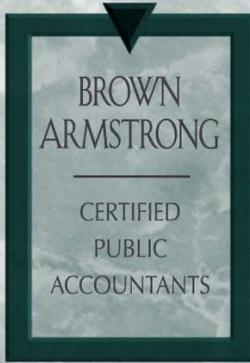


TUOLUMNE RIVER REGIONAL PARK
INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS, AND
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

**TUOLUMNE RIVER REGIONAL PARK
INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS, AND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the general fund and each major fund of the Tuolumne River Regional Park (the Park), as of and for the year ended June 30, 2014, and the related notes to the financial statements, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Park's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Park's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, general fund and each major fund of the Park as of June 30, 2014, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, the Park implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Park's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
November 24, 2014

**TUOLUMNE RIVER REGIONAL PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

This section of the annual financial report presents a discussion and analysis of financial performance of Tuolumne River Regional Park (the 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 2014 fiscal year by \$6,571,876 (net position). Of this amount, \$198,021 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$6,373,855 is invested in capital assets.

- Total net position decreased by \$213,325 from current year activity.
- As of June 30, 2014, the Park's funds reported combined fund balance of \$45,778, an increase of \$61,137 in comparison with the prior year.
- At the end of the fiscal year, the General Fund had a fund balance deficit of \$(7,601).

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 position presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 through 13 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 the General Fund 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 position may serve over time as a useful indicator of a government's financial position. Net position of the Park was \$6,571,876 at the close of fiscal year 2014, compared with \$6,785,201 as of June 30, 2013.

Statement of Net Position - Governmental Activities

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 206,288	\$ 205,354
Capital assets	<u>6,373,855</u>	<u>6,648,317</u>
Total assets	<u>6,580,143</u>	<u>6,853,671</u>
Current and other liabilities	<u>8,267</u>	<u>68,470</u>
Net position:		
Net investment in capital assets	6,373,855	6,648,317
Unrestricted	<u>198,021</u>	<u>136,884</u>
Total net position	<u><u>\$ 6,571,876</u></u>	<u><u>\$ 6,785,201</u></u>

The largest portion of net position, \$6,373,855, 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 position is its unrestricted net position, in the amount of \$198,021. This amount is the balance at year-end which may be used to meet the Park's ongoing obligations.

The Park's net position decreased by \$213,325 during the current fiscal year.

Statement of Activities - Governmental Activities

	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 50,580	\$ 46,955
Operating grants and contributions	305,770	439,061
General revenues:		
Investment earnings	(101)	(700)
Other	<u>9,189</u>	<u>28,725</u>
Total revenues	365,438	514,041
Expenses:		
Parks and recreation	<u>578,763</u>	<u>628,649</u>
Change in net position	(213,325)	(114,608)
Net position, July 1	<u>6,785,201</u>	<u>6,899,809</u>
Net position, June 30	<u><u>\$ 6,571,876</u></u>	<u><u>\$ 6,785,201</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, 2014, the Park's governmental funds reported a combined fund balance of \$45,778, an increase of \$61,137 in comparison with the prior year.

The General Fund is the chief operating fund of the Park. At June 30, 2014, the General Fund had a fund balance deficit of \$(7,601), an increase of \$60,784 from the prior year. This increase can be attributed to a continued effort of support by the City of Modesto to the overall operating budget for the Tuolumne River Regional Park. The City of Modesto contributed additional funding due to an overall increase in cost for the maintenance contract for landscaping and building services charges due to an overall "higher than normal" cost of operating expenses due to increased incidences of vandalism and an increase in ongoing maintenance of the facilities. As part of the preparation of the fiscal year 2015 budget, the Park Commission directed staff to prepare a list of needed repairs to be made to the American Legion Hall so that they could target specific repairs in an effort to minimize disruptions to building rentals and increase rental income and improve the overall operating revenue. In addition, the Park Commission continues to discuss ways to increase operating revenue, reduce spending further, and examine maintenance levels performed at the Park.

