

TAMPA HISTORIC STREETCAR, INC.

Financial Statements

September 30, 2008

(With Independent Auditors' Report Thereon)

TAMPA HISTORIC STREETCAR, INC.

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Preformed in Accordance With <i>Government</i> <i>Auditing Standards</i>	14



CPAs, Consultants & Advisors

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Tampa Historic Streetcar, Inc.

We have audited the accompanying statement of net assets of the Tampa Historic Streetcar, Inc. ("the Streetcar"), a component unit of the City of Tampa, Florida, as of September 30, 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Streetcar's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Streetcar as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2009 on our consideration of the Streetcar'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



LarsonAllen LLP is a member of Nexia International, a worldwide network of independent accounting and consulting firms.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

LarsonAllen LLP
LarsonAllen LLP

Tampa, Florida
February 16, 2009

Tampa Historic Streetcar, Inc.
(A Component Unit of the City of Tampa)
Management's Discussion and Analysis
(Unaudited)
September 30, 2008

This discussion and analysis of the Tampa Historic Streetcar, Inc.'s (the Streetcar) financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2008. Please review in conjunction with the audited financial statements, which begin on page 7.

Required Financial Statements

The financial statements of the Streetcar report information about the Streetcar using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statement of net assets includes all of the Streetcar's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Streetcar's creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. It also provides the basis for assessing the liquidity and financial flexibility of the Streetcar. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets. This statement measures the success of the Streetcar's operations over the past year and can be used to determine whether the Streetcar has successfully recovered all its costs through its activities, as well as its profitability and credit worthiness. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Streetcar's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the Streetcar

Our analysis of the Streetcar begins with the statement of net assets. One of the most important questions asked about the Streetcar's finances is, "Is the Streetcar as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses and changes in net assets report information about the Streetcar's activities in a way that will help answer this question. These two statements report the net assets of the Streetcar and changes in net assets. You can think of the Streetcar's net assets - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Streetcar's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, the tourism industry, surrounding area population growth, regulation and new or changed government legislation.

Tampa Historic Streetcar, Inc.
(A Component Unit of the City of Tampa)
Management's Discussion and Analysis (continued)
(Unaudited)
September 30, 2008

Net Assets

To begin our analysis, a summary of the Streetcar's statement of net assets is presented in Table A-1.

TABLE A-I
Summary Statements of Net Assets
(In thousands)

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Percent change</u>
Current Assets	\$ 2,250	\$ 3,754	\$ (1,504)	(40.1)
Current liabilities	254	272	(18)	(6.6)
Net assets unrestricted	1,996	3,482	(1,486)	(42.7)

Total net assets decreased by \$1,486,000 to a net asset total of \$1,996,000. Operations realized a \$1,959,000 loss and non-operating activities netted revenues of \$473,000.

Net assets "unrestricted" are \$1,996,000. These net assets are available for future spending to support the ongoing operation of the Streetcar. Consistent with prior year, operating expenses exceeded operating revenues, and this trend is budgeted to continue. It is anticipated that the continued operation of the Streetcar will, at some point, require regular support from the City of Tampa.

Capital Assets

The Streetcar does not own any capital assets. All of the capital assets used in the Streetcar operation are owned either by HART or the City of Tampa.

Debt Administration

The Streetcar has no non-current liabilities.

Tampa Historic Streetcar, Inc.
(A Component Unit of the City of Tampa)
Management's Discussion and Analysis (continued)
(Unaudited)
September 30, 2008

TABLE A-2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(In thousands)

	2008	2007
Operating revenues	\$ 731	\$ 764
Operating expenses	2,690	2,813
Operating loss	(1,959)	(2,049)
Nonoperating revenues	473	1,437
Change in net assets	(1,486)	(612)
Beginning net assets	3,482	4,094
Ending net assets	\$ 1,996	\$ 3,482

Operating Revenues

Ridership and related farebox revenues reflect the Streetcar's customer base in fiscal 2008. The average fare paid was \$1.42, which translates to 440,738 riders in 2008. During fiscal 2007, the average fare paid was \$1.41, which translated to 437,594 riders. Operating revenues also include additional \$11,387 collected from the leasing of cars for special events and \$69,500 for amortization of naming rights to revenue during 2008. During fiscal 2007, operating revenues included an additional \$12,886 collected from the leasing of cars for special events and \$42,799 for amortization of naming rights to revenue during 2007. Naming rights payments received in prior years, which will be recognized as revenue in future periods, total \$107,500.

