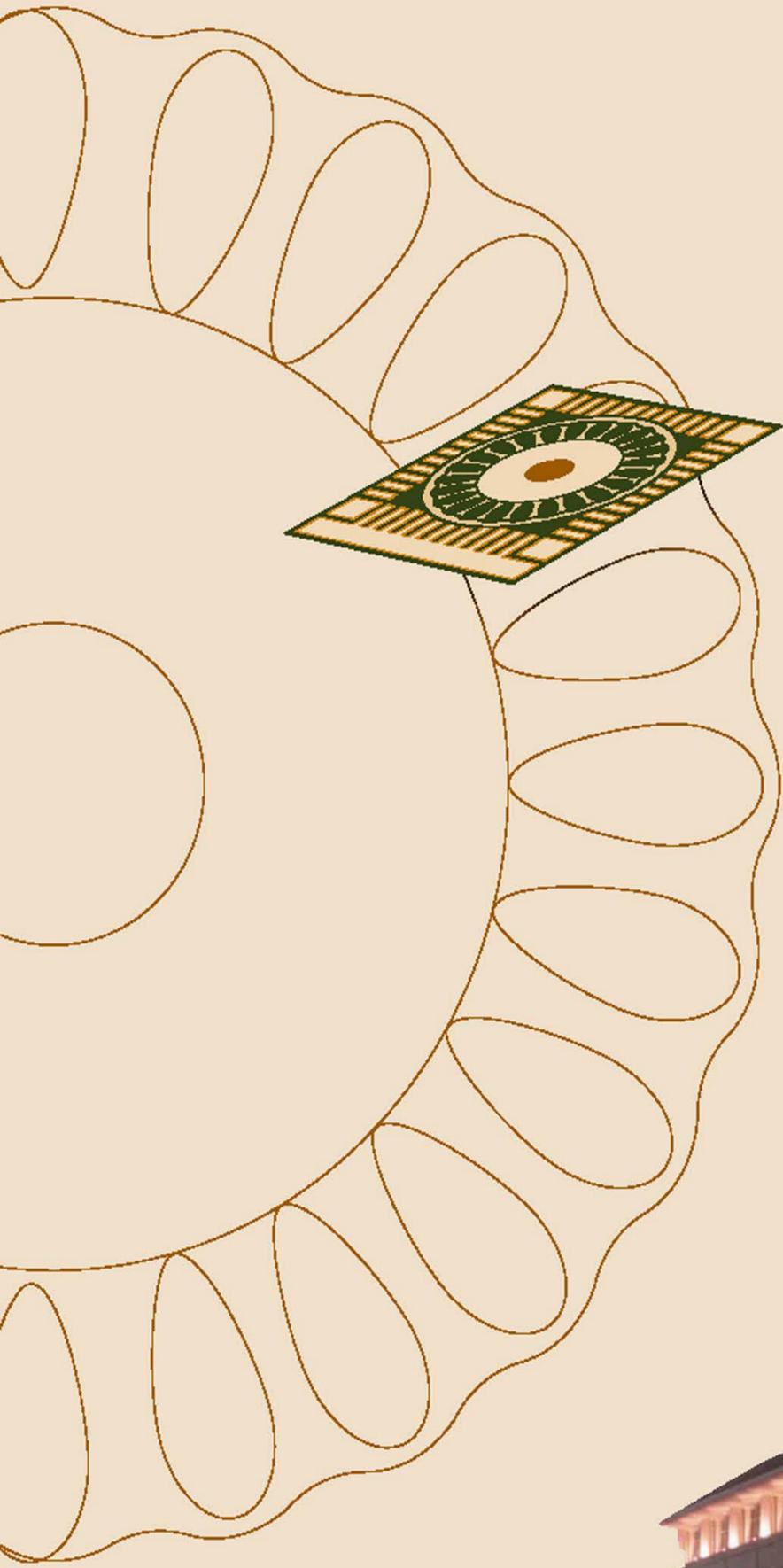


CITY OF  
**HAYWARD**  
CALIFORNIA

**Comprehensive Annual  
Financial Report**  
for Fiscal Year Ended  
June 30, 2013



HEART OF THE BAY

**CITY OF HAYWARD, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR FISCAL YEAR ENDED JUNE 30, 2013**

Prepared by:

Accounting Division, Department of Finance

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# CITY OF HAYWARD, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF  
**HAYWARD**  
HEART OF THE BAY

February 2014

Honorable Mayor, Members of the City Council, and Citizens of the City of Hayward, California:

It is my pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Hayward for the fiscal year ended June 30, 2013. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. In the opinion of management, the data is accurate in all material respects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and contains all disclosures necessary to enable the reader to understand the City's financial affairs.

