

**TUOLUMNE RIVER REGIONAL PARK**

**INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS, AND  
REQUIRED SUPPLEMENTARY  
INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2016**



Certified  
Public  
Accountants

**TUOLUMNE RIVER REGIONAL PARK  
FOR THE YEAR ENDED JUNE 30, 2016**

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## 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 accompanying 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, 2016, and the related notes to the financial statements, which collectively comprise the Park's basic financial statements as listed in the table of contents.

### *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 opinions 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 from 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 entity'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 entity'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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Park as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***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 16, 2016, 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.

*Macias Gini & O'Connell LLP*

Walnut Creek, California

November 16, 2016

**TUOLUMNE RIVER REGIONAL PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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 2016 fiscal year by \$6,381,161 (net position). Of this amount, \$6,210,706 is invested in capital assets, and \$170,455 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.

- Total net position decreased by \$102,217 from current year activity.
- As of June 30, 2016, the Park's funds reported combined fund deficit of \$58,309, an increase of \$3,212 in comparison with the prior year.
- At the end of the fiscal year, the General Fund had a fund balance of \$10,712.

**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 10 and 11 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.

**TUOLUMNE RIVER REGIONAL PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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 12 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 15 through 21 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 23 through 24 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 \$6,381,161 at the close of fiscal year 2016, compared with \$6,483,378 as of June 30, 2015.

**Statement of Net Position – Governmental Activities**

	2016	2015
Current and other assets	\$ 430,092	\$ 242,812
Capital assets	6,210,706	6,316,135
Total assets	6,640,798	6,558,947
 Current and other liabilities	 259,637	 75,569
Net position:		
Investment in capital assets	6,210,706	6,316,135
Unrestricted	170,455	167,243
Total net position	\$ 6,381,161	\$ 6,483,378

**TUOLUMNE RIVER REGIONAL PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

The largest portion of net position, \$6,210,706, 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 resultant unrestricted net position is \$170,455. 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 \$102,217 during the current fiscal year.

**Statement of Activities – Governmental Activities**

	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 63,317	\$ 51,312
Capital grants and contributions	193,313	273,093
Operating grants and contributions	255,577	202,999
General revenues:		
Investment earnings	-	212
Other	980	7,263
	513,187	534,879
Expenses:		
Parks and recreation	615,404	623,377
Change in net position	(102,217)	(88,498)
Net position, beginning of year	6,483,378	6,571,876
Net position, end of year	\$ 6,381,161	\$ 6,483,378

The 2016 net position decrease of \$102,217 is mainly attributable to overall decrease in capital grants and contributions and operating grants and contributions made by joint power authority participants compared to 2015.

**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.

**TUOLUMNE RIVER REGIONAL PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

At June 30, 2016, the Park's governmental funds reported a combined deficit in fund balance of \$58,309, an increase of \$3,212 in comparison with the prior year.

The General Fund is the chief operating fund of the Park. At June 30, 2016, the General Fund had a fund balance of \$10,712, an increase of \$5,099 from the prior year. This increase can be attributed to the increase in rental revenues and contributions from the joint powers authority.

General and Capital Projects funds revenues totaled \$513,187 in fiscal year 2016, an increase of 11.96% over fiscal year 2015. 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	2016		2015		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Rents	\$ 63,317	12.34%	\$ 51,312	11.20%	\$ 12,005	23.40%
Interest	-	0.00%	550	0.12%	(550)	-100.00%
Change in fair value of investments	-	0.00%	(338)	-0.07%	338	-100.00%
Contributions by supporting agencies	279,870	54.54%	399,571	87.17%	(119,701)	-29.96%
Intergovernmental	169,020	32.93%	-	0.00%	169,020	100.00%
Other	980	0.19%	7,263	1.58%	(6,283)	-86.51%
	<u>\$ 513,187</u>	<u>100.00%</u>	<u>\$ 458,358</u>	<u>100.00%</u>	<u>\$ 54,829</u>	<u>11.96%</u>

The increase in revenues is attributable to the increase in rents and intergovernmental revenues. Rent revenues 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 Park received state grant during the fiscal year to fund for the Tuolumne River Regional Park Gateway Parcel Phase 2 Project.