General and Capital Projects Funds revenues totaled \$365,438 in fiscal year 2014, an decrease of 28.91% over fiscal year 2013. 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 2014		FY 2013		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Rents	\$ 50,580	13.84%	\$ 46,955	9.13%	\$ 3,625	7.72%
Interest	979	0.27%	3,285	0.64%	(2,306)	-70.20%
Net increase (decrease) in the fair value of investment	(1,080)	-0.30%	(3,985)	-0.78%	2,905	72.90%
Contributions by supporting agencies	297,328	81.36%	239,292	46.55%	58,036	24.25%
Intergovernmental	8,442	2.31%	199,769	38.86%	(191,327)	-95.77%
Other	9,189	2.51%	28,725	5.59%	(19,536)	-68.01%
Total	\$ 365,438	100.00%	\$ 514,041	100.00%	\$ (148,603)	-28.91%

Contributions by the Park Joint Powers Agreement (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.

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

**Expenditures by Function
Governmental Funds**

Expenditures by Function	FY 2014		FY 2013		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Parks and recreation	\$ 295,064	96.96%	\$ 344,955	42.36%	\$ (49,891)	-14.46%
Capital outlay	9,237	3.04%	469,474	57.64%	(460,237)	-98.03%
Total	\$ 304,301	100.00%	\$ 814,429	100.00%	\$ (510,128)	-62.64%

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 decreased due to the completion of previous park capital projects.

The current year deficiency of revenues is presented in the following table:

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

	General Fund	Capital Projects Fund	Total
Revenues	\$ 355,848	\$ 9,590	\$ 365,438
Expenditures	<u>(295,064)</u>	<u>(9,237)</u>	<u>(304,301)</u>
Excess of revenues and other financing sources over expenditures	60,784	353	61,137
Fund balances (deficit) - beginning	<u>(68,385)</u>	<u>53,026</u>	<u>(15,359)</u>
Fund balances (deficit) - ending	<u><u>\$ (7,601)</u></u>	<u><u>\$ 53,379</u></u>	<u><u>\$ 45,778</u></u>

The fund balance of the Park's General Fund increased by \$60,784 during the fiscal year, compared to the final budget anticipated increase of \$59,068. The key factor was an increase in financial support by the City of Modesto in an effort to support the continued operation of the Park.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were higher than final budgetary estimates by \$6,695. This is mainly attributable to an increase in other revenue earned during the 2014 fiscal year. Actual expenditures were \$8,411 lower than final budgetary estimates. This is mainly attributable to an increase in financial support by the City of Modesto.

CAPITAL ASSETS

The Park's investment in capital assets as of June 30, 2014, amounted to \$6,373,855 (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 \$274,462, or -4.13% over the prior year. The major components of this change were:

Depreciation expense	\$ (283,698)
Construction in progress additions	<u>9,236</u>
Total	<u><u>\$ (274,462)</u></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:

	2014	2013	Increase (Decrease)
Land	\$ 2,528,566	\$ 2,528,566	\$ -
Buildings	53,197	63,832	(10,635)
Improvements	3,311,467	3,584,530	(273,063)
Construction in progress	480,625	471,389	9,236
Total	\$ 6,373,855	\$ 6,648,317	\$ (274,462)

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 JPA continue to work collaboratively to ensure that the vision for this urban river corridor becomes a reality. Funding levels have remained at the same level since 2011 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. 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 have been budgeted to be reduced every year since 2011 and will continue to be reviewed for possible further reductions in future years should revenue not increase. Utility costs continue to increase; turf watering has been eliminated in Legion Park with the turf areas of the Park reverting to a more natural, native look and becoming brown during the periods of no rain or low river levels. Recent improvements to the lighting in the parking lot at the Legion Hall area of the Park has seen the replacement of the existing lights with LED lights which should reduce the amount of electricity used in that area of the Park. 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 Commission continue to seek funding from all appropriate sources. 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 currently under design with construction anticipated to begin in early to mid 2015. This project will improve the high water flow capacity of the park helping to reduce the impact of flood events down river from the Gateway Parcel while completing the restoration of the riparian areas of the Gateway Parcel.

The City of Modesto's Parks, Recreation, and Neighborhoods Department began a project to plan for the future development of the Park when the JPA 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 Park. Since then, two phases of restoration work, totaling approximately 50 acres, have been completed.

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, California 95353.

