upon concurrence from City external auditors that the deferred revenue previously recognized by the City and reported as such for many years should be recognized and reported as restricted fund balance. Predecessors to the City and current auditors treated TDA funding as deferred revenue having to earn the funding; however, it was agreed it is appropriate to account for as nonexchange transactions, which are not earned but recorded as revenue when assessed/levied. The City believes adequate controls were and are in place to recognize revenue, the context noted in this finding was due to past practice over many years, which from a consistency in reporting perspective and concurrence from past auditors had remained in place.