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

**Expenditures by Function  
Governmental Funds**

Expenditures by Function	2016		2015		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Parks and recreation	\$ 316,662	62.09%	\$ 292,564	51.72%	\$ 24,098	8.24%
Capital outlay	193,313	37.91%	273,093	48.28%	(79,780)	-29.21%
	<u>\$ 509,975</u>	<u>100.00%</u>	<u>\$ 565,657</u>	<u>100.00%</u>	<u>\$ (55,682)</u>	<u>-9.84%</u>

Current parks and recreation expenditures for operations showed an increase, primarily due to increased maintenance expenses for the year. Capital outlay decreased due to the decrease in capital-related activity compared to 2015. These costs are expected to be reimbursed by a grant from the State of California.

**TUOLUMNE RIVER REGIONAL PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

The current year changes in fund balances are presented in the following table:

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

	General Fund	Capital Projects Fund	Total
Revenues	\$ 319,874	\$ 193,313	\$ 513,187
Expenditures	<u>(314,775)</u>	<u>(195,200)</u>	<u>(509,975)</u>
Changes in fund balances	5,099	(1,887)	3,212
Fund balances (deficit), beginning of year	<u>5,613</u>	<u>(67,134)</u>	<u>(61,521)</u>
Fund balances (deficit), end of year	<u>\$ 10,712</u>	<u>\$ (69,021)</u>	<u>\$ (58,309)</u>

The fund balance of the Park's General Fund increased by \$5,099 during the fiscal year, compared to the final budget anticipated increase of \$9,402. The key factor was the continued financial support by the TRRP JPA and minimal reduction to expenses overall.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were higher than final budgetary estimates by \$14,797. This is mainly attributable to higher than budgeted rents. Actual expenditures were \$19,100 higher than final budgetary estimates. This is mainly attributable to higher than budgeted contractual services (i.e., financial support by the City of Modesto).

**CAPITAL ASSETS**

The Park's investment in capital assets as of June 30, 2016, amounted to \$6,210,706 (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 \$105,429, or 1.67% over the prior year. The major components of this change were:

Depreciation expense	\$ (298,742)
Construction in progress additions	<u>193,313</u>
Total	<u>\$ (105,429)</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.

**TUOLUMNE RIVER REGIONAL PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

	2016	2015	Increase (Decrease)
Land	\$ 2,528,566	\$ 2,528,566	\$ -
Buildings	42,534	44,688	(2,154)
Improvements	3,163,075	3,459,663	(296,588)
Construction in progress	476,531	283,218	193,313
<b>Total</b>	<b>\$ 6,210,706</b>	<b>\$ 6,316,135</b>	<b>\$ (105,429)</b>

Additional information on the Park's capital assets can be found in Note 3 on page 20 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. Contributing agency funding levels have remained at the same level since 2011 with all of the participating agencies' apportionments allocated to operating costs. Due to a city-wide landscape maintenance service agreement implemented in fiscal year 2006 and being updated in 2016, the City of Modesto was able to secure favorable costs for improved Park maintenance. Utility costs continue to increase and the Park has limited options to control or reduce these costs. 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.

The TRRP Commission has approved a budget for FY 2016/17 that includes a recommendation of an increase of 50% in the contributions from the member agencies. Staff is currently working to obtain approval from the member agencies for an increased contribution. If approval can be obtained there will be an appreciable increase to the operating budget for the fiscal year. This additional funding will be used to increase the maintenance of the TRRP and to set aside some funding to leverage community efforts for deferred maintenance and improvements in TRRP.

Staff and the Park Commission continue to seek funding from all appropriate grant sources. The Park JPA was successful in being awarded a \$2.2 million grant, funded by State Proposition 84, and a \$450,000 grant, funded by the Land and Water Conservation Fund, for the development of Phase 2 of the Gateway Parcel. Phase 2 will continue habitat restoration by creating a backwater channel, developing approximately 800-feet of trail, installing a pre-fabricated pedestrian bridge and River Overlook, and planting approximately 11 acres of riparian habitat plants. This project is currently under construction and anticipated to be completed in late 2016. 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, three phases of restoration work, totaling approximately 63 acres, have been completed.