**TUOLUMNE RIVER REGIONAL PARK
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS	
Investment in City of Modesto's Pool (Note 1E)	\$ 195,791
Receivables:	
Interest	370
Due from Other Governments	10,127
Capital Assets (Note 2):	
Land and Construction in Progress	3,009,191
Other Capital Assets, Net of Accumulated Depreciation	<u>3,364,664</u>
Total Assets	<u>6,580,143</u>
 LIABILITIES	
Accounts Payable	<u>8,267</u>
Total Liabilities	<u>8,267</u>
 NET POSITION	
Net Investment in Capital Assets	6,373,855
Unrestricted	<u>198,021</u>
Total Net Position	<u><u>\$ 6,571,876</u></u>

See accompanying notes to the financial statements.

**TUOLUMNE RIVER REGIONAL PARK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Parks and Recreation	<u>\$ 578,763</u>	<u>\$ 50,580</u>	<u>\$ 305,770</u>	<u>\$ (222,413)</u>
General Revenues:				
Investment Loss				(101)
Other				<u>9,189</u>
Change in Net Position				(213,325)
Net Position - Beginning				<u>6,785,201</u>
Net Position - Ending				<u>\$ 6,571,876</u>

See accompanying notes to the financial statements.

**TUOLUMNE RIVER REGIONAL PARK
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Investment in City of Modesto Pool (Note 1E)	\$ 656	\$ 195,135	\$ 195,791
Receivables:			
Due from Other Governments	-	10,127	10,127
Interest	10	360	370
Total Assets	\$ 666	\$ 205,622	\$ 206,288
LIABILITIES			
Accounts Payable	\$ 8,267	\$ -	\$ 8,267
Unearned Revenue	-	152,243	152,243
Total Liabilities	8,267	152,243	160,510
FUND BALANCES			
Fund Balances			
Committed	-	53,379	53,379
Unassigned	(7,601)	-	(7,601)
Total Fund Balances (Deficit)	(7,601)	53,379	45,778
Total Liabilities and Fund Balances	\$ 666	\$ 205,622	

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

UNEARNED 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	3,009,191
Depreciable - buildings and improvements	7,466,603
Accumulated depreciation on buildings and improvements	(4,101,939)

Total Capital Assets 6,373,855

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,571,876

See accompanying notes to the financial statements.

**TUOLUMNE RIVER REGIONAL PARK
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Rents	\$ 50,580	\$ -	\$ 50,580
Interest	(1,481)	2,460	979
Net Decrease in Fair Value of Investments	232	(1,312)	(1,080)
Contributions Made by Joint Powers Authority Participants	297,328	-	297,328
Intergovernmental	-	8,442	8,442
Other	9,189	-	9,189
Total Revenues	355,848	9,590	365,438
EXPENDITURES			
Current:			
Contractual Services	280,642	-	280,642
Materials and Supplies	5,081	-	5,081
Insurance and Taxes	9,341	-	9,341
Capital Outlay	-	9,237	9,237
Total Expenditures	295,064	9,237	304,301
Net Change in Fund Balances	60,784	353	61,137
Beginning Fund Balances (Deficit)	(68,385)	53,026	(15,359)
Ending Fund Balances (Deficit)	<u>\$ (7,601)</u>	<u>\$ 53,379</u>	<u>\$ 45,778</u>

See accompanying notes to the 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, 2014**

The schedule below reconciles the Net Change 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 of accounting, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis of accounting.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	61,137
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

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.

The capital outlay expenditures are added back to fund balance.		9,236
Depreciation expense is deducted from the fund balance.		<u>(283,698)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(213,325)</u></u>
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See accompanying notes to the financial statements.

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Description of Services

Tuolumne River Regional Park (the Park) was founded in 1972 by an agreement between the County of Stanislaus (the 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 position 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 the accrual basis of 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 position. 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 of Modesto's 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.
- **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 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.

I. Governmental Accounting Standards Update

During the fiscal year ending June 30, 2014, the Park implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. The provisions of GASB Statement No. 65 are effective for financial statements beginning after December 15, 2012. There was no effect on the Park's accounting or financial reporting as a result of implementing this standard.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Governmental Accounting Standards Update (Continued)

GASB Statement No. 66 – *Technical Corrections - 2012 - an amendment of GASB Statements No.10 and No. 62*. The provisions of GASB Statement No. 66 are effective for financial statements beginning after December 15, 2012. There was no effect on the Parks accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 67 – *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013. There was no effect on the Park's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The provisions of GASB Statement No. 70 are effective for financial statements beginning after June 15, 2013. There was no effect on the Park's accounting or financial reporting as a result of implementing this standard.

