

A photograph of the San Diego City Hall tower, a tall, ornate, light-colored stone structure with a domed top and a weather vane. The tower is surrounded by lush greenery, including several palm trees and a large bush of bright red flowers. In the foreground, there is a well-manicured garden bed filled with a variety of colorful flowers, including pink, orange, and purple blooms. The sky is a clear, bright blue with a few wispy white clouds.

**San Diego
Abandoned Vehicle
Abatement Service
Authority**

Annual Financial Report

Fiscal Year Ended / June 30, 2002

San Diego Abandoned Vehicle Abatement Service Authority

Office of the City Auditor & Comptroller
Ed Ryan /City Auditor & Comptroller



Annual Financial Report

Fiscal Year Ended / June 30, 2002

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SAN DIEGO ABANDONED VEHICLE ABATEMENT SERVICE AUTHORITY
 ANNUAL FINANCIAL REPORT

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**SAN DIEGO ABANDONED VEHICLE ABATEMENT SERVICE AUTHORITY
ROSTER OF OFFICIALS**

BOARD MEMBERS

CITY OF IMPERIAL BEACH
Diane Rose, Mayor

CITY OF CARLSBAD
Ann Kulchin, Chairwoman

CITY OF SANTEE
Hal Ryan, Vice Chairman

CITY OF SAN DIEGO
Toni Atkins, Councilmember

COUNTY OF SAN DIEGO
Bill Horn, Supervisor

CITY OF SAN DIEGO
Scott Peters, Councilmember

COUNTY OF SAN DIEGO
Ron Roberts, Supervisor

OTHER OFFICIALS

Michael T. Uberuaga
City Manager

Casey Gwinn
General Counsel

Ed Ryan
Ex-Officio Auditor and Comptroller

Mary Vattimo
Ex-Officio Treasurer

**SAN DIEGO ABANDONED VEHICLE ABATEMENT
SERVICE AUTHORITY**

1401 Broadway, MS 715
San Diego CA 92101
(619) 531-2743

November 30, 2002

Honorable Members of the Board:

This annual Financial Report covers the financial activities of the San Diego Abandoned Vehicle Abatement Service Authority for the year ended June 30, 2002.

All revenues and expenditures for these projects have been accounted for in accordance with accounting principles generally accepted in the United States of America as applicable to municipalities.

Respectfully submitted,



Ed Ryan
Ex-Officio Auditor & Comptroller

FINANCIAL SECTION



CALDERON, JAHAM & OSBORN

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Diego Abandoned Vehicle
Abatement Service Authority
San Diego, California

We have audited the accompanying financial statements of the San Diego Abandoned Vehicle Abatement Service Authority (the "AVA") as of and for the year ended June 30, 2002, as listed in the foregoing table of contents. These financial statements are the responsibility of the AVA'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 *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, such financial statements present fairly, in all material respects, the financial position of the AVA as of June 30, 2002 and the results of its operations for the year 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 November 27, 2002, on our consideration of the AVA's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the AVA adopted Statement of the Governmental Accounting Standards Board No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments; No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and, No. 38, Certain Financial Statement Note Disclosures.

The scope of our audit did not include the supplemental information listed in the foregoing table of contents. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

November 27, 2002

Calderon, Jaham + Osborn

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the San Diego Abandoned Vehicle Abatement Service Authority (AVA), we offer this narrative of the AVA financial statements for the fiscal year ended June 30, 2002.

For the fiscal year ended June 30, 2002, the AVA adopted Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements – and Analysis – for State and Local Governments", GASB Statement No. 37 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus", and GASB Statement No. 38 "Certain Financial Note Disclosures."

OVERVIEW OF THE FINANCIAL STATEMENTS

This overview is intended to serve as an introduction to the AVA's basic financial statements. The AVA's basic financial statements are comprised of the Fund Financial Statements and the Notes to the Financial Statements.

Fund financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that are available for distribution to participating agencies. The AVA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fiduciary Funds. Fiduciary Funds are used to account for assets held by the AVA as an agent for other governmental units and/or other funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the AVA's finances for all those with an interest in the authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Auditor & Comptroller, 202 C Street, San Diego, California 92101.

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2002

	<u>Agency Fund</u>
ASSETS	
Cash in City Treasury.....	\$ 3,980,941
Accounts Receivable	630,494
Accrued Interest Receivable.....	<u>22,543</u>
TOTAL ASSETS	<u>\$ 4,633,978</u>
LIABILITIES	
Sundry Trust Liabilities.....	<u>\$ 4,633,978</u>
TOTAL LIABILITIES	<u>\$ 4,633,978</u>

