

**CITY OF MODESTO
ABANDONED VEHICLE
ABATEMENT PROGRAM**

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2012

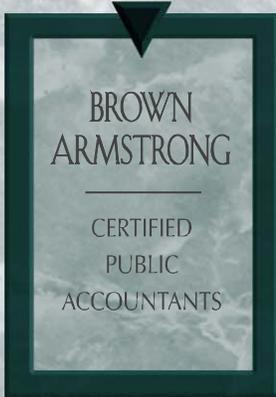
**CITY OF MODESTO
ABANDONED VEHICLE ABATEMENT PROGRAM**

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENT**

FOR THE YEAR ENDED JUNE 30, 2012

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To City Council
of the City of Modesto
Modesto, California

We have audited the accompanying statement of receipts and costs of the City of Modesto, California, Abandoned Vehicle Abatement Program (Program) for the year ended June 30, 2012, as listed in the table of contents. This financial statement is the responsibility of the City of Modesto's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and certain provisions of the AVA Program Handbook, issued by the California Highway Patrol. Those standards and the AVA Program Handbook require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit 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.

As described in Note 1, the City of Modesto prepares the financial statement for the Program on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly in all material respects the receipts and costs of the Program for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2012, on our consideration of the Program'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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation (handwritten signature)

Bakersfield, California
December 21, 2012

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

**CITY OF MODESTO
ABANDONED VEHICLE ABATEMENT PROGRAM
STATEMENT OF RECEIPTS AND COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Receipts received	
Registration fees	<u>\$ 175,777</u>
Costs disbursed	
Personnel	82,400
Services and supplies	<u>25,388</u>
Total costs disbursed	<u>107,788</u>
Excess of receipts over costs disbursed	67,989
Deficit, beginning of year	<u>(164,631)</u>
Deficit, end of year	<u><u>\$ (96,642)</u></u>

See accompanying notes to the financial statements.

**CITY OF MODESTO
ABANDONED VEHICLE ABATEMENT PROGRAM
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Abandoned Vehicle Abatement Program (Program) is a statewide program administered by the California Highway Patrol (CHP). The City of Modesto (City) administers and operates the local vehicle abatement program pursuant to Section 22710 of the Vehicle Code, Modesto Municipal City Code Section 3-2.1002 et seq., and the Stanislaus Area Association of Governments (SAAG) Abandoned Vehicle Program and Plan. Section 9250.7 of the Vehicle Code establishes the funding source for the abatement of abandoned vehicles by a county-based Service Authority (Authority), pursuant to the provisions of Section 22710 of the Vehicle Code. The Vehicle Code imposes a service fee of one dollar (\$1) on vehicles registered to an owner with an address in the County of Stanislaus that established the Authority. This fee is paid to the Department of Motor Vehicles (DMV) at the time of registration or renewal of registration. The DMV, after deducting its administrative costs, at least quarterly transmits the net amount collected to the State Controller's Office (SCO) for deposit in the Abandoned Vehicle Trust Fund. All money in the fund is continuously appropriated to the SCO for allocation to an Authority that has an approved Program pursuant to Section 22710 of the Vehicle Code, and for payment of the administrative costs of the SCO. SAAG, the Authority established pursuant to Vehicle Code Section 22710, distributes Program funds to participating entities based on the allocations determined in the Vehicle Abatement Services Agreement. The receipts and costs of the Program are included in the General Fund of the City's basic financial statements.

Financial Statement Presentation – The financial statement is prepared on the method of accounting prescribed by the CHP and *AVA Program Handbook*. The financial statement presents the information requested by the CHP and, therefore, does not purport to reflect results of operations in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting – The financial statement for the Program is prepared on the cash basis of accounting in which revenue is recognized when distributions are received and costs are recognized as disbursed and claimed in accordance with *AVA Program Handbook* Guidelines.

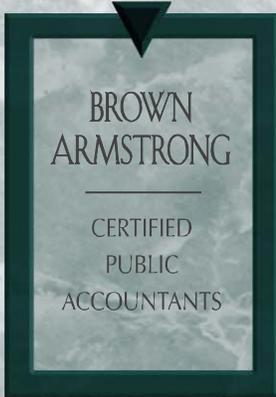
NOTE 2 – DEFICIT

If Program funds are not expended within 90 days of the fiscal year-end in which the funds were received and those funds exceed the amount expended in the previous fiscal year, the service fee imposed shall be suspended for one year, commencing the following January 1.

For the year ended June 30, 2012, the sum of current year receipts exceeded costs by \$67,989, decreasing the deficit at the beginning of the year from \$164,631 to \$96,642 at the end of the year. This deficit represents costs funded by other City sources until the City receives future registration fees.

NOTE 3 – SUBSEQUENT EVENTS

In compliance with accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the basic financial statements. Management has determined that no events require disclosure in accordance with accounting standards generally accepted in the United States of America. These subsequent events have been evaluated through December 21, 2012, which is the date the basic financial statements were issued.



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 AND THE AVA PROGRAM HANDBOOK

To City Council
of the City of Modesto
Modesto, California

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We have audited the accompanying statement of receipts and costs of the City of Modesto, California, Abandoned Vehicle Abatement Program (Program), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. Our report contained an explanatory paragraph describing the use of the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and certain provisions of the AVA Program Handbook issued by the California Highway Patrol.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Program'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 Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program'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.



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 Program'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. Our audit included tests of compliance with certain provisions of the *AVA Program Handbook*. 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*.

This report is intended solely for the information and use of management, the City Council, and oversight agencies of the Program and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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

Bakersfield, California
December 21, 2012