

TUOLUMNE RIVER REGIONAL PARK

**ANNUAL FINANCIAL REPORT
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

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

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, 2018, 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.

Auditors' 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 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 opinion.

Opinion

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, 2018, and the respective changes in financial position 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 October 30, 2018, on our conclusion 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Park's internal control over financial reporting or on the 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.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
October 30, 2018

**TUOLUMNE RIVER REGIONAL PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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 2018 fiscal year by \$7,998,186 (net position). Of this amount, \$7,683,130 is invested in capital assets, and \$315,056 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.

- Total net position increased by \$1,378,864 from current year activity.
- As of June 30, 2018, the Park's funds reported combined fund balance (deficit) of (\$1,085,794), a decrease of (\$1,088,151) in comparison with the prior year.
- At the end of the fiscal year, the General Fund had a fund balance of \$42,704.

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 11 and 12 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, 2018**

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 13 through 16 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 17 through 23 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 24 through 25 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 \$7,998,186 at the close of fiscal year 2018, compared with \$6,607,537 as of June 30, 2017.

**TUOLUMNE RIVER REGIONAL PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Statement of Net Position – Governmental Activities

	2018	2017
Current and other assets	\$ 1,647,791	\$ 903,139
Capital assets	7,683,130	6,605,180
Total assets	9,330,921	7,508,319
Current and other liabilities	1,332,735	900,782
Net position:		
Net investment in capital assets	7,683,130	6,605,180
Unrestricted	315,056	2,357
Total net position	\$ 7,998,186	\$ 6,607,537

The largest portion of net position, \$7,683,130, is made up of the Park's net investment in capital assets. The Park uses these assets to provide its parks and recreation services; consequently, they are not available for future spending.

Current and other assets increased by \$744,652 or 82% due to a significant increase in due from other governments of \$721,431. The increase is due to increased billing of State grants project and timing associated with cash collection.

The resultant unrestricted net position is \$315,056. This amount is the balance at year-end which may be used to meet the Park's ongoing obligations.

The Park's net position increased by \$1,390,649 during the current fiscal year, including a prior period adjustment of \$11,785.

**TUOLUMNE RIVER REGIONAL PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Statement of Activities – Governmental Activities

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 52,464	\$ 46,556
Capital grants and contributions	1,691,054	692,487
Operating grants and contributions	357,205	147,923
General revenues:		
Other	<u>4,529</u>	<u>7,352</u>
Total revenues	2,105,252	894,318
Expenses:		
Parks and recreation	<u>726,388</u>	<u>667,942</u>
Change in net position	1,378,864	226,376
Net position, beginning of year	6,607,537	6,381,161
Prior period adjustment	<u>11,785</u>	<u>-</u>
Net position, end of year	<u>\$ 7,998,186</u>	<u>\$ 6,607,537</u>

The 2018 net position increased by \$1,390,649 is mainly attributable to overall increase in capital grants and contributions from state grants compared to 2017.

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, 2018, the Park's governmental funds reported a combined fund balance (deficit) of (\$1,085,794), a decrease of (\$1,088,151) in comparison with the prior year.

The General Fund is the chief operating fund of the Park. At June 30, 2018, the General Fund had a fund balance of \$42,704, a decrease of \$4,696 from the prior year. This decrease can be attributed to the decrease in state grants and contributions from the joint powers authority.

General and Capital Projects funds revenues totaled \$941,114 in fiscal year 2018, a decrease of \$181,968 or 16.20% from fiscal year 2017. The following table presents the revenues from various sources as well as increases or decreases from the prior year.

