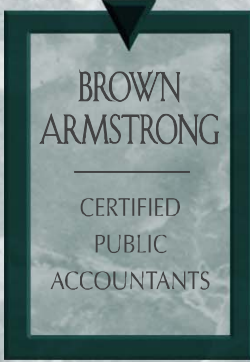


**TUOLUMNE RIVER REGIONAL PARK**  
**INDEPENDENT AUDITOR'S REPORTS,**  
**BASIC FINANCIAL STATEMENTS, AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**TUOLUMNE RIVER REGIONAL PARK  
INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS, AND  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2011**

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# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

### MAIN OFFICE

#### 4200 TRUXTUN AVENUE

SUITE 300  
BAK RSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL info@bacpas.com

#### 560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263  
TEL 661.746.2145  
FAX 661.746.1218

#### 8050 N. PALM AVENUE

SUITE 300  
FRESNO, CALIFORNIA 93711  
TEL 559.476.3592  
FAX 559.476.3593

#### 790 E. COLORADO BLVD.

SUITE 908B  
PASADENA, CALIFORNIA 91101  
TEL 626.240.0920  
FAX 626.240.0922

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, 2011, 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 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 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, 2011, 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.

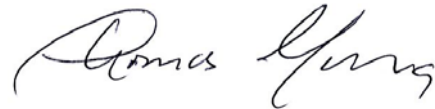
In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011, on our consideration of the Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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.



REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and budgetary comparison information on pages 20 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in cursive script, appearing to read "Ronald Young".

Bakersfield, California  
December 28, 2011

**TUOLUMNE RIVER REGIONAL PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

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 2011 fiscal year by \$7,234,157 (net assets). Of this amount, \$489,384 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$6,744,773 is invested in capital assets.

- Total net assets decreased by \$175,246 from current year activity, and an additional \$352,497 from prior period adjustments.
- As of June 30, 2011, the Park's funds reported combined fund balances of \$337,141, a decrease of \$47,187 in comparison with the prior year, of which \$4,244 is attributable to a prior period adjustment in the Capital Projects Fund.
- At the end of the fiscal year, the General Fund had a fund balance of \$16,485.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is 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 three 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 is 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.

Because the focus of governmental funds financial statements 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 11 and 12 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 14 through 19 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 21 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 the Park were \$7,234,157 at the close of fiscal year 2011, compared with \$7,761,900 as of June 30, 2010.

#### **Statement of Net Assets - Governmental Activities**

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 499,984	\$ 395,185
Capital assets	<u>6,744,773</u>	<u>7,377,572</u>
Total assets	<u>7,244,757</u>	<u>7,772,757</u>
Current and other liabilities	<u>10,600</u>	<u>10,857</u>
Net assets:		
Invested in capital assets, net of related debt	6,744,773	7,377,572
Unrestricted	<u>489,384</u>	<u>384,328</u>
Total net assets	<u>\$ 7,234,157</u>	<u>\$ 7,761,900</u>

The largest portion of net assets, \$6,744,773, is made up of the 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 the Park's net assets is its unrestricted net assets, in the amount of \$489,384. This amount is the balance at year-end which may be used to meet the Park's ongoing obligations.

The Park's net assets decreased by \$175,246 during the current fiscal year, and an additional \$352,497 from prior period adjustments.

**Statement of Activities - Governmental Activities**

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 46,307	\$ 53,779
Operating grants and contributions	494,425	132,721
General revenues:		
Investment income (loss)	3,673	(570)
Other	<u>5,913</u>	<u>14,808</u>
Total revenues	550,318	200,738
Expenses:		
Parks and recreation	<u>725,564</u>	<u>983,580</u>
Change in net assets	(175,246)	(782,842)
Net assets, July 1	<u>7,761,900</u>	<u>8,544,742</u>
Prior period adjustment	<u>(352,497)</u>	<u>-</u>
Net assets, June 30	<u><u>\$ 7,234,157</u></u>	<u><u>\$ 7,761,900</u></u>

**FINANCIAL ANALYSIS OF PARK FUNDS**

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

**Governmental funds.** The parks and recreation function of the 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 the Park's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of net resources available for spending at the end of the fiscal year.

At June 30, 2011, the Park's governmental funds reported a combined fund balance of \$337,141, a decrease of \$47,187 in comparison with the prior year, of which \$4,244 is attributable to prior period adjustments.