### **FINANCIAL STATEMENT PRESENTATION**

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB). This report consists of management's representations concerning the finances of the City of Hayward, California. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP.

The City's financial statements have been audited by Maze and Associates, a public accounting firm fully licensed and qualified to perform audits of local governments within the State of California. The goal of the independent auditor is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hayward, California's financial statements for the year ended June 30, 2013, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this Report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis related to and involving the administration of Federal Awards. These reports are available in the City's separately issued Single Audit Report.

This CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the basic financial statements and the combined financial statements and schedules, the independent auditor's report on these financial statements and schedules, and management's discussion and analysis (MD&A). The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The independent auditor's report is presented as the first component of the financial section of the CAFR, followed by the MD&A, which provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## **CITY PROFILE & SERVICES**

With a population currently estimated at 151,247, Hayward is the sixth largest city in the San Francisco Bay Area and the third largest city in Alameda County. Hayward is located fourteen miles south of Oakland in the San Francisco Bay Area. The City area includes sixty-one square miles lying between the eastern shore of San Francisco Bay and the southern Oakland-Berkeley Hills. Hayward serves as a major transportation hub and a center of commercial and industrial activity, with immediate access to major interstate freeways, rail lines, and public transit routes such as Bay Area Rapid Transit (BART). The community includes approximately 48,000 homes and residences of all types and considerable commercial and industrial development. Major institutional facilities include California State University-East Bay, Chabot Community College, two major hospitals, and state and county offices.

### **City Structure**

The City was incorporated in 1876. Under the City Charter adopted in 1956, the City government is organized in the Council-Manager form. The Mayor is directly elected to a four-year term of office and serves as a voting member and the presiding officer of the City Council. The City Council includes six other members, each of whom is elected at-large to overlapping four-year terms. The Mayor and City Council serve as the legislative and policy-making body of the City government and appoint a City Manager, a City Clerk, and a City Attorney. The City Manager is the City's chief executive officer and appoints all other City staff. The City Manager is responsible for the daily administration of the City government and provides overall direction to all City departments.

### **City Services**

Hayward provides a full range of services to its residents including: law enforcement; fire prevention and protection; paramedic services; housing and economic development; land use development services and regulations; community planning; street construction and maintenance; landscape maintenance services; transportation planning; and contracted curbside recycling and refuse collection. In addition, the City operates and maintains facilities for water distribution, storm water, and sanitary sewer collection and disposal. The City also operates a general aviation executive airport, downtown parking facilities, a main and branch library, and a civic center. Park and recreation services are provided through partnership with the regional Hayward Area Recreational District (HARD), headquartered in the City. This partnership includes two public golf courses under operational lease to HARD. After school programs and literacy classes are provided

through the Library system and on school campuses in partnership with Hayward Unified School District (HUSD).

### **Component Units**

The City Council is also financially accountable for the Successor Agency of the Hayward Redevelopment Agency, the Hayward Public Financing Authority, the Hayward Housing Authority, and the Hayward Business Improvement District; therefore, these component unit activities are included in the accompanying basic financial statements. Furthermore, the City participates in a number of joint ventures and authorities, which exist due to joint exercise of power agreements. An equity interest is reported for the East Bay Dischargers Authority ([www.ebda.org/](http://www.ebda.org/)). The complete financial activities have not been included for this entity, as the City Council is not financially accountable for them. Other entities, which have been excluded, that do not meet the established criteria for inclusion in the reporting entity are the Hayward Area Recreation and Park District ([www.haywardrec.org/](http://www.haywardrec.org/)) and Hayward Unified School District ([www.husd.k12.ca.us/](http://www.husd.k12.ca.us/)).

## **ECONOMIC CONDITION AND OUTLOOK**

The information presented in the financial statements is best understood when it is considered within the broader perspective of the specific environment in the City of Hayward.

### **Local Economy**