**TUOLUMNE RIVER REGIONAL PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

**Revenues Classified by Source
Governmental Funds**

Revenues by Source	2018		2017		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Rents	\$ 52,464	5.57%	\$ 46,556	4.15%	\$ 5,908	12.69%
Contributions by supporting agencies	357,205	37.96%	374,645	33.36%	(17,440)	-4.66%
Intergovernmental	526,916	55.99%	694,529	61.84%	(167,613)	-24.13%
Other	4,529	0.48%	7,352	0.65%	(2,823)	-38.40%
	<u>\$ 941,114</u>	<u>100.00%</u>	<u>\$ 1,123,082</u>	<u>100.00%</u>	<u>\$ (181,968)</u>	<u>-16.20%</u>

The decrease in revenues is attributable to the decrease in contributions by supporting agencies and intergovernmental revenues. The Park received a state grant during the fiscal year to fund the Tuolumne River Regional Park Gateway Phase 2 Project.

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

**Expenditures by Function
Governmental Funds**

Expenditures by Function	2018		2017		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Parks and recreation	\$ 428,824	23.77%	\$ 366,865	34.53%	\$ 61,959	16.89%
Other	-	0.00%	3,064	0.29%	(3,064)	-100.00%
Capital Outlay	1,375,514	76.23%	692,487	65.18%	683,027	98.63%
	<u>\$ 1,804,338</u>	<u>100.00%</u>	<u>\$ 1,062,416</u>	<u>100.00%</u>	<u>\$ 741,922</u>	<u>69.83%</u>

Current parks and recreation expenditures for operations showed a significant increase, primarily due to increased maintenance expenses for the year. Capital outlay increased due to the increased activity in the Tuolumne River Regional Park Gateway Parcel Phase 2 Project compared to 2017. 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, 2018**

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 Governmental Funds
Revenues	\$ 412,343	\$ 528,771	\$ 941,114
Expenditures	(428,824)	(1,375,514)	(1,804,338)
Changes in fund balances	(16,481)	(846,743)	(863,224)
Fund Balance (Deficit), Beginning of Year	47,400	(45,043)	2,357
Prior Period Adjustment	11,785	(236,712)	(224,927)
Fund Balance (Deficit), End of Year	<u>\$ 42,704</u>	<u>\$ (1,128,498)</u>	<u>\$ (1,085,794)</u>

The fund balance of the Park's General Fund decreased by (\$4,696) during the fiscal year, compared to the final budget anticipated decrease of (\$24,994). The key factor was the continued financial support by the Joint Powers Authority (JPA) participants and decrease to expenses overall.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were higher than final budgetary estimates by \$437. This is mainly attributable to higher than budgeted other revenues. Actual expenditures were \$8,076 lower than final budgetary estimates. This is mainly attributable to lower than actual contractual services (i.e., financial support by the City of Modesto).

**TUOLUMNE RIVER REGIONAL PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

CAPITAL ASSETS

The Park's net investment in capital assets as of June 30, 2018, amounted to \$7,683,130 (net of accumulated depreciation). This investment in capital assets includes land, buildings and other improvements, and construction in progress. The investment in capital assets increased by \$1,077,950, or 63.4% over the prior year. The major components of this change were:

Depreciation expense	\$ (297,563)
Construction in progress additions	<u>1,375,513</u>
Total	<u>\$ 1,077,950</u>

Additional information on the Park's capital assets can be found in Note 3 on page 22 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 stayed the same from FY2016/2017 to FY 2017/2018 with all of the participating agencies' apportionments allocated to operating costs. 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 2018/2019 that does not include a contribution from the City of Ceres due to budgetary constraints on the City of Ceres but increased the contribution levels for the City of Modesto and Stanislaus County by 2%. The City of Ceres has indicated that they will readdress the potential to reinstate their contribution for FY 2019/2020.

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.

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 is nearly complete and continues habitat restoration by creating a backwater channel, developing approximately 800-foot of trail, installing a pre-fabricated pedestrian bridge and river observation, and planting approximately 11 acres of riparian habitat plants.

**TUOLUMNE RIVER REGIONAL PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

This project is nearly complete but was delayed due to flooding in early 2017 and is now anticipated to be completed by the end of 2018. 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.