The General Fund is the chief operating fund of the Park. At June 30, 2011, the General Fund had a fund balance of \$16,485, a decrease of \$45,622 from the prior year. This decrease can be attributed to an increase in cost for the maintenance contract for landscaping and building services charges due to an overall increase in operating expenses. As part of the preparation of the fiscal year 2012 budget, the Park Committee will continue to discuss ways to increase operating revenue, reduce spending further and examine maintenance levels performed at the Park.

General and Capital Projects Fund revenues totaled \$398,075 in fiscal year 2011, a decrease of over 6% over fiscal year 2010. The following table presents the revenues from various sources as well as increases or decreases from the prior year.

**Revenues Classified by Source  
Governmental Funds**

Revenues by Source	FY 2011		FY 2010		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Rents	\$ 46,307	11.63%	\$ 53,779	12.67%	\$ (7,472)	-13.89%
Interest	4,271	1.07%	1,616	0.38%	2,655	-164.29%
Net increase (decrease) in the fair value of investment	(598)	-0.15%	(2,186)	-0.51%	1,588	72.64%
Contributions by supporting agencies	342,182	85.96%	356,475	83.98%	(14,293)	-4.01%
Other	5,913	1.49%	14,808	3.48%	(8,895)	-60.07%
<b>Total</b>	<b>\$ 398,075</b>	<b>100.00%</b>	<b>\$ 424,492</b>	<b>100.00%</b>	<b>\$ (26,417)</b>	<b>-6.22%</b>

During fiscal year 2011, there was no new grant revenue awarded due to the current statewide economic climate and because the Gateway Parcel project was close to completion. No new major projects were planned for development in this fiscal year as all state-funded grants were on hold.

Contributions by Park JPA members 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 fiscal year 2011 budget, the Park Committee agreed to reduce the apportionments due to associated budget reductions by each individual participants' General Fund.

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

**Expenditures by Function  
Governmental Funds**

Expenditures by Function	FY 2011		FY 2010		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Parks and recreation	\$ 441,018	100.00%	\$ 362,481	96.39%	\$ 78,537	21.67%
Capital outlay	-	0.00%	13,561	3.61%	(13,561)	-100.00%
<b>Total</b>	<b>\$ 441,018</b>	<b>100.00%</b>	<b>\$ 376,042</b>	<b>100.00%</b>	<b>\$ 64,976</b>	<b>17.28%</b>

Current parks and recreation expenditures for operations showed an overall increase, primarily due to higher maintenance provided by City of Modesto staff. Capital outlay for the parks and recreation function decreased due to no capital asset additions in 2011.



The current year excess of revenues and other financing sources over expenditures is presented in the following table:

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

	General Fund	Capital Projects Fund	Total
Revenues	\$ 395,396	\$ 2,679	\$ 398,075
Expenditures	(441,018)	-	(441,018)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(45,622)	2,679	(42,943)
Fund balances - beginning	62,107	322,221	384,328
Prior Period Adjustment	-	(4,244)	(4,244)
Fund balances (deficit) - ending	<u>\$ 16,485</u>	<u>\$ 320,656</u>	<u>\$ 337,141</u>

The fund balance of the Park's General Fund decreased by \$45,622 during the fiscal year, compared to the final budget anticipated decrease of \$37,251. The key factor was a reduction in the overall general maintenance of the park and facilities due to anticipated reduced revenue by the members of the JPA.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were higher than final budgetary estimates by \$2,115. This is mainly attributable to interest earnings not included in the budgeted figures and higher contributions made by the joint powers participants than anticipated. Actual expenditures were \$10,486 more than final budgetary estimates.

**CAPITAL ASSETS**

The Park's investment in capital assets as of June 30, 2011, amounted to \$6,744,773 (net of accumulated depreciation). This investment in capital assets includes land, buildings and other improvements, and construction in progress. The investment in capital assets decreased by (\$632,799), or (8.6%) over the prior year. The major components of this change were:

Depreciation expense	\$ (284,546)
Prior period adjustment	<u>(348,253)</u>
	<u>\$ (632,799)</u>

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 shown below to illustrate changes from the prior year:

	<u>2011</u>	<u>2010</u>	Increase (Decrease)
Land	\$ 2,528,566	\$ 2,528,566	\$ -
Buildings	85,095	95,726	(10,631)
Improvements	<u>4,131,112</u>	<u>4,753,280</u>	<u>(622,168)</u>
Total	<u>\$ 6,744,773</u>	<u>\$ 7,377,572</u>	<u>\$ (632,799)</u>

