

**CITY OF MODESTO  
ABANDONED VEHICLE  
ABATEMENT PROGRAM**

**Independent Auditor's Reports  
and Financial Statement**

**For the Year Ended June 30, 2008**

**CITY OF MODESTO  
ABANDONED VEHICLE ABATEMENT PROGRAM**

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and Financial Statement**

**For the Year Ended June 30, 2008**

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## INDEPENDENT AUDITOR'S REPORT

The 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, 2008, 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 generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Governmental 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, 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 present fairly in all material respects the receipts and costs of the program for the year ended June 30, 2008 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008 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.

*Maze & Associates*

December 18, 2008

CITY OF MODESTO  
ABANDONED VEHICLE ABATEMENT PROGRAM  
STATEMENT OF RECEIPTS AND COSTS  
FOR THE YEAR ENDED JUNE 30, 2008

Receipts received	
Registration fees	<u>\$151,874</u>
Costs disbursed	
Personnel	118,554
Services and supplies	<u>30,434</u>
Total Costs	<u>148,988</u>
Excess of receipts over costs	2,886
Deficit, beginning of year	<u>(263,834)</u>
Deficit, end of year	<u><u>(\$260,948)</u></u>

See accompanying notes to financial statements

**CITY OF MODESTO  
ABANDONED VEHICLE ABATEMENT PROGRAM  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2008**

**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 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 principals 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 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, 2008, the sum of current year receipts exceeded costs by \$2,886, decreasing the deficit at the beginning of the year from \$263,834 to \$260,948 at the end of the year. This deficit represents costs funded by other City sources until the City receives future registration fees.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS* AND THE *AVA PROGRAM HANDBOOK***

The 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, 2008, and have issued our report thereon dated December 18, 2008. Our report contained an explanatory paragraph describing the use of the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. We conducted our audit in accordance with generally accepted auditing standards 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*.

***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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Program's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Program's financial statements that is more than inconsequential will not be prevented or detected by the Program's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Program's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weakness. We noted no items we consider to be material weaknesses.

*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 that are required to be reported under Government Auditing Standards.

*Mane & Associates*

December 18, 2008