

**CITY OF MODESTO
ABANDONED VEHICLE
ABATEMENT PROGRAM**

INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016



Certified
Public
Accountants

**CITY OF MODESTO
ABANDONED VEHICLE ABATEMENT PROGRAM**

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

FOR THE YEAR ENDED JUNE 30, 2016

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Independent Auditor's Report

To City Council of the City of Modesto
Modesto, California

Report on the Financial Statement

We have audited the accompanying statement of receipts and costs of the City of Modesto, California, Abandoned Vehicle Abatement Program (the Program) for the year ended June 30, 2016, and the related note to the financial statement, as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 statement referred to above presents fairly, in all material respects, the receipts and costs of the Program for the year ended June 30, 2016, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards and the AVA Program Handbook

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016, 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 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 the *AVA Program Handbook* in considering the Program's internal control over financial reporting and compliance.



Walnut Creek, California
November 3, 2016

**CITY OF MODESTO
ABANDONED VEHICLE ABATEMENT PROGRAM
STATEMENT OF RECEIPTS AND COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Receipts received	
Registration fees	<u>\$ 153,157</u>
Costs disbursed	
Personnel	86,852
Services and supplies	<u>26,994</u>
Total costs disbursed	<u>113,846</u>
Excess of receipts received over costs disbursed	39,311
Surplus, beginning of year	<u>52,630</u>
Surplus, end of year	<u><u>\$ 91,941</u></u>

See accompanying note to the financial statement.

**CITY OF MODESTO
ABANDONED VEHICLE ABATEMENT PROGRAM
NOTE TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Abandoned Vehicle Abatement Program (the Program) is a statewide program administered by the California Highway Patrol (CHP). The City of Modesto (the 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 (the 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 California Highway Patrol (CHP) and the *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 the *AVA Program Handbook* Guidelines.



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

We have audited, in accordance with the 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, the statement of receipts and costs of the City of Modesto, California, Abandoned Vehicle Abatement Program (the Program) for the year ended June 30, 2016, and the related note to the financial statement and have issued our report thereon dated November 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Program’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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of Program’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program’s financial statement is 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* or the *AVA Program Handbook*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the *AVA Program Handbook* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California

November 3, 2016