**TUOLUMNE RIVER REGIONAL PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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 - GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>ASSETS</b>	
Investment in City of Modesto pool	\$ 22,126
Due from other governments	407,911
Interest receivable	55
Capital assets:	
Nondepreciable	3,005,097
Depreciable, net	<u>3,205,609</u>
 Total Assets	 <u>6,640,798</u>
 <b>LIABILITIES</b>	
Accounts payable	45,519
Due to other governments	<u>214,118</u>
 Total Liabilities	 <u>259,637</u>
 <b>NET POSITION</b>	
Investment in capital assets	6,210,706
Unrestricted	<u>170,455</u>
 Total Net Position	 <u><u>\$ 6,381,161</u></u>

See accompanying notes to the basis financial statements.

**TUOLUMNE RIVER REGIONAL PARK  
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>EXPENSES</b>	
Parks and recreation	<u>\$ 615,404</u>
<b>PROGRAM REVENUES</b>	
Charges for services	63,317
Capital grants and contributions	193,313
Operating grants and contributions	<u>255,577</u>
Total Program Revenues	<u>512,207</u>
Net Program Expense	<u>(103,197)</u>
<b>GENERAL REVENUES</b>	
Other	<u>980</u>
Total General Revenues	<u>980</u>
Change in Net Position	(102,217)
Net Position, beginning of year	<u>6,483,378</u>
Net Position, end of year	<u><u>\$ 6,381,161</u></u>

See accompanying notes to the basic financial statements.

**TUOLUMNE RIVER REGIONAL PARK  
BALANCE SHEET - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Investment in City of Modesto pool	\$ 22,126	\$ -	\$ 22,126
Due from other funds	18,302	-	18,302
Due from other governments	-	407,911	407,911
Interest receivable	55	-	55
	<u>40,483</u>	<u>407,911</u>	<u>448,394</u>
Total Assets	<u>\$ 40,483</u>	<u>\$ 407,911</u>	<u>448,394</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>			
<b>Liabilities</b>			
Accounts payable	\$ 29,771	\$ 15,748	\$ 45,519
Due to other funds	-	18,302	18,302
Due to other governments	-	214,118	214,118
	<u>29,771</u>	<u>248,168</u>	<u>277,939</u>
Total Liabilities	<u>29,771</u>	<u>248,168</u>	<u>277,939</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	-	228,764	228,764
	<u>-</u>	<u>228,764</u>	<u>228,764</u>
<b>Fund Balances (Deficit)</b>			
Unassigned	10,712	(69,021)	(58,309)
	<u>10,712</u>	<u>(69,021)</u>	<u>(58,309)</u>
Total Fund Balances (Deficit)	<u>10,712</u>	<u>(69,021)</u>	<u>(58,309)</u>
Total Liabilities and Fund Balances (Deficit)	<u>\$ 40,483</u>	<u>\$ 407,911</u>	

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:

Revenues not available for current-period expenditures are deferred in governmental funds.	228,764
Capital assets used in governmental activities are not current assets or financial resources and, therefore, are not reported in the governmental funds.	<u>6,210,706</u>
Net Position of Governmental Activities	<u><u>\$ 6,381,161</u></u>

See accompanying notes to the basic financial statements.

**TUOLUMNE RIVER REGIONAL PARK  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Capital Projects Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Rents	\$ 63,317	\$ -	\$ 63,317
Contributions made by joint powers authority participants	255,577	24,293	279,870
Intergovernmental	-	169,020	169,020
Other	980	-	980
	<u>319,874</u>	<u>193,313</u>	<u>513,187</u>
<b>EXPENDITURES</b>			
Current:			
Contractual services	300,235	-	300,235
Materials and supplies	4,719	-	4,719
Insurance and taxes	9,176	-	9,176
Interest cost	645	1,887	2,532
Capital outlay	-	193,313	193,313
	<u>314,775</u>	<u>195,200</u>	<u>509,975</u>
Changes in Fund Balances	5,099	(1,887)	3,212
Fund Balances (Deficit), beginning of year	<u>5,613</u>	<u>(67,134)</u>	<u>(61,521)</u>
Fund Balances (Deficit), end of year	<u>\$ 10,712</u>	<u>\$ (69,021)</u>	<u>\$ (58,309)</u>

See accompanying notes to the basic financial statements.

