

TUOLUMNE RIVER REGIONAL PARK

**Independent Auditor's Reports,
Basic Financial Statements, and
Required Supplementary Information**

For the Year Ended June 30, 2008

This Page Left Intentionally Blank

TUOLUMNE RIVER REGIONAL PARK

Independent Auditor's Reports,
Basic Financial Statements, and
Required Supplementary Information

For the Year Ended June 30, 2008

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion And Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances– Governmental Funds	12
Reconciliation of the Net Change in Fund Balances – Total Government Funds With the Statement of Activities.....	13
Notes to Basic Financial Statements.....	15
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	21
Notes to Required Supplementary Information	22
Other Report:	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25

This Page Left Intentionally Blank

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

INDEPENDENT AUDITORS' REPORT

Tuolumne River Regional Park Committee
The Board of Supervisors and the County
of Stanislaus, California
The City Councils of Modesto and Ceres, California

We have audited the financial statements of the governmental activities and each major fund of the Tuolumne River Regional Park (Park), as of and for the year ended June 30, 2008, which collectively comprise the Park's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Park's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for 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 as to 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 governmental activities and each major fund of the Park as of June 30, 2008, and the respective changes in its financial position 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 December 18, 2008 on our consideration of the Park'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.

Management's Discussion and Analysis and Budget and Actual statements for the General Fund and the Capital Projects Fund are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. 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 this information and express no opinion on it.

Maze & Associates

December 18, 2008

This Page Left Intentionally Blank

Management's Discussion and Analysis

This section of the annual financial report presents a discussion and analysis of financial performance of Tuolumne River Regional Park (Park) during the past fiscal year. Please read it in conjunction with the Park's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Park exceeded liabilities at the close of the 2008 fiscal year by \$8,504,894 (net assets). Of this amount, \$700,643 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$7,804,252 is invested in capital assets.
- Total net assets increased by \$1,586,480.
- As of June 30, 2008, Parks funds reported combined fund balances of (\$1,124,192), a decrease of \$2,850,151 in comparison with the prior year.
- At the end of the fiscal year, the general fund had a fund balance of \$19,814.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Park's basic financial statements. The basic financial statements are made up of three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of Park finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Park is improving or deteriorating.

The statement of activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows or outflows in future fiscal periods.

The sole function of the Park is parks and recreation. It is principally supported by contributions from the 3 participating agencies of the Park joint powers agreement, the County of Stanislaus, and the Cities of Modesto and Ceres, rather than by user fees, and thus is considered a governmental activity.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements provide evidence of accountability by demonstrating compliance with budgetary decisions. A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes stipulated by laws, regulations or policies. Both Park funds are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Management's Discussion and Analysis

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Park maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for both the General Fund and the Capital Projects Fund.

The governmental funds financial statements can be found on pages 9 and 10 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 15 through 18 of this report.

Required Supplementary Information presents budgetary comparison schedules for both Park funds, to demonstrate compliance with the budget. Required supplementary information can be found on pages 20 through 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Net assets of Park were \$8,504,875 at the close of fiscal year 2008, compared with \$6,918,414 as of June 30, 2007.

Statement of Net Assets – Governmental Activities

	2008	2007
Current and other assets	\$1,937,297	\$2,159,364
Capital assets	7,804,252	4,979,556
Total assets	<u>9,741,549</u>	<u>7,138,920</u>
Current and other liabilities	<u>1,236,655</u>	<u>220,506</u>
Net assets:		
Invested in capital assets	7,804,252	4,979,556
Unrestricted net assets	700,642	1,938,858
Total net assets	<u>\$8,504,894</u>	<u>\$6,918,414</u>

The largest portion of net assets, \$7,804,252, is made up of Park's investment in capital assets. The Park uses these assets to provide its parks and recreation services; consequently, they are not available for future spending.

The next most significant portion of Park net assets is its unrestricted net assets, in the amount of \$700,642. This amount is the balance at year end which may be used to meet the Park's ongoing obligations.

Park net assets increased by \$1,586,480 during the current fiscal year.