See Notes to Financial Statements

SAN DIEGO ABANDONED VEHICLE ABATEMENT SERVICE AUTHORITY ANNUAL FINANCIAL REPORT

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2002

ASSETS	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>ENDING BALANCE</u>
Cash or Equity in Pooled Cash and Investments	\$ 3,557,086	\$ 4,625,827	\$ 4,201,972	\$ 3,980,941
Receivables:				
Accounts - Net	625,011	630,494	625,011	630,494
Accrued Interest	<u>48,392</u>	<u>409,216</u>	<u>435,065</u>	<u>22,543</u>
TOTAL ASSETS	<u>\$ 4,230,489</u>	<u>\$ 5,665,537</u>	<u>\$ 5,262,048</u>	<u>\$ 4,633,978</u>
LIABILITIES				
Sundry Trust Liabilities	<u>\$ 4,230,489</u>	<u>\$ 4,637,901</u>	<u>\$ 4,234,412</u>	<u>\$ 4,633,978</u>
TOTAL LIABILITIES	<u>\$ 4,230,489</u>	<u>\$ 4,637,901</u>	<u>\$ 4,234,412</u>	<u>\$ 4,633,978</u>

See Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002

1. ORGANIZATION AND OPERATIONS

The San Diego Abandoned Vehicle Abatement Service Authority ("AVA") is an independent statutory public agency that was formed in October of 1991 pursuant to California Vehicle Code Section 22710. The purpose of AVA is to manage funds collected for the abatement, removal and storage of abandoned vehicles from private and public property in the incorporated cities and unincorporated areas of the County of San Diego (County). The principal source of funding for AVA is the \$1 annual fee levied on vehicles registered in the County. The Department of Motor Vehicles collects this fee, deducts an administrative charge of ½%, and remits the net collections to AVA on a quarterly basis.

The Governing Board consists of two members selected by the Board of Supervisors and five members elected jointly by the city councils of cities within the County.

As of July 1, 2001, the AVA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements – and Analysis – for State and Local Governments", GASB Statement No. 37 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus", and GASB Statement No. 38 "Certain Financial Note Disclosures."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of AVA conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the more significant of such policies:

a. Basis of Accounting and Financial Statement Presentation

Fiduciary Funds are used to account for assets held by the AVA as an agent for other governmental units and/or other funds. Agency funds are accounted for using the accrual basis of accounting.

b. Cash and Investments

At July 1, 1997, the City and the AVA adopted Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires certain investments to be reported at fair value. At June 30, 2002, all such investments are presented at fair value.

3. CASH AND INVESTMENTS

Cash resources of AVA are combined with the cash resources of the City to form a pool of cash that is managed by the City Treasurer.

As provided for by the Government Code, the cash balance of substantially all City funds and certain entities are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. AVA's net share of the total pooled cash and investments is included in the accompanying combining balance sheet under the caption "Cash or equity in pooled cash and investments." Interest earned on investments is deposited to certain of the participating City funds and entities, including AVA, based upon each fund's and each entity's average daily deposit balance during the allocation period with all remaining interest deposited to the City's General Fund.

The City may transact business only with banks, savings and loans, and investment security dealers who are primary dealers regularly reporting to the New York Federal Reserve Bank. Exceptions to this rule can be made only upon written authorization of the City Treasurer. Authorized cash deposits and investments are governed by state law, as well as by the City's own written investment policy. Within the context of these limitations, permissible investments include: 1) obligations of the U.S. government and federal agencies, 2) commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, 3) bankers' acceptances, 4) negotiable and/or non-negotiable time deposits issued by a nationally or state chartered bank or a state or federal savings and loan association, 5) repurchase and reverse repurchase agreements, 6) the local agency investment fund established by the state treasurer, and 7) financial futures contracts in any of the other authorized investments which are used to offset an existing financial position and not for outright speculation, 8) mortgage securities purchased under an agreement to resell, 9) medium-term corporate notes of a maximum of five years maturity issued by corporations operating within the United States and 10) shares of beneficial interest issued by diversified management companies, as defined in Section 23701m of the Revenue and Taxation Code.

All non-negotiable time certificates of deposit are to be fully collateralized with mortgages or eligible securities in accordance with state law.

Investments policies permit the City to enter into reverse repurchase agreements which is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received providing the dealers a margin against a decline in the market value of the securities. If the dealers default on their obligations to resell these securities to the City or provide securities of cash or equal value, AVA could suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the reverse repurchase agreement obligation, including accrued interest payable. There was no such credit

3. CASH AND INVESTMENTS (Continued)

exposure at year-end. There was no interest expense incurred under reverse repurchase agreements for the year ended June 30, 2002.

Deposits and investments are generally exposed to two types of risk; credit risk and market risk. Credit risk is the risk that a governmental entity will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. Market risk is the risk that the value of an investment will decline.

In accordance with government reporting standards, the City has categorized its deposits and investments subject to credit risk categorization. Such information may be found in the City's Comprehensive Annual Financial Report.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
San Diego Abandoned Vehicle
Abatement Service Authority
San Diego, California

We have audited the financial statements of the San Diego Abandoned Vehicle Abatement Service Authority (the "AVA"), as of and for the year ended June 30, 2002, and have issued our report thereon dated November 27, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the AVA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the AVA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 27, 2002

Calderon, Jaham + Osborn

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