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

### **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 2011 decreased by \$26,417 (6.22%) over the 2010 level based on estimated expenditures less other revenue for the General Fund, with all of the participating 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 are projected to remain at the same level through fiscal year 2011. Utility costs continue to increase; although turf watering has been reduced and, while no major effects have been seen, turf does 'brown out' during the summer months. In addition, grant funding and \$2 million in contributions from the County of Stanislaus and the City of Modesto for capital projects have 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 Gateway Parcel, including state Proposition 40, Proposition 50, Habitat Conservation Fund and the Recreational Trails Program. Staff and the Park Committee continue to seek funding from all appropriate sources and will look at different models for operating the park in the future. The Park JPA was successful in recently being awarded a \$2.2 million grant, funded by State Proposition 84, for the development of Phase 2 of the Gateway Parcel, which will continue its restoration by creating a backwater channel, developing approximately 800' of trail, installing a pre-fabricated pedestrian bridge and Fishing Deck and planting approximately 15 acres of riparian habitat plants. This project is scheduled to begin in summer 2011 and is anticipated to be completed in 2013.

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 Park 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 created four terraced flood plain areas by excavating and redepositing approximately 180,000 cubic yards of soil, creating a Wildlife Island, 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, P.O. Box 642, Modesto, CA 95353.

**TUOLUMNE RIVER REGIONAL PARK  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

<b>ASSETS</b>	
Investment in City of Modesto's Pool (Note 1E)	\$ 498,590
Receivables:	
Due from the City of Modesto	9
Interest	1,385
Capital assets (Note 2):	
Land	2,528,566
Other Capital Assets, Net of Accumulated Depreciation	<u>4,216,207</u>
Total Assets	<u>7,244,757</u>
<b>LIABILITIES</b>	
Accounts Payable	<u>10,600</u>
Total Liabilities	<u>10,600</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	6,744,773
Unrestricted	<u>489,384</u>
Total Net Assets	<u><u>\$ 7,234,157</u></u>

See accompanying notes to financial statements.

**TUOLUMNE RIVER REGIONAL PARK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Parks and Recreation	<u>\$ 725,564</u>	<u>\$ 46,307</u>	<u>\$ 494,425</u>	<u>\$ (184,832)</u>
General Revenues:				
Investment Earnings (Loss)				3,673
Other				<u>5,913</u>
Change in Net Assets				(175,246)
Net Assets - Beginning				<u>7,761,900</u>
Prior Period Adjustment				(352,497)
Net Assets Beginning (Restated)				<u>7,409,403</u>
Net Assets - Ending				<u>\$ 7,234,157</u>

See accompanying notes to financial statements.

**TUOLUMNE RIVER REGIONAL PARK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Investment in City of Modesto Pool (Note 1E)	\$ 26,845	\$ 471,745	\$ 498,590
Receivables:			
Due from the City of Modesto	9	-	9
Interest	231	1,154	1,385
Total Assets	\$ 27,085	\$ 472,899	\$ 499,984
<b>LIABILITIES</b>			
Accounts Payable	\$ 10,600	\$ -	\$ 10,600
Deferred Revenue	-	152,243	152,243
Total Liabilities	10,600	152,243	162,843
<b>FUND BALANCES</b>			
Fund balances			
Committed	-	320,656	320,656
Unassigned	16,485	-	16,485
Total Fund Balances (Deficit)	16,485	320,656	337,141
Total Liabilities and Fund Balances	\$ 27,085	\$ 472,899	

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**

Revenues not available for current-period expenditures are deferred in Governmental Funds.	152,243
--	---------

**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	2,528,566
Depreciable - buildings and improvements	7,466,603
Accumulated depreciation on buildings and improvements	(3,250,396)
	6,744,773

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 7,234,157</b>
--	---------------------

See accompanying notes to financial statements.