During the past year the TRRP also received grant funding for some other projects such as the River Overlook at the Gateway Parcel (\$849,940), the Neece Drive Boat Launch (\$780,000), the Carpenter Road Area (Bellenita) Soccer Complex (\$1,000,000) and the River Pavilion and Learning Theatre at Legion Park (\$500,000). These projects will be completed over the next few years and future grant funding is being sought for additional projects in the TRRP.

This financial report is designed to provide a general overview of the 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, 2018**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and investments	\$ 83,131
Due from other governments	1,564,533
Interest receivable	127
Capital assets:	
Nondepreciable	5,073,097
Depreciable, net	<u>2,610,033</u>
Total Assets	<u>9,330,921</u>
 LIABILITIES	
Liabilities	
Accounts payable	341,467
Due to other governments	<u>991,268</u>
Total Liabilities	<u>1,332,735</u>
 NET POSITION	
Net investment in capital assets	7,683,130
Unrestricted	<u>315,056</u>
Total Net Position	<u><u>\$ 7,998,186</u></u>

The accompanying notes are an integral part of the financial statements.

**TUOLUMNE RIVER REGIONAL PARK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) and Revenues and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities
Governmental Activities:					
Parks and recreation	\$ 726,388	\$ 52,464	\$ 1,691,054	\$ 357,205	\$ 1,374,335
Total Governmental Activities	<u>\$ 726,388</u>	<u>\$ 52,464</u>	<u>\$ 1,691,054</u>	<u>\$ 357,205</u>	<u>1,374,335</u>
General Revenues					
Other revenue					2,684
Investment earnings					<u>1,845</u>
Total General Revenues					<u>4,529</u>
Changes in Net Position					1,378,864
Net Position, Beginning of Year					6,607,537
Prior Period Adjustment					<u>11,785</u>
Net Position, End of Year					<u>\$ 7,998,186</u>

The accompanying notes are an integral part of the financial statements.

**TUOLUMNE RIVER REGIONAL PARK
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 83,131	\$ -	\$ 83,131
Due from other governments	-	1,564,533	1,564,533
Investment earnings receivable	<u>127</u>	<u>-</u>	<u>127</u>
 Total Assets	 <u>\$ 83,258</u>	 <u>\$ 1,564,533</u>	 <u>\$ 1,647,791</u>
LIABILITIES AND FUND BALANCE (DEFICIT)			
Liabilities			
Accounts payable	\$ 40,554	\$ 300,913	\$ 341,467
Unearned Income	-	1,400,850	1,400,850
Due to other governments	<u>-</u>	<u>991,268</u>	<u>991,268</u>
 Total Liabilities	 <u>40,554</u>	 <u>2,693,031</u>	 <u>2,733,585</u>
 Fund Balance (Deficit)			
Unassigned	<u>42,704</u>	<u>(1,128,498)</u>	<u>(1,085,794)</u>
 Total Fund Balance (Deficit)	 <u>42,704</u>	 <u>(1,128,498)</u>	 <u>(1,085,794)</u>
 Total Liabilities and Fund Balance	 <u>\$ 83,258</u>	 <u>\$ 1,564,533</u>	 <u>\$ 1,647,791</u>

The accompanying notes are an integral part of the financial statements.

**TUOLUMNE RIVER REGIONAL PARK
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

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:

Total Fund Balance - Governmental Funds	\$(1,085,794)
Revenues not available for current-period expenditures are deferred in governmental funds, but are considered earned in the Statement of Net Position.	1,400,850
Capital assets used in governmental activities are not current assets or financial resources and, therefore, are not reported in the governmental funds.	<u>7,683,130</u>
Net Position of Governmental Activities	<u>\$ 7,998,186</u>

The accompanying notes are an integral part of the financial statements.