**TUOLUMNE RIVER REGIONAL PARK  
RECONCILIATION OF THE CHANGES IN FUND BALANCES  
OF TOTAL GOVERNMENTAL FUNDS WITH THE CHANGE  
IN NET POSITION OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Changes in Fund Balances of Total Governmental Funds	\$	3,212
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

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.

Capital outlay expenditures		193,313
Depreciation expense		<u>(298,742)</u>
Change in Net Position of Governmental Activities	\$	<u>(102,217)</u>

**TUOLUMNE RIVER REGIONAL PARK  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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.

**TUOLUMNE RIVER REGIONAL PARK  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

For this purpose, the Park considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. During the year ended June 30, 2016, the Park changed its availability period from 60 days to 180 days. However, this accounting change had no effect on the Park's financial statements. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting.

Substantially all rents, contributions made by joint powers authority participants, interest, including the change in fair value of investments, and intergovernmental are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenues are considered to be measurable and available only when cash is received by the Park.

The Park reports the following major governmental funds:

General Fund

The General Fund is the operating fund of the Park.

Capital Projects Fund

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

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

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

D. Management's Use of Estimates

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

E. 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

**TUOLUMNE RIVER REGIONAL PARK  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

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.

**F. 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 (Park Committee). 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.

**TUOLUMNE RIVER REGIONAL PARK  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

G. 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.

H. Governmental Accounting Standards Update

During the fiscal year ending June 30, 2016, the Park implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 72, *Fair Value Measurement and Application*. This statement is intended to improve accounting and financial reporting for state and local governments' investments by enhancing the comparability of financial statements amount governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement did not have a significant impact to the Park's financial statements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. This statement establishes requirements for those pensions and pension plans that are not administrated through a trust meeting specified criteria and thus are not covered by Statement Nos. 67 and 68. This statement did not have a significant impact to the Park's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which supersedes Statement No. 55. This statement clarifies the hierarchy of generally accepted accounting principles (GAAP), and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the scope of authoritative GAAP. This statement did not have a significant impact to the Park's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The statement addresses accounting and financial reporting for certain external investment pools and pool participants. The statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. It also establishes additional note disclosure requirements to include information about any limitations or restrictions on participant withdrawals. This statement did not have a significant impact to the Park's financial statements.

**TUOLUMNE RIVER REGIONAL PARK  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

The Park is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This Statement is effective for the Park's fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement is effective for the Park's fiscal year ending June 30, 2018.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (i) brief descriptive information; (ii) the gross dollar amount of taxes abated during the period; and (iii) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. This Statement is effective for the Park's fiscal year ending June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68 associated with pensions provided through certain cost-sharing multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Such plans are not considered a state or local government pension plan and are used to provide benefits to both employees of state and local governments and employees of employers that are not state or local governments. This Statement is effective for the Park's fiscal year ending June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in GASB Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement is effective for the Park's fiscal year ending June 30, 2017.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. This Statement is effective for the Park's fiscal year ending June 30, 2018.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practices for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee

**TUOLUMNE RIVER REGIONAL PARK  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

(plan member) contribution requirements. This Statement is effective for the Park’s fiscal year ending June 30, 2017.

**NOTE 2 – 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. The Park’s portion of this pooled amount was \$22,126. At June 30, 2016, the City’s investment pool is unrated and the weighted average maturity is 518 days. Interest earned on pool cash and investments is credited to each participant in the pool based on each participant’s average monthly cash balance. The Modesto City Council has oversight responsibility of the City of Modesto investment pool. Detailed information concerning the City of Modesto’s pooled cash and investments, including information regarding the fair value of investments, may be found in the City of Modesto’s Comprehensive Annual Financial Report. The Park’s investments in the pool are stated at fair value. As of June 30, 2016, the fair value of the Park’s position in the pool is the same as the value of its pool shares.