Management's Discussion and Analysis
Statement of Activities – Governmental Activities

	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 77,416	\$ 92,701
Operating grants and contributions	2,003,758	3,229,894
General revenues:		
Investment Income(loss)	21,031	(16,761)
Total revenues	2, 102,205	3, 305,834
Expenses:		
Parks and recreation	515,725	507,030
Change in net assets	1,586,480	2,798,804
Net assets, July 1	6,918,414	4,119,610
Net assets, June 30	\$8,504,894	\$6,918,414

FINANCIAL ANALYSIS OF PARK FUNDS

As noted earlier, Park uses fund accounting to ensure and demonstrate compliance with budgetary decisions.

Governmental funds. The parks and recreation function of Park is recorded in the General and Capital Projects Funds. The focus of these governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Park's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of net resources available for spending at the end of the fiscal year.

At June 30, 2008, Park's governmental funds reported combined fund deficits of (\$1,124,192), a decrease of \$2,850,151 from the prior year.

The General Fund is the chief operating fund of Park. At June 30, 2008, the General Fund had a fund balance of \$19,834, an increase of \$27,649 from the prior year. This increase can be attributed to lower service levels from City of Modesto maintenance staff, more prudent spending and no major unforeseen repairs to Park's facilities. However, as developed acreage increases, and the condition of infrastructure deteriorates, staff anticipates the need for substantial additional funding to maintain and operate the park. As part of the preparation of the Fiscal Year 2010 budget, the Park Board will discuss ways to increase operating revenue, reduce spending further and examine maintenance levels performed at the park.

General and Capital Projects Fund revenues totaled \$517,949 in fiscal year 2008, a decrease of over 83% over fiscal year 2007. The following table presents the revenues from various sources as well as increases or decreases from the prior year.

Management's Discussion and Analysis

Revenues Classified by Source Governmental Funds

Revenues by Source	FY 2008		FY 2007		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Rents	\$76,035	14.68%	\$79,736	2.58%	(\$3,701)	-4.64%
Interest	14,340	2.77%	(14,981)	-0.49%	29,321	195.72%
Net increase (decrease) in the fair value of investment	6,691	1.29%	(1,780)	-0.06%	8,471	475.90%
Intergovernmental	6,098	1.18%	2,683,119	86.97%	(2,677,021)	-99.77%
Contributions by Supporting Agencies	413,404	79.82%	326,031	10.57%	87,373	26.80%
Other	1,381	0.27%	12,965	0.42%	(11,584)	-89.35%
Total	\$517,949	100.00%	\$3,085,090	100.00%	(\$2,567,141)	-83.21%

During fiscal year 2008, there was no grant revenue for the Gateway project that was recognized in the capital projects fund, and no further matching funds were received from any member of the joint powers agency. Grants receivable were offset with deferred revenue at June 30, 2008 and reimbursements for the Gateway project of approximately \$1.8 million are expected in fiscal year 2009.

Contributions by joint powers participants are approved via the budget adopted each year based on the expected needs of the Park for the current year and for future years. For the FY2008 budget, the Park board agreed to retain apportionments at the same level as 2007.

The following table presents expenditures by function compared to prior year amounts.

Expenditures By Function Governmental Funds

Expenditures by Function	FY 2008		FY 2007		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Parks and recreation	\$460,388	13.78%	\$467,608	28.77%	(\$7,220)	-1.54%
Capital outlay	2,880,033	86.22%	1,157,562	71.23%	1,722,471	148.80%
Total	\$3,340,421	100.00%	\$1,625,170	100.00%	\$1,715,251	105.54%

Current parks and recreation expenditures for operations showed an overall decrease, primarily due to lower maintenance provided by City of Modesto staff. Capital outlay for the parks and recreation function increased, due to continued construction on the Gateway Project.