**TUOLUMNE RIVER REGIONAL PARK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Rents	\$ 52,464	\$ -	\$ 52,464
Operating grants and contributions	357,205	-	357,205
Intergovernmental	-	526,916	526,916
Investment earnings (loss)	(10)	1,855	1,845
Other	2,684	-	2,684
	<u>412,343</u>	<u>528,771</u>	<u>941,114</u>
Total Revenues			
	412,343	528,771	941,114
EXPENDITURES			
Current:			
Contractual services	416,863	-	416,863
Materials and supplies	2,611	-	2,611
Insurance and taxes	9,350	-	9,350
Capital outlay	-	1,375,514	1,375,514
	<u>428,824</u>	<u>1,375,514</u>	<u>1,804,338</u>
Total Expenditures			
	428,824	1,375,514	1,804,338
Net Change in Fund Balance	(16,481)	(846,743)	(863,224)
Fund Balance (Deficit), Beginning of Year	47,400	(45,043)	2,357
Prior Period Adjustment	<u>11,785</u>	<u>(236,712)</u>	<u>(224,927)</u>
Fund Balance (Deficit), End of Year	<u>\$ 42,704</u>	<u>\$ (1,128,498)</u>	<u>\$ (1,085,794)</u>

The accompanying notes are an integral part of the 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, 2018**

Changes in Fund Balance of Total Government Funds \$ (863,224)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Revenues earned in the Statement of Activities in a previous year that did not provided current financial resources in that year were not reported as revenue in the governmental funds until they provided current financial resources this year. 1,164,138

Governmental funds report capital outlay expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciated expense.

Capital outlay expenditures	1,375,513	
Depreciation expense	<u>(297,563)</u>	
Net capital outlay (depreciation) expenditures		<u>1,077,950</u>
Change in Net Position of Governmental Activities		<u>\$ 1,378,864</u>

The accompanying notes are an integral part of the financial statements.

TUOLUMNE RIVER REGIONAL PARK NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: 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 (the Cities). The agreement provides for financing, development, and maintenance of the Park facilities. The Park includes approximately 180 developed and 330 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.

Reporting Entity: The Park's financial statements include the accounts of all Park operations. The criteria for including organizations as component units within the Park's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name).
- the Park holds the corporate powers of the organization.
- the Park appoints a voting majority of the organization's board.
- the Park can impose its will on the organization.
- the organization has the potential to impose a financial benefit/burden on the Park.
- there is fiscal dependency by the organization on the Park based on the criteria, that the Park has no component units.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the Park's activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by contributions, rents, and intergovernmental revenues. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment

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.

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. Revenues that are not classified as program revenues, including investment earnings and other revenues, are reported as general revenues. Separate financial statements are provided for governmental funds.

TUOLUMNE RIVER REGIONAL PARK
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):

Governmental fund financial statements (i.e., Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance) 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 180 days of the end of the current fiscal period. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Major individual governmental funds are reported as separate columns in the fund financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Park reports two major governmental funds:

The **General Fund** is the primary operating fund and accounts for all financial resources of the District.

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

The Park adopts annual appropriated budgets for its general revenue fund which is a major fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budgets. The budgetary comparison schedule is presented on a budgetary basis which differs from generally accepted accounting principles in the method of accounting for accruals and encumbrances.

Budget: The budget for the General Fund and Capital Projects Fund is prepared on the cash and expenditures/encumbrances 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.

Annual budget requests are submitted by the Park's staff to the Park's Board of Directors for review. After public hearing, a budget is approved by the Park's Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Cash and Investments: The Park maintains its cash account with the City of Modesto as part of the cash and investment pool. The City of Modesto is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

In accordance with GASB Statement No. 43, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the City of Modesto are stated at fair value. The fair value of pooled investments is determined monthly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the City of Modesto.

Capital Assets: Capital assets acquired are recorded at cost or estimated cost where cost is not available. Donated or contributed capital assets are recorded at estimated fair value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of capital assets is computed using the straight-line method applied over the estimated useful lives of the assets as follows:

Buildings:	30 Years
Improvements:	20 Years

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.