Operating Expenses

The Streetcar's most significant operating expense is reimbursement to HART for the cost of operating the Streetcar system. HART currently has 26 full time employees dedicated to operating the system. Expenses incurred to HART totaled \$2,203,000 in 2008 as compared to \$2,266,000 in fiscal 2007. Other significant expenses during 2008 and 2007 were \$373,979 and \$370,579, respectively, for insurance related to the railroad crossing.

Non-Operating Revenues

Investment earnings decreased significantly in the current fiscal year and are expected to decline further as invested funds are used in the operation of the Streetcar.

Local government revenue consists of a \$100,000 State Block Operating Assistance grant passed through HART, \$200,000 in Federal Transit Authority grant funds passed through HART, \$150,000 from the Tampa Port Authority, and a \$150,000 Tax Increment Financing contribution from the City of Tampa. During fiscal 2007, the Streetcar received the same Local government revenue.

Tampa Historic Streetcar, Inc.
(A Component Unit of the City of Tampa)
Management's Discussion and Analysis (continued)
(Unaudited)
September 30, 2008

Fiscal 2009 Outlook

Ridership is budgeted to decrease slightly in 2009 over that experienced in 2008. The fare in 2009 will increase to \$2.50 from the \$2.00 increase in October 2005 and should continue to provide a slight increase in operating revenue. Operating expenses are budgeted to increase slightly in 2009 as well. In addition, the Streetcar is anticipating the receipt of \$600,000 in grants and contributions from HART, the Tampa Port Authority, and the City of Tampa.

Requests for Information

This financial report is designed to provide a general overview of the Tampa Historic Streetcar, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chief Accountant, City of Tampa, 315 E. Kennedy Blvd., Tampa, FL 33602.

Tampa Historic Streetcar, Inc.
(A Component Unit of the City of Tampa)
Statement of Net Assets
September 30, 2008 (in thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$ 236
Investments, at fair value	1,870
Prepays and other assets	<u>144</u>
Total assets	<u>2,250</u>

LIABILITIES

Current liabilities:

Accounts payable	144
Unearned revenue	<u>110</u>
Total liabilities	<u>254</u>

NET ASSETS

Unrestricted	<u>1,996</u>
Total net assets	<u>\$ 1,996</u>

The notes to the financial statements are an integral part of this statement.

Tampa Historic Streetcar, Inc.
 (A Component Unit of the City of Tampa)
 Statement of Revenues, Expenses, and
 Changes in Net Assets
 For the fiscal year ended September 30, 2008 (in thousands)

Operating revenues:	
Charges for sales and services	<u>\$ 731</u>
Operating expenses:	
Contract services	2,668
Other services and charges	<u>22</u>
Total operating expenses	<u>2,690</u>
Operating loss	<u>(1,959)</u>
Nonoperating revenues:	
Investment loss	(616)
Non ad valorem assessments	639
Local government	<u>450</u>
Total nonoperating revenues	<u>473</u>
Change in net assets	<u>(1,486)</u>
Total net assets - beginning	<u>3,482</u>
Total net assets - ending	<u><u>\$ 1,996</u></u>

The notes to the financial statements are an integral part of this statement.

Tampa Historic Streetcar, Inc.
(A Component Unit of the City of Tampa)
Statement of Cash Flows
For the fiscal year ended September 30, 2008 (in thousands)

Cash flows from operating activities:	
Receipts from customers and users	\$ 689
Payments to suppliers	<u>(2,708)</u>
Net cash used by operating activities	<u>(2,019)</u>
Cash flows from noncapital financing activities:	
Non ad valorem assessments received	639
Nonoperating grants received	<u>450</u>
Net cash provided by noncapital financing activities	<u>1,089</u>
Cash flows from investing activities:	
Investment loss and other non-operating income	(616)
Proceeds from sale of investment securities	<u>1,539</u>
Net cash provided by investing activities	<u>923</u>
Net decrease in cash and cash equivalents	(7)
Beginning cash and cash equivalents	<u>243</u>
Ending cash and cash equivalents	<u>\$ 236</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (1,959)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
Increase in prepaids and other assets	(42)
Increase in accounts payable	24
Decrease in unearned revenues	<u>(42)</u>
Total adjustments	<u>(60)</u>
Net cash used by operating activities	<u>\$ (2,019)</u>
Noncash investing and noncapital financing activities:	
Decrease in fair value of investments	\$ (604)

The notes to the financial statements are an integral part of this statement.

