

**NORTH COUNTY CORRIDOR
TRANSPORTATION EXPRESSWAY AUTHORITY**

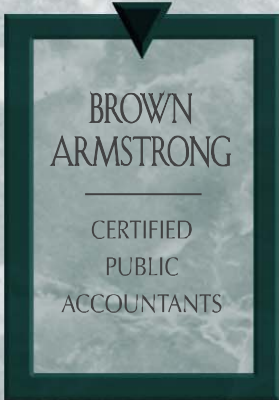
FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011**

**NORTH COUNTY CORRIDOR
TRANSPORTATION EXPRESSWAY AUTHORITY
JUNE 30, 2012 AND 2011**

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members
of the Governing Board
North County Corridor
Transportation Expressway Authority
Modesto, California

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We have audited the accompanying financial statements of the Capital Project Fund of the North County Corridor Transportation Expressway Authority (the Authority), as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2012 and 2011, and the respective changes in financial position and the respective budgetary comparison of the Authority thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

Management has omitted the management discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
October 29, 2012

BASIC FINANCIAL STATEMENTS

**NORTH COUNTY CORRIDOR
TRANSPORTATION EXPRESSWAY AUTHORITY
BALANCE SHEETS
GOVERNMENTAL FUND
JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash, Cash Equivalents, and Investments	\$ 4,758,485	\$ 4,429,098
Accounts Receivable	<u>16,960</u>	<u>769,654</u>
TOTAL ASSETS	<u><u>\$ 4,775,445</u></u>	<u><u>\$ 5,198,752</u></u>
 LIABILITIES		
Accounts Payable	<u>\$ 298,141</u>	<u>\$ 305,258</u>
Total Liabilities	<u>298,141</u>	<u>305,258</u>
 FUND BALANCE		
Restricted for North County Corridor Project	<u>4,477,304</u>	<u>4,893,494</u>
Total Fund Balance	<u>4,477,304</u>	<u>4,893,494</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 4,775,445</u></u>	<u><u>\$ 5,198,752</u></u>

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

**NORTH COUNTY CORRIDOR
TRANSPORTATION EXPRESSWAY AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BY OBJECT)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
REVENUES		
State Revenues	\$ 1,122,543	\$ 1,870,468
Other Local Revenues	<u>55,812</u>	<u>50,273</u>
Total Revenues	<u>1,178,355</u>	<u>1,920,741</u>
EXPENDITURES		
Services Expenditures	1,594,546	1,717,251
Capital Outlay	<u>-</u>	<u>3,456</u>
Total Expenditures	<u>1,594,546</u>	<u>1,720,707</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(416,191)</u>	<u>200,034</u>
Fund Balance at Beginning of Year	<u>4,893,495</u>	<u>4,693,460</u>
Fund Balance at End of Year	<u>\$ 4,477,304</u>	<u>\$ 4,893,494</u>

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

**NORTH COUNTY CORRIDOR
TRANSPORTATION EXPRESSWAY AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (BY OBJECT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
State Revenues	\$ -	\$ -	\$ 1,122,543	\$ 1,122,543
Other Local Revenues	-	-	55,812	55,812
Total Revenues	-	-	1,178,355	1,178,355
EXPENDITURES				
Services Expenditures	4,104,115	4,104,115	1,594,546	2,509,569
Total Expenditures	4,104,115	4,104,115	1,594,546	2,509,569
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,104,115)	(4,104,115)	(416,191)	3,687,924
Fund Balance at Beginning of Year	4,893,495	4,893,495	4,893,495	-
Fund Balance at End of Year	<u>\$ 789,380</u>	<u>\$ 789,380</u>	<u>\$ 4,477,304</u>	<u>\$ 3,687,924</u>

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

**NORTH COUNTY CORRIDOR
TRANSPORTATION EXPRESSWAY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The North County Corridor Transportation Expressway Authority (the Authority) was established May 14, 2008. The role of the Authority is to complete the Project Approval and Environmental Documentation (PA&ED) phase of the State Route 108 project which will provide a high capacity and high speed expressway to accommodate anticipated traffic growth in Northern Stanislaus County. The Authority consists of the Stanislaus Council of Governments; the cities of Modesto, Oakdale, and Riverbank; and the County of Stanislaus.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

Capital Project Funds are used to account for the acquisition and/or construction of all major governmental capital assets. The Authority is considered to be a Capital Project Fund.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheets. The Statements of Revenues, Expenditures and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's cash is invested in the County of Stanislaus cash and investment pool. The County of Stanislaus cash and investment pool is invested in accordance with California State Government Code Section 53600 et. seq. In addition, the cash and investment pool is further restricted to those investments deemed acceptable per the investment policy guidelines prepared by the Stanislaus County Treasurer and approved by the Board of Supervisors of the County of Stanislaus.

Cash, cash equivalents and investments held as of June 30, 2012 and 2011, were invested in certificate of deposits, commercial paper, bankers acceptance, money market funds, federal notes, treasury notes and bills, corporate notes, and an external investment pool.

Interest earned on the cash and investment pool is apportioned on a quarterly basis. Per GASB Statement No. 31, investment losses and gains are recorded at market value on the Balance Sheets and as income for the period. The changes resulting from investment losses and gains are shared by the various participants of the pool. For further information regarding the cash and investment pool, the audit report of the County of Stanislaus may be obtained by writing the County of Stanislaus, 1010 10th Street, Suite 5100, Modesto, CA 95354.

Cash, cash equivalents and investment balance as of June 30, 2012 and 2011, was \$4,785,485 and \$4,429,098, respectively.

NOTE 3 – FUND EQUITY

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2012 and 2011, fund balances for government funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories, prepaid amounts and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for specific purposes determined by a formal action of the Authority’s highest level of decision-making authority, the Authority’s Board of Directors. Commitments may be changed or lifted only by the Authority taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the Authority for specific purposes that are neither restricted nor committed. *Intent* is expressed by (a) the Authority’s Board of Directors or (b) a body (for example, a budget or finance committee) or official to which the Authority’s Board Directors has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

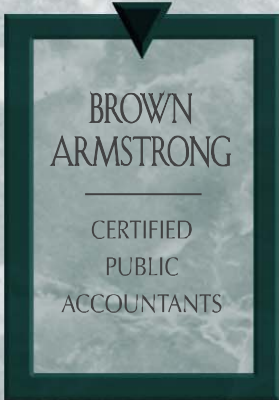
In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classification, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

The entire fund balance in the amount of \$4,477,304 and \$4,893,494 as of June 30, 2012 and 2011, respectively, were classified as restricted for North County Corridor State Route 108 project.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

NOTE 4 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 29, 2012, which is the date the financial statements were available to be issued. No events have occurred that would require disclosure.



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Members
of the Governing Board
North County Corridor
Transportation Expressway Authority
Modesto, California

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We have audited the financial statements of the North County Corridor Transportation Expressway Authority (the Authority), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The report is intended solely for the information of management and the Governing Board of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 29, 2012