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Ending Balance
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital assets, not being depreciated:			
Land	\$ 2,528,566	\$ -	\$ 2,528,566
Construction in progress	283,218	193,313	476,531
	<u>2,811,784</u>	<u>193,313</u>	<u>3,005,097</u>
Total capital assets not being depreciated			
Capital assets, being depreciated:			
Buildings	455,935	-	455,935
Improvements	7,481,168	-	7,481,168
	<u>7,937,103</u>	<u>-</u>	<u>7,937,103</u>
Total capital assets, being depreciated			
Less accumulated depreciation for:			
Buildings	(411,247)	(2,154)	(413,401)
Improvements	(4,021,505)	(296,588)	(4,318,093)
	<u>(4,432,752)</u>	<u>(298,742)</u>	<u>(4,731,494)</u>
Total accumulated depreciation			
Total capital assets, being depreciated, net	<u>3,504,351</u>	<u>(298,742)</u>	<u>3,205,609</u>
Capital assets, net	<u>\$ 6,316,135</u>	<u>\$ (105,429)</u>	<u>\$ 6,210,706</u>

Depreciation expense for the year ended June 30, 2016, was \$298,742.

**TUOLUMNE RIVER REGIONAL PARK  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 4 – 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 2016 fiscal year, contractual service expenditures included \$85,552 of the City of Modesto's payroll costs allocated to the Park.

**NOTE 5 – EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2016, expenditures exceeded appropriations as follows:

General Fund	
Contractual services	\$ 16,738
Materials and supplies	1,968
Interest cost	645

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TUOLUMNE RIVER REGIONAL PARK  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - GENERAL FUND - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Rents	\$ 44,500	\$ 44,500	\$ 63,317	\$ 18,817
Contributions made by joint powers participants	255,577	255,577	255,577	-
Other	5,000	5,000	980	(4,020)
	<u>305,077</u>	<u>305,077</u>	<u>319,874</u>	<u>14,797</u>
<b>EXPENDITURES</b>				
Current:				
Contractual services	281,443	283,497	300,235	(16,738)
Materials and supplies	2,751	2,751	4,719	(1,968)
Insurance and taxes	9,427	9,427	9,176	251
Interest cost	-	-	645	(645)
Total Expenditures	<u>293,621</u>	<u>295,675</u>	<u>314,775</u>	<u>(19,100)</u>
Changes in Fund Balance	<u>\$ 11,456</u>	<u>\$ 9,402</u>	5,099	<u>\$ (4,303)</u>
Fund Balance, beginning of year			<u>5,613</u>	
Fund Balance, end of year			<u>\$ 10,712</u>	

See accompanying note to the required supplementary information.

**TUOLUMNE RIVER REGIONAL PARK  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

**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. The budget for the General Fund is prepared on the cash and expenditures/encumbrance basis. Revenues are budgeted in the year receipt is expected; expenditures, which include encumbrances, are budgeted in the year that the applicable warrant requisitions are expected to be issued. There were no encumbrances outstanding as of June 30, 2016, so the actual budgetary-basis expenditures are the same as the actual GAAP-basis expenditures.

**OTHER REPORT**



**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

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, 2016, 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 16, 2016.

**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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, slightly slanted style.

Walnut Creek, California  
November 16, 2016

**TUOLUMNE RIVER REGIONAL PARK  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2016**

2015 Comment:	<b><i>2015-001 – Proper Accrual of Accounts Payable</i></b>
Condition/Effect:	A significant disbursement was not properly accrued at year-end.  This condition resulted in material audit adjustment increasing ‘accounts payable’ and ‘capital assets’ in the Park’s governmental activities and increasing ‘accounts payable’ and ‘capital outlay’ expenditures in the Park’s Capital Projects Fund by \$25,543.
Recommendation:	Management should strengthen year-end close procedures to ensure that activity subsequent to year-end is analyzed and recorded in the correct period.
Status:	Corrected.
2015 Comment:	<b><i>2015-002 – Proper Reporting of Unearned and Unavailable Revenues</i></b>
Condition/Effect:	Receivables not collected during the period of availability were not deferred as unavailable in the Park’s Capital Projects Fund.  This condition resulted in a material audit adjustment adding the ‘unavailable revenue’ balance and eliminating the ‘intergovernmental’ revenue amount of \$228,764 in the Park’s Capital Projects Fund.
Recommendation:	Management should strengthen its understanding of unearned and unavailable revenue and year-end close procedures over intergovernmental revenues in order to properly recognize such revenues.
Status:	In progress.