Tampa Historic Streetcar, Inc.
(A Component Unit of the City of Tampa)

Notes to Financial Statements

September 30, 2008

1. Organization

Tampa Historic Streetcar, Inc. (the Streetcar) was incorporated November 20, 1998, in the state of Florida, as a not-for-profit organization. The City of Tampa (the City) completed construction of an electric streetcar rail line and the City, the Hillsborough Area Rapid Transit Authority (HART), and the Streetcar signed an Operation Agreement in April of 2002. Operation of the Streetcar began in October 2002. The Operation Agreement defines the rights and obligations of the City, HART, and the Streetcar. Under the Operation Agreement, after the City has approved the Streetcar's annual budget, the City is responsible for reimbursing the Streetcar for any deficiency of revenues and support received over expenses incurred, if the expenses were included in the annual budget which must be approved by the City. During the year ended September 30, 2007 the City made no contributions to fund the Streetcar operations. The City approved the Streetcar's annual plan for the year ending September 30, 2008.

The Streetcar is reported as a discretely presented component unit in the City's basic financial statements. As such, the Streetcar's financial statements are presented in accordance with the provisions of the Governmental Accounting Standards Board (GASB) as an enterprise fund, as they are considered a special purpose government engaged solely in business-type activities.

The Streetcar's mission is to provide a 2.3 mile light rail transportation system from the Tampa Convention Center through the Channelside district to Ybor City, thereby reducing traffic congestion and encouraging economic development in the area.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Streetcar are accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The accounting and reporting policies of the Streetcar conform to the accounting rules prescribed by GASB. The Streetcar has elected under GASB Statement No. 20, Paragraph 7, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989.

The Streetcar follows the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis -for State and Local Governments* (Statement 34), GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis -for State and Local Governments: Omnibus* (Statement 37), and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* (Statement 38). Statement 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of changes in net assets and a statement of cash flows. In the statement of revenues, expenses, and changes in net assets, revenues and expenses are distinguished between operating and nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Streetcar's ongoing operations. Operating expenses include the costs

Tampa Historic Streetcar, Inc.

Notes to Financial Statements (continued)

of providing services, including operation and maintenance. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Streetcar's policy to use restricted resources first, then unrestricted resources as they are needed. Statement 34 also requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. The Streetcar has no restricted net assets. The relevant classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. The Streetcar has no capital assets or related debt and therefore, no net assets invested in capital assets, net of related debt.

Restricted - This component of net assets consists of constraints placed on net asset use through external factors imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. The streetcar has no restricted net assets.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Cash and Cash Equivalents

Cash and cash equivalents represent cash held in bank accounts available for immediate usage. For purposes of the statement of cash flows, the Streetcar considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Investments

Investments include marketable equity securities reported at fair value based on quoted market rates, plus accrued interest and dividends. The total gain/loss on investments is reflected in the accompanying statement of revenues, expenses and changes in net assets.

Capital Assets

The Streetcar owns no capital assets; all capital assets used in the Streetcar operation are owned either by the City of Tampa or HART.

Contributions and Grants

Unrestricted contributions are recognized within unrestricted net assets at fair value when received. Grant revenues are recognized when all eligibility requirements have been met.

Tampa Historic Streetcar, Inc.

Notes to Financial Statements (continued)

Tax Status

The Streetcar has received a favorable determination letter from the Internal Revenue Service, and is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501 (a) as an organization described in Section 501(c)(3).

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.

3. Investments

As of September 30, 2008, the Streetcar's investment balances were as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Money market funds	\$ 221	48 days
Investments not subject to risk disclosures:		
Equity securities	<u>1,649</u>	
Total investments	\$ <u>1,870</u>	

Credit Risk

The Streetcar has no formal investment policy for credit risk. The investments in money market funds were rated AAAM by Standard & Poor's.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the investment in a single issuer. The Streetcar's investments in the money market funds represent 12% of the total investment balance at year-end. The Streetcar has no formal investment policy for concentration of credit risk.