Management's Discussion and Analysis

The current year deficiency of revenues and other financing sources under expenditures and other financing uses is presented in the following table:

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

	General Fund	Capital Projects Fund	Total
Revenues	\$488,037	\$29,912	\$517,949
Expenditures	(460,388)	(2,880,033)	(3,340,421)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	27,649	(2,850,121)	(2,822,472)
Fund balances – July 1, 2007	(7,815)	1,725,929	1,718,114
Fund balances – June 30, 2008	\$19,834	(\$1,124,192)	(\$1,104,358)

The fund balance of the Park's General Fund increased by \$27,649 during the fiscal year, compared to the final budget anticipated increase of \$42,034. The key factor in the small increase was the continued reduction in participant contributions.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were lower than final budgetary estimates by \$16,366. This is mainly attributable to lower than anticipated rentals. Actual expenditures were \$1,981 less than final budgetary estimates, primarily due to one full year of cost savings under the new maintenance contract.

CAPITAL ASSETS

Park's investment in capital assets as of June 30, 2008, amounted to \$7,804,252 (net of accumulated depreciation). This investment in capital assets includes land, buildings and other improvements, and construction in progress. The investment in capital assets increased by \$2,824,696, or 57% over the prior year. The major components of this change were:

Depreciation expense	(\$39,533)
New capital outlay	2,864,229
	\$2,824,696

For government-wide financial statement presentation, all depreciable capital assets are being depreciated using the straight-line method. Fund financial statements record capital asset purchases as expenditures. The Park has no infrastructure assets.

Capital assets, net of depreciation, are illustrated below to illustrate changes from the prior year:

	2008	2007	Increase (Decrease)
Land	\$2,528,567	\$2,528,567	\$0
Buildings	124,737	139,283	(14,546)
Improvements	2,085,691	354,701	1,730,990
Construction in progress	3,065,257	1,957,005	1,108,252
Total	\$7,804,252	\$4,979,556	\$2,824,696

Additional information on the Park's capital assets can be found in note 2 on page 18 of this report.

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The three agencies that make up the Park's joint powers authority continue to work collaboratively to ensure that the vision for this urban river corridor becomes a reality. Funding levels for 2008 increased by \$87,373 (26.8%) over the 2007 level based on estimated expenditures less other revenue, with all of the participant agencies' apportionments allocated to operating costs. However, due to a decreasing year-end fund balance in recent years, the Park no longer has year-end funding to reallocate, which is now impacting operating funding. Staff continues to seek ways to respond. Due to a city-wide landscape maintenance service agreement implemented in fiscal year 2006, the City of Modesto was able to secure favorable costs for improved Park maintenance; these costs will remain at the same level through fiscal year 2009. Utility costs continue to increase; although turf watering was reduced, no major effects have been seen. In addition, grant funding and \$1 million contributions each from the County and the City of Modesto for capital projects has enabled the agencies to allocate all of their annual apportionments to the General Fund. Several state-funded grant programs have provided over \$2.8 million for development of the Park, including Prop. 40, Prop. 50, Habitat Conservation Fund and the Recreational Trails Program. Staff and the TRRP Commission continue to seek funding from all appropriate sources and will look at different models for operating the park in the future.

The City of Modesto's Parks, Recreation and Neighborhoods Department began a project to plan for the future development of the Park when the Joint Powers Authority of the City of Modesto, City of Ceres and Stanislaus County adopted the TRRP Master Plan in December 2001. In April 2005, staff began work on the Precise Plan and the Finding of Conformance to the MEIR for the Gateway Parcel project and in September 2005, the City Council approved the Precise Plan for the Gateway Parcel of the Tuolumne River Regional Park and work began in December 2005 to produce construction documents for Phase 1.1. These documents were approved in August 2006, when the bid for construction of this phase was accepted. Phase 1.1 consisted of the initial grading for a backwater channel, installation of a Grasspave pedestrian pathway surfacing and hydroseeding approximately 10 acres with native grasses for erosion control. Phase 1.1 was completed in 2007 and construction of Phase 1.2 began in the fall of 2007. The Phase 1.2 project consists of excavation and redpositing 180,000 cubic yards of soil creating the Amphimeadow, Wildlife Island, four different terraced flood plain areas, an additional .75 mile of pedestrian trail and riparian restoration on approximately 30 acres of Gateway Parcel.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Park's finances for those interested in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Modesto, Accounting Division, and P.O. Box 642, Modesto, CA 95353.