Recently released standards by GASB affecting future fiscal years are as follows:

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The provisions of GASB Statement No. 68 are effective for financial statements beginning after June 15, 2014. The Park has not fully judged the effect of the implementation of GASB Statement No. 68 as of the date of the basic financial statements.

GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The provisions of GASB Statement No. 69 are effective for financial statements beginning after December 15, 2013. The Park has not fully judged the effect of the implementation of GASB Statement No. 69 as of the date of the basic financial statements.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB No. 68*. The provisions of this statement will be applied simultaneously with the provisions of Statement 68.

NOTE 2 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Transfers/ Adjustments	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,528,566	\$ -	\$ -	\$ 2,528,566
Construction in progress	471,389	9,236	-	480,625
Total capital assets not being depreciated	<u>2,999,955</u>	<u>9,236</u>	<u>-</u>	<u>3,009,191</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	(392,103)	(10,635)	-	(402,738)
Improvements	(3,426,138)	(273,063)	-	(3,699,201)
Total accumulated depreciation	<u>(3,818,241)</u>	<u>(283,698)</u>	<u>-</u>	<u>(4,101,939)</u>
Total capital assets, being depreciated, net	<u>3,648,362</u>	<u>(283,698)</u>	<u>-</u>	<u>3,364,664</u>
Capital assets, net	<u>\$ 6,648,317</u>	<u>\$ (274,462)</u>	<u>\$ -</u>	<u>\$ 6,373,855</u>

Depreciation expense for the year ended June 30, 2014, was \$283,698.

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 2013-2014 fiscal year, contractual service expenditures included \$89,441 of the City of Modesto's payroll costs allocated to the Park.

NOTE 4 – EXCESS BUDGET APPROPRIATIONS

General Fund	
Materials and Supplies	\$ 2,331

NOTE 5 – FUND DEFICIT

The General Fund has a fund deficit of \$7,601 as of June 30, 2014. The deficit is expected to be repaid by higher contributions in the future from the joint powers agreement participants.

NOTE 6 – SUBSEQUENT EVENTS

In compliance with accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the these basic financial statements. Management has determined that no events require disclosure in accordance with accounting standards generally accepted in the United States of America. These subsequent events have been evaluated through November 24, 2014, which is the date the basic financial statements were issued.

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, 2014**

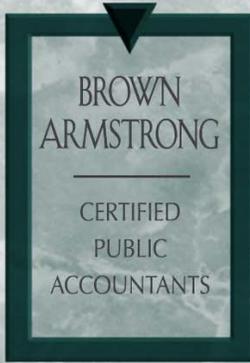
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Rents	\$ 49,500	\$ 49,500	\$ 50,580	\$ 1,080
Interest	-	-	(1,481)	(1,481)
Net Decrease in Fair Value of Investments	-	-	232	232
Contributions Made by Joint Powers Participants	305,577	305,577	297,328	(8,249)
Other	7,466	7,466	9,189	1,723
Total Revenues	362,543	362,543	355,848	(6,695)
EXPENDITURES				
Current:				
Contractual Services	291,360	291,360	280,642	10,718
Materials and Supplies	2,750	2,750	5,081	(2,331)
Insurance and Taxes	9,365	9,365	9,341	24
Total Expenditures	303,475	303,475	295,064	8,411
NET CHANGE IN FUND BALANCE	59,068	59,068	60,784	1,716
Fund Balance, Beginning	(68,385)	(68,385)	(68,385)	-
Fund Balance, Ending	\$ (9,317)	\$ (9,317)	\$ (7,601)	\$ 1,716

**TUOLUMNE RIVER REGIONAL PARK
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

Tuolumne River Regional Park (the Park) operates under the general laws of the State of California and annually adopts a budget for its General 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 joint powers 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 using an accrual basis of accounting 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 Commission,
The Board of Supervisors of the
County of Stanislaus, California, and
The City Councils of Modesto and Ceres, California

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Tuolumne River Regional Park (the Park), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Park's basic financial statements, and have issued our report thereon dated November 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Park's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Park's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Park's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Park's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Park's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 24, 2014