**TUOLUMNE RIVER REGIONAL PARK  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Capital Projects Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Rents	\$ 46,307	\$ -	\$ 46,307
Interest	1,162	3,109	4,271
Net Increase (Decrease) in Fair Value of Investments	(168)	(430)	(598)
Contributions Made by Joint Powers Participants	342,182	-	342,182
Other	5,913	-	5,913
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	395,396	2,679	398,075
	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXPENDITURES</b>			
Current:			
Contractual Services	428,810	-	428,810
Materials and Supplies	4,883	-	4,883
Insurance and Taxes	7,325	-	7,325
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	441,018	-	441,018
	<u>          </u>	<u>          </u>	<u>          </u>
Net Change in Fund Balances	(45,622)	2,679	(42,943)
Beginning Fund Balances (Deficit)	62,107	322,221	384,328
	<u>          </u>	<u>          </u>	<u>          </u>
Prior Year Adjustment	-	(4,244)	(4,244)
	<u>          </u>	<u>          </u>	<u>          </u>
Beginning Fund Balances (Deficit) Restated	62,107	317,977	380,084
	<u>          </u>	<u>          </u>	<u>          </u>
Ending Fund Balances	\$ 16,485	\$ 320,656	\$ 337,141
	<u>          </u>	<u>          </u>	<u>          </u>

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, 2011**

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	\$	(42,943)
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

**DEFERRED REVENUE**

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the Governmental Funds.		152,243
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**CAPITAL ASSETS TRANSACTIONS**

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.

Depreciation expense is deducted from the fund balance.		<u>(284,546)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(175,246)</u></u>
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**TUOLUMNE RIVER REGIONAL PARK  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 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.

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 (decrease) 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.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. Basis of Presentation, Basis of Accounting, and Measurement Focus (Continued)

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 of Modesto 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.

F. Capital Assets

Capital assets, which include property, plant, 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 funds 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### G. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the Park 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 either legally or contractually to be maintained intact.
- **Restricted** - Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional or enabling legislation.
- **Committed** - Amounts constrained to specific purposes by the Park itself, using the Park's highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the Park takes the same highest level action to remove or change the constraint. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned** - Amounts the Park *intends* to use for a specific purpose. Intent can be expressed by the Park at either the highest level of decision making or by an official or body to which the Park delegates the authority. This is also the classification for residual funds in the Park's special revenue fund.
- **Unassigned** - The residual classification for the Park's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Park establishes and 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 construction contracts. Assigned fund balance is established by the Park through adoption or amendment of the budget or future year budget plan as intended for a specific purpose.

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

### 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 in 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.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### I. New Accounting Pronouncements

For the fiscal year ended June 30, 2011, the Park implemented the following Government Accounting Standards Board standards:

**GASB Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions.*** The requirements of this statement are effective for financial statement periods beginning after June 15, 2010. The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Balance section of this footnote. It also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the General Funds, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified by the provisions in this statement.

Additional standards were released by GASB during the fiscal year.

**GASB Statement No. 60 - *Accounting and Financial Reporting for Service Concession Arrangements*** addresses accounting and financial reporting issues related to public-private and public-public partnerships. The statement is effective for periods beginning after December 15, 2011. The Park has not fully judged the effect of the implementation of GASB Statement No. 60 as of the date of the basic financial statements.

**GASB Statement No. 61 - *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*** modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. As of the date of the basic financial statements, the Park has not made an assessment of any changes that will occur upon this statement's implementation.

**GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*** incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements - Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. However, as the statement codifies what is in current practice, there is no net effect on the Park's accounting or financial reporting upon the statement's implementation.

**GASB Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*** modifies current financial reporting of those elements. The largest change will be the replacement of the current Statement of Net Assets with a Statement of Net Position and a Statement of Changes in Net Position instead of the current Statement of Activities upon implementation for periods beginning after December 15, 2011. The Park will implement this change for the fiscal year ended June 30, 2012.

**GASB Statement No. 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions*** - amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. As of the date of the basic financial statements, the Park has not made an assessment of any changes that will occur upon this statement's implementation.

**NOTE 2 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Transfers/ Adjustments	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,528,566	\$ -	\$ -	\$ 2,528,566
Total capital assets not being depreciated	<u>2,528,566</u>	<u>-</u>	<u>-</u>	<u>2,528,566</u>
Capital assets, being depreciated:				
Buildings	455,935			455,935
Improvements	7,010,668	-	-	7,010,668
Total capital assets, being depreciated	<u>7,466,603</u>	<u>-</u>	<u>-</u>	<u>7,466,603</u>
Less accumulated depreciation for:				
Buildings	(360,209)	(10,631)	-	(370,840)
Improvements	(2,257,388)	(273,915)	(348,253)	(2,879,556)
Total accumulated depreciation	<u>(2,617,597)</u>	<u>(284,546)</u>	<u>(348,253)</u>	<u>(3,250,396)</u>
Total capital assets, being depreciated, net	<u>4,849,006</u>	<u>(284,546)</u>	<u>(348,253)</u>	<u>4,216,207</u>
Capital assets, net	<u>\$ 7,377,572</u>	<u>\$ (284,546)</u>	<u>\$ (348,253)</u>	<u>\$ 6,744,773</u>

Depreciation expense for the year ended June 30, 2011, was \$284,546.