TUOLUMNE RIVER REGIONAL PARK
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS	
Investment in City's pool (Note 1E)	\$40,001
Receivables:	
Interest	372
Due from other governments	1,896,924
Capital assets (Note 2):	
Land and construction in progress	5,593,824
Other capital assets, net of accumulated depreciation	<u>2,210,428</u>
Total Assets	<u>9,741,549</u>
LIABILITIES	
Accounts payable	540,731
Due to the City of Modesto (Note 1 D)	<u>695,924</u>
Total Liabilities	<u>1,236,655</u>
NET ASSETS	
Invested in capital assets	7,804,252
Unrestricted	<u>700,642</u>
Total Net Assets	<u><u>\$8,504,894</u></u>

See accompanying notes to financial statements

TUOLUMNE RIVER REGIONAL PARK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Parks and recreation	\$515,725	\$77,416	\$2,003,758	\$1,565,449
General revenues:				
Investment earnings				21,031
Change in Net Assets				1,586,480
Net Assets-Beginning				6,918,414
Net Assets-Ending				\$8,504,894

See accompanying notes to financial statements

TUOLUMNE RIVER REGIONAL PARK
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Investment in City Pool (Note 1E)	\$40,001		\$40,001
Receivables:			
Interest	372		372
Due from other governments		\$1,896,924	1,896,924
	\$40,373	\$1,896,924	\$1,937,297
LIABILITIES			
Accounts payable	\$20,539	\$520,192	\$540,731
Due to the City of Modesto (Note 1I)		695,924	695,924
Deferred revenue		1,805,000	1,805,000
	20,539	3,021,116	3,041,655
FUND BALANCES			
Fund balance			
Unreserved:			
Undesignated	19,834	(1,124,192)	(1,104,358)
	19,834	(1,124,192)	(1,104,358)
	\$40,373	\$1,896,924	

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

DEFERRED REVENUE

Receivables not available for current-period expenditures, revenue deferred in the funds	1,805,000
--	-----------

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

Nondepreciable - land and construction in progress	5,593,824
Depreciable - buildings, improvements, furnishings and equipment	4,174,872
Accumulated depreciation on buildings and improvements	(1,964,444)
	7,804,252

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$8,504,894
---------------------------------------	-------------

See accompanying notes to financial statements

TUOLUMNE RIVER REGIONAL PARK
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Rents	\$76,035		\$76,035
Interest	(1,868)	\$16,208	14,340
Net (decrease) in fair value of investments	(915)	7,606	6,691
Contributions made by joint powers participants	413,404		413,404
Intergovernmental		6,098	6,098
Other	1,381		1,381
Total Revenues	488,037	29,912	517,949
EXPENDITURES			
Current:			
Salaries and benefits	7,726		7,726
Contractual services	388,266		388,266
Materials and supplies	55,920		55,920
Insurance and taxes	8,476		8,476
Capital Outlay		2,880,033	2,880,033
Total Expenditures	460,388	2,880,033	3,340,421
NET CHANGE IN FUND BALANCES	27,649	(2,850,121)	(2,822,472)
BEGINNING FUND BALANCES (DEFICIT)	(7,815)	1,725,929	1,718,114
ENDING FUND BALANCES (DEFICIT)	\$19,834	(\$1,124,192)	(\$1,104,358)

See accompanying notes to financial statements

TUOLUMNE RIVER REGIONAL PARK
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2008

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$2,822,472)
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>	
DEFERRED REVENUE - revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	1,584,256
<p>CAPITAL ASSETS TRANSACTIONS</p>	
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.</p>	
The capital outlay expenditures are therefore added back to fund balance	2,864,229
Depreciation expense is deducted from the fund balance	<u>(39,533)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$1,586,480</u></u>

See accompanying notes to financial statements

This Page Left Intentionally Blank

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity and Description of Services*

