

**NORTH COUNTY CORRIDOR  
TRANSPORTATION EXPRESSWAY AUTHORITY**

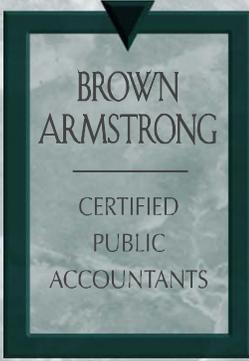
**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2011 AND 2010**

**NORTH COUNTY CORRIDOR  
TRANSPORTATION EXPRESSWAY AUTHORITY  
JUNE 30, 2011 AND 2010**

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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, 2011 and 2010, 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 audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows 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.

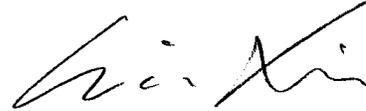
In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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.



REGISTERED with the Public Company  
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

A handwritten signature in black ink, appearing to read "G. A. Brown", is written over the company name.

Bakersfield, California  
December 21, 2011

## **BASIC FINANCIAL STATEMENTS**

**NORTH COUNTY CORRIDOR  
TRANSPORTATION EXPRESSWAY AUTHORITY  
BALANCE SHEETS  
GOVERNMENTAL FUND  
JUNE 30, 2011 AND 2010**

	2011	2010
<b>ASSETS</b>		
Cash, Cash Equivalents, and Investments	\$ 4,429,098	\$ 4,809,703
Accounts Receivable	769,654	205,841
<b>Total Assets</b>	<b>\$ 5,198,752</b>	<b>\$ 5,015,544</b>
 <b>LIABILITIES</b>		
Accounts Payable	\$ 305,258	\$ 322,084
<b>Total Liabilities</b>	305,258	322,084
 <b>FUND BALANCE</b>		
Restricted for Capital Projects	4,893,494	4,693,460
<b>TOTAL FUND BALANCE</b>	4,893,494	4,693,460
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 5,198,752</b>	<b>\$ 5,015,544</b>

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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
REVENUES		
State Revenues	\$ 1,870,468	\$ 2,185,680
Other Local Revenues	<u>50,273</u>	<u>69,841</u>
Total Revenues	<u>1,920,741</u>	<u>2,255,521</u>
EXPENDITURES		
Services Expenditures	1,717,251	1,505,419
Capital Outlay	<u>3,456</u>	<u>10,128</u>
Total Expenditures	<u>1,720,707</u>	<u>1,515,547</u>
Excess of Revenues Over Expenditures	<u>200,034</u>	<u>739,974</u>
Fund Balance at Beginning of Year	<u>4,693,460</u>	<u>3,953,486</u>
Fund Balance at End of Year	<u><u>\$ 4,893,494</u></u>	<u><u>\$ 4,693,460</u></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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
State Revenues	\$ -	\$ -	\$ 1,870,468	\$ 1,870,468
Other Local Revenues	-	-	50,273	50,273
Total Revenues	-	-	1,920,741	1,920,741
EXPENDITURES				
Services Expenditures	3,341,488	3,341,488	1,717,251	1,624,237
Capital Outlay	12,650	12,650	3,456	9,194
Total Expenditures	3,354,138	3,354,138	1,720,707	1,633,431
Excess (Deficiency) of Revenues Over Expenditures	(3,354,138)	(3,354,138)	200,034	3,554,172
Fund Balance at Beginning of Year	4,693,460	4,693,460	4,693,460	-
Fund Balance at End of Year	<u>\$ 1,339,322</u>	<u>\$ 1,339,322</u>	<u>\$ 4,893,494</u>	<u>\$ 3,554,172</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, 2011 AND 2010**

**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.

D. New Accounting Pronouncements

*Governmental Auditing Standards Board Statement No. 54*

In March of 2009, GASB issued Statement No. 54, *Fund Balances Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise the hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Equity note, Note 4.

GASB Statement No. 54 also provides guidance for classifying stabilization amounts on the face of the balance sheets and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the General Fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified by the provisions in this statement.

## **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, 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 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 10<sup>th</sup> Street, Suite 5100, Modesto, CA 95354.

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

## **NOTE 3 – COMMITMENTS AND CONTINGENCY**

The Authority is presently involved in litigation regarding the adoption of the County Corridor State Route 108 East Route Adoption Project and the certification of the Environmental Impact Report. The outcome of this litigation is unknown as of June 30, 2011.

## **NOTE 4 – 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, 2011, fund balances for government funds are made up of the following:

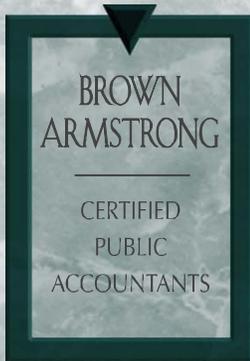
- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term 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. Commitments maybe 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 or (b) a body (for example: a budget or finance committee) or official to which the Authority's Board 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.

**NOTE 4 – FUND EQUITY** (Continued)

The entire fund balance in the amount of \$4,893,494 as of June 30, 2011, was classified as restricted for capital projects.

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.



# 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, 2011, and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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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North America  
An association of legally  
independent firms.

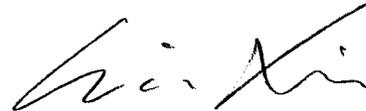
REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

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

A handwritten signature in black ink, appearing to read "G. A. Brown", is written over the printed name of the firm.

Bakersfield, California  
December 21, 2011