4. Prepaid Items

Prepaid items balances consist of \$102,023 paid to HART to cover one month of future operations and \$42,005 in insurance premiums.

Tampa Historic Streetcar, Inc.

Notes to Financial Statements (continued)

5. Assets used in the Streetcar Operations

The City has \$21,513,174 recorded for the value of assets related to the installation of the Streetcar line. HART has \$47,099,561 recorded for its investment in Streetcar assets.

6. Accounts Payable and Accrued Expenses

Accounts payable in the amount of \$144,179 consisting of \$123,438 due to HART based on the operation agreement, and the balance of \$20,741 is composed of other miscellaneous payables.

7. Deferred Revenue

Deferred revenue represents \$107,500 received in advance on various naming right agreements which are recognized over a period of five to thirty years depending on the terms of the various agreements, and deferred maintenance revenue of \$2,023 from HART for the operation and usage of the Breezer car. Revenue is recognized in the statement of revenues, expenses and changes in net assets over the life of the agreement as a component of charges for sales and services.

8. Risk Management

Liabilities of the Streetcar are reported when it is probable that a loss has occurred and the amount of the loss can be estimated. The Streetcar has purchased four commercial insurance policies which provide \$100,000,000 of general liability coverage for CSX should an accident occur at the location where the streetcar line and the CSX line intersect.

9. Related Party Disclosures

The Streetcar has an operating agreement with HART that is renewable each year. The amount of the contract represents approximately 85% of the Streetcar's expenses, however only 33% of the Streetcar's board is appointed by HART.

**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**

Board of Trustees
Tampa Historic Streetcar, Inc.

We have audited the financial statements of the Tampa Historic Streetcar, Inc. ("the Streetcar"), a component unit of the City of Tampa, Florida, as of and for the year ended September 30, 2008, and have issued our report thereon dated February 16, 2009. 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 Streetcar's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Streetcar's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Streetcar'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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 combination of control deficiencies, that adversely affects the Streetcar's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Streetcar's financial statements that is more than inconsequential will not be prevented or detected by the Streetcar's internal control. We consider the control deficiency described in the accompanying Appendix A to be a significant deficiency 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 Streetcar's internal control. We consider the significant deficiency described in the accompanying Appendix A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Streetcar'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*.

This report is intended solely for the information and use of the Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP
LarsonAllen LLP

Tampa, Florida
February 16, 2009

APPENDIX A

SUMMARY OF FINDINGS

OBSERVATION 2008-01:

Criteria

Detection and prevention of material misstatements to the financial statements

Condition

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with accounting principles generally accepted in the United States of America.

Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements to correct material misstatements.

Management is responsible for controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

During our audit procedures, we noted certain account balances that were misclassified or incorrectly recorded. For example, certain professional fees and related liabilities in the proper period. A prepaid expense was not recorded that should have been recognized relating to an annual insurance policy expiring in mid-November. A sponsorship contribution was incorrectly amortized over a period of ten years rather than the proper period of thirty years. Finally, an operating advance made to the entity's primary service provider was included as a current asset within the Statement of Net Assets, even though no withdrawals from the advance are expected to take place within the next operating cycle.

Effect

The unrecorded amounts were, in our judgment, material to the financial statements in the aggregate. Management subsequently recorded the professional fees and prepaid insurance amount. Since the entity's control policies and procedures did not prevent or detect a material misstatement of the financial statements, there was an inherent weakness in control policies and procedures, which we concluded was material and, therefore, required to be reported under professional standards.

Cause

Control policies and procedures to identify misstatements in the financial statements were not properly designed and implemented.

Recommendation

We recommend that management develop a standard process to review the journal entries made by staff accountants to detect possible material misstatements in financial reporting. In addition, we recommend that management establish a methodology to review major contracts, agreements, as well as vendor invoices received subsequent to year end in order to evaluate cutoff information and assess the proper time period in which expenses are to be incurred and revenues from sponsorship agreements are to be booked as being earned.

Management's Response

We concur with this recommendation and will work to instill improved processes and methodologies to prevent material misstatements to the financial statements and maintain better control over the financial reporting process.