Tuolumne River Regional Park (Park) was founded in 1972 by an agreement between the County of Stanislaus (County) and the Cities of Modesto and Ceres (Cities). The agreement provides for financing, development, and maintenance of the Tuolumne River Regional Park facilities. The Park includes approximately 62 developed and 720 undeveloped acres with group picnic areas, play equipment lots, ballfields, and Legion Hall. Rent is generated from public use of these facilities. The County and Cities provide additional operating funds. The Park is governed by the Tuolumne River Regional Park Committee, which consists of two members of the County's Board of Supervisors, two members of the City of Modesto's City Council and one member of the City of Ceres' City Council.

Financial transactions initiated by the Park are processed and accounted for by the City of Modesto's financial system.

B. *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of the Park. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with the parks and recreation function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the parks and recreation function and 2) grants and contributions that are restricted to meeting the operational requirements of the parks and recreation function. Investment earnings, which are not properly included among program revenues, are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. *Basis of Presentation, Basis of Accounting, and Measurement Focus*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 Park considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Substantially all rents and interest, including the net increase in the fair value of investments, are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenues are considered to be measurable and available only when cash is received by the Park.

The Park reports the following major governmental funds:

General Fund

The General Fund is the operating fund of the Park.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources restricted for specific purposes.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all investment earnings.

When both restricted and unrestricted resources are available for use, it is the Park's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Management's 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. These estimates and assumptions affect the reported amounts of 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 these estimates.

E. Investment in City Pool

All of the Park's cash and investments are included within the City of Modesto's cash and investment pool, which is described in the City of Modesto's Comprehensive Annual Financial Report. The Park's investments in the pool are stated at fair value. The Modesto City Council has oversight responsibility of the City of Modesto's investment pool.

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Park as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is recorded using the straight line method over the estimated useful lives of the assets, which are 30 years for buildings and 20 years for improvements. Operating expenses include depreciation on all depreciable capital assets.

Capital assets acquired by the governmental funds are recorded as expenditures by the governmental fund and are capitalized, at cost, in the statement of net assets.

Title to capital assets vests with all of the parties to the agreement, each having an undivided interest therein.

G. Fund Equity

In the fund financial statement, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

H. Risk Management

The Park is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Park participates the City of Modesto's insurance pool to mitigate the risk of loss and contributes its pro-rata share of estimated losses. The City of Modesto's insurance pool does not maintain separate records for estimated outstanding liabilities including incurred but not reported claims. Refer to the City of Modesto's Comprehensive Annual Financial Report for further information related to the insurance pool. Additional insurance is purchased for special events when certain Park facilities are rented to the Public.

I. Due to the City of Modesto

During fiscal year 2008, the Capital Projects Fund incurred expenditures in excess of revenues for the Gateway project. As a result, the Fund owed the City of Modesto \$695,924 at June 30, 2008.

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 2 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$2,528,567			\$2,528,567
Construction in progress	1,957,005	\$2,864,229	(\$1,755,977)	3,065,257
Total capital assets not being depreciated	<u>4,485,572</u>	<u>2,864,229</u>	<u>(1,755,977)</u>	<u>5,593,824</u>
Capital assets, being depreciated:				
Buildings	455,935			455,935
Improvements	1,962,961		1,755,977	3,718,938
Total capital assets, being depreciated	<u>2,418,896</u>		<u>1,755,977</u>	<u>4,174,873</u>
Less accumulated depreciation for:				
Buildings	(316,652)	(14,546)		(331,198)
Improvements	(1,608,260)	(24,987)		(1,633,247)
Total accumulated depreciation	<u>(1,924,912)</u>	<u>(39,533)</u>		<u>(1,964,445)</u>
Total capital assets, being depreciated, net	<u>493,984</u>	<u>(39,533)</u>	<u>1,755,977</u>	<u>2,210,428</u>
Capital assets, net	<u>\$4,979,556</u>	<u>\$2,824,696</u>		<u>\$7,804,252</u>

All depreciation expense was charged to the parks and recreation function/program.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Park reimburses the City of Modesto for administrative and other costs incurred by the City of Modesto on the Park's behalf. During the 2007-2008 fiscal year, contractual service expenditures included \$53,079 of the City of Modesto's payroll costs allocated to the Park.