**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 2010-2011 fiscal year, contractual service expenditures included \$99,017 of the City of Modesto's payroll costs allocated to the Park.

**NOTE 4 – PRIOR PERIOD ADJUSTMENTS**

There was a prior period adjustment to adjust Prior Year Net Assets for expenses not properly reporting prior to June 30, 2010.

Statement of Net Assets at June 30, 2010, as previously reported	\$ 7,761,900
Adjustment for understatement of depreciation and expenses	<u>(352,497)</u>
Statement of Net Assets at June 30, 2010, as restated	<u>\$ 7,409,403</u>
Fund Balance Capital Projects Fund June 30, 2010, as previously reported	\$ 322,221
Adjustment for understatement of expenses	<u>(4,244)</u>
Fund Balance at June 30, 2010, as restated	<u>\$ 317,977</u>

**NOTE 5 – EXCESS BUDGET APPROPRIATIONS**

General Fund	
Contract Services	\$ 16,041

**REQUIRED SUPPLEMENTARY INFORMATION**

**TUOLUMNE RIVER REGIONAL PARK  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Rents	\$ 51,000	\$ 51,000	\$ 46,307	\$ (4,693)
Interest	-	-	1,162	1,162
Net Increase in Fair Value of Investments	-	-	(168)	(168)
Contributions Made by Joint Powers Participants	323,281	323,281	342,182	18,901
Other	19,000	19,000	5,913	(13,087)
<b>Total Revenues</b>	<u>393,281</u>	<u>393,281</u>	<u>395,396</u>	<u>2,115</u>
<b>EXPENDITURES</b>				
Current:				
Contractual Services	412,769	412,769	428,810	(16,041)
Materials and Supplies	9,600	9,600	4,883	4,717
Insurance and Taxes	8,163	8,163	7,325	838
<b>Total Expenditures</b>	<u>430,532</u>	<u>430,532</u>	<u>441,018</u>	<u>(10,486)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(37,251)	(37,251)	(45,622)	(8,371)
Fund Balance, Beginning	<u>62,107</u>	<u>62,107</u>	<u>62,107</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 24,856</u>	<u>\$ 24,856</u>	<u>\$ 16,485</u>	<u>\$ (8,371)</u>

See accompanying note to required supplementary information.

**TUOLUMNE RIVER REGIONAL PARK  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 3,109	\$ 3,109
Net Decrease in Fair Value of Investments	-	-	(430)	(430)
Total Revenues	<u>-</u>	<u>-</u>	<u>2,679</u>	<u>2,679</u>
<b>EXPENDITURES</b>				
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	2,679	2,679
Fund Balance, Beginning	322,221	322,221	322,221	-
Prior Year Adjustment	-	-	(4,244)	(4,244)
Fund Balance, Ending	<u>\$ 322,221</u>	<u>\$ 322,221</u>	<u>\$ 320,656</u>	<u>\$ (1,565)</u>

See accompanying note to required supplementary information.

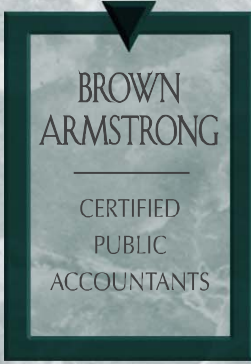


**TUOLUMNE RIVER REGIONAL PARK  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

**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 accounting principles generally accepted in the United States of America.

**OTHER REPORT**



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S 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

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

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300
BAK RSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

We have audited the basic financial statements of the Tuolumne River Regional Park (Park), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 28, 2011. 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 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 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.

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

Compliance and Other Matters

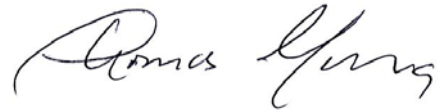
As part of obtaining reasonable assurance about whether the Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 or other matters that are required to be reported under Government Auditing Standards.



REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in cursive script, appearing to read "Ronald Young".

Bakersfield, California  
December 28, 2011