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

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Net Position: Net position represents the residual interest in the Park's assets after liabilities are deducted. In accordance with GASB Statement No. 63, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components:

- *Net investment in capital assets* – Amount consists of capital assets, including infrastructure, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – Amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabled legislature.
- *Unrestricted* – Amount consists of all net position that does not meet the definition "net investment in capital assets" or "restricted" net position.

When both restricted and unrestricted net position are available, restricted resources are depleted first before unrestricted resources are used.

Fund Balance: In the fund financial statements, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 to be maintained intact. The Park did not have any nonspendable resources as of June 30, 2018.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The Park did not have any restricted resources as of June 30, 2018.
- *Committed* – Amounts constrained to specific purposes by the Park itself, using its highest level of decision-making authority (the Park Board). To be reported as committed, amounts cannot be used for any other purpose unless the Park's Board takes the same highest-level action to remove or change the constraint. The Park did not have any committed resources as of June 30, 2018.
- *Assigned* – Amounts the Park intends to use for a specific purpose. Intent can be expressed by the Park or by an official or body to which the Board of Supervisors delegates the authority. The Park did not have any assigned resources as of June 30, 2018.
- *Unassigned* – Amounts that are available for any purpose. All resources of The Park are considered unassigned resources as of June 30, 2018.

In circumstances when an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the Park considers amounts to have been spent first out of restricted funds then committed funds, and finally assigned and unassigned funds, as needed, unless the Park Board has provided otherwise in its commitment or assignment actions.

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Governmental Accounting Standards Update: During the year ending June 30, 2018, the Park implemented the following standards with minimal financial statement impact:

GASB Statement No. 85 – *Omnibus 2017*. The provisions of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88 – *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through October 30, 2018, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments of the Park are pooled with other City of Modesto funds. Interest earned on pooled cash and investments is credited to each participant in the pool based on each participant's average monthly cash balance. Credit quality ratings are not available for the Park's investments as all cash is invested as part of the common cash and investment pool of the City of Modesto. Cash in the City Pool is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form. The Park does not have any deposits with financial institutions as of June 30, 2018.

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS (continued)

Cash and investments as of June 30, 2018 are classified in the accompany financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 83,131
Total cash and investments	\$ 83,131

Summary of Deposits:

Cash and investments as of June 30, 2018 consist of the following:

Deposits with City of Modesto Cash and Investments Pool	\$ 83,131
Total cash and investments	\$ 83,131

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. As of June 30, 2018, 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, 2018, was as follows:

	Beginning Balance	Additions	Deletions/ Adjustment s	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,528,566	\$ -	\$ -	\$ 2,528,566
Construction in progress	1,169,018	1,375,513	-	2,544,531
				-
Total capital assets not being depreciated	3,697,584	1,375,513	-	5,073,097
Capital assets, being depreciated:				
Buildings	455,935	-	-	455,935
Improvements	7,481,168	-	-	7,481,168
Total capital assets, being depreciated	7,937,103	-	-	7,937,103
Less accumulated depreciation for:				
Buildings	(414,826)	(1,425)	-	(416,251)
Improvements	(4,614,681)	(296,138)	-	(4,910,819)
Total accumulated depreciation	(5,029,507)	(297,563)	-	(5,327,070)
Total capital assets, being depreciated, net	2,907,596	(297,563)	-	2,610,033
Capital assets, net	\$ 6,605,180	\$ 1,077,950	\$ -	\$ 7,683,130

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO FINANCIAL STATEMENTS (continued)**

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 2018 fiscal year, contractual service expenditures included \$143,387 of the City of Modesto's payroll costs allocated to the Park.

NOTE 5 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment to the General Fund beginning fund balance and governmental activities beginning net position on the Statement of Activities of \$11,785 was recorded to properly restate the beginning balances for water utility expenses. The adjustment was to provide a retroactive credit to the utility expense applicable to a prior period. The need for an adjustment was approved due to the utility company over charging for water services due to a leak in the system.

An additional prior period adjustment to the Capital Projects beginning fund balance of (\$236,712) was recorded to properly account for revenues recorded in a prior period that were unavailable in accordance with the modified basis of accounting, and thus should have been unearned income in the Balance Sheet – Governmental Funds. The amount is still pending, and thus still unearned as of June 30, 2018. The amount is accrued as revenue in the prior period in the government wide Statement of Activities as properly earned in accordance with the economic resources measurement focus and the accrual basis of accounting.

TUOLUMNE RIVER REGIONAL PARK

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, 2018**

	Budgeted Amounts		Actual Amounts	With Final Budget
	Original	Final		
REVENUES				
Rents	\$ 55,360	\$ 52,337	\$ 52,464	\$ 127
Operating grants and contributions	374,645	357,205	357,205	-
Investment earnings	-	-	(10)	(10)
Other	-	2,364	2,684	320
Total Revenue	<u>430,005</u>	<u>411,906</u>	<u>412,343</u>	<u>437</u>
EXPENDITURES				
Contractual services	424,028	422,722	416,863	5,859
Materials and supplies	2,650	4,750	2,611	2,139
Insurance and taxes	<u>9,428</u>	<u>9,428</u>	<u>9,350</u>	<u>78</u>
Total Expenditures	<u>436,106</u>	<u>436,900</u>	<u>428,824</u>	<u>8,076</u>
Changes in Fund Balance	<u>\$ (6,101)</u>	<u>\$ (24,994)</u>	(16,481)	<u>\$ 8,513</u>
Fund Balance, Beginning of Year			47,400	
Prior Period Adjustment			<u>11,785</u>	
Fund Balance, End of Year			<u>\$ 42,704</u>	

**TUOLUMNE RIVER REGIONAL PARK
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

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 the ensuing fiscal year. The budget must be approved by each of the legislative bodies of the 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, 2018, so the actual budgetary-basis expenditures are the same as the actual GAAP-basis expenditures.



INDEPENDENT AUDITORS' 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

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

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, 2018, and the related notes to the financial statements, which collectively comprise the Park's basic financial statements, and have issued our report thereon dated October 30, 2018.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a material weakness: 2018-001.

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*.

The Park's Response to the Finding

The Park's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Park's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
October 30, 2018

**TUOLUMNE RIVER REGIONAL PARK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

**Finding 2018-001 – Material Weakness
Financial Reporting**

Criteria:

Tuolumne River Regional Park (the Park) should design and implement internal controls over the financial reporting process to ensure that balances can be vouched, tested, and presented in accordance with generally accepted accounting principles (GAAP).

Condition:

During our fieldwork, we noted the Park did not have adequate year-end closing procedures to accurately report balances as of year-end. The closing procedures currently in place did not accurately report the year-end account balances for revenues and unearned revenue, including the reconciliation and review of prior year estimates of funds to be available within the proper revenue recognition time period; resulting in a material audit adjustment to reconcile these balances and an adjustment of current and prior year balances.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure prior year estimates over accrued revenues were received properly in accordance with the modified basis of accounting, which resulted in current year balances of revenue and unearned revenue being incorrect prior to the start of the audit.

Effect of Condition:

The lack of complete closing procedures and financial reporting process resulted in a material adjustment of current year revenue and a prior period adjustment.

Recommendation:

We recommend that the Park implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed which includes review of prior year estimates and current year balances as part of the year-end closing procedures. This should include training and assistance in the original posting of entries to allow ease of reconciliation and reporting for financial reporting purposes.

Management's Response:

The Park will continue to improve the existing year-end close procedures and implement the auditor recommendation to perform a comprehensive review of the closing of the general ledger and establishing a checklist to include reviews such as the prior year estimates and current year balances to ensure the accuracy of the financial reporting.

**TUOLUMNE RIVER REGIONAL PARK
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

There were no prior year financial statement findings reported in accordance with *Government Auditing Standards*.