REQUIRED SUPPLEMENTARY INFORMATION

TUOLUMNE RIVER REGIONAL PARK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Rents	\$86,000	\$86,000	\$76,035	(\$9,965)
Interest			(1,868)	(1,868)
Net decrease in fair value of investments			(915)	(915)
Contributions made by joint powers participants	413,403	413,403	413,404	1
Other	5,000	5,000	1,381	(3,619)
Total Revenues	<u>504,403</u>	<u>504,403</u>	<u>488,037</u>	<u>(16,366)</u>
EXPENDITURES				
Current:				
Salaries and benefits	10,000	10,000	7,726	2,274
Contractual services	428,850	428,850	388,266	40,584
Materials and supplies	10,500	10,500	55,920	(45,420)
Insurance and taxes	13,019	13,019	8,476	4,543
Total Expenditures	<u>462,369</u>	<u>462,369</u>	<u>460,388</u>	<u>1,981</u>
NET CHANGE IN FUND BALANCE	42,034	42,034	27,649	(14,385)
Fund balance, July 1	<u>(7,815)</u>	<u>(7,815)</u>	<u>(7,815)</u>	
Fund balance, June 30	<u>\$34,219</u>	<u>\$34,219</u>	<u>\$19,834</u>	<u>(\$14,385)</u>

See accompanying notes to required supplementary information

TUOLUMNE RIVER REGIONAL PARK
 CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest			\$16,208	\$16,208
Net (decrease) in fair value of investments			7,606	7,606
Intergovernmental	\$3,003,788	\$3,003,788	6,098	(2,997,690)
Total Revenues	<u>3,003,788</u>	<u>3,003,788</u>	<u>29,912</u>	<u>(2,973,876)</u>
EXPENDITURES				
Capital outlay	3,746,978	3,673,543	2,880,033	793,510
Total Expenditures	<u>3,746,978</u>	<u>3,673,543</u>	<u>2,880,033</u>	<u>793,510</u>
NET CHANGES IN FUND BALANCE	(743,190)	(669,755)	(2,850,121)	(2,180,366)
Fund balance, July 1	<u>1,725,929</u>	<u>1,725,929</u>	<u>1,725,929</u>	
Fund balance, June 30	<u>\$982,739</u>	<u>\$1,056,174</u>	<u>(\$1,124,192)</u>	<u>(\$2,180,366)</u>

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1- BUDGETS AND BUDGETARY ACCOUNTING

The Park operates under the general laws of the State of California and annually adopts a budget for its General Fund and Capital Projects Fund to be effective July 1 for the ensuing fiscal year. The budget must be approved by each of the legislative bodies of parties to the agreement. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein, as proposed expenditures become appropriations. The Park may amend the budget by approval from each of the legislative bodies of the parties to the agreement during the fiscal year. Encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent year expenditures, based on the authorized encumbered appropriation carried over. All appropriations lapse at year-end. Annual budgets are adopted a basis consistent with generally accepted accounting principles in the United States of America.

OTHER REPORT

This Page Left Intentionally Blank

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE
BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Governing Board of the
Tuolumne River Regional Park of the City of Modesto, California

We have audited the basic financial statements of the Tuolumne River Regional Park (Park) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 18, 2008, which was unqualified. We conducted our audit in accordance with generally accepted auditing standards 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 Park's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Park's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Park's internal control over financial reporting.

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 Park's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Park's financial statements that is more than inconsequential will not be prevented or detected by the Park's internal control.

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 Park's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weakness. We noted no items we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Park'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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Tuolumne River Regional Park Committee, the Board Supervisors of the County of Stanislaus, and the City of Modesto and Ceres. However, this report is a matter of public record and its distribution is not limited.

Mage & Associates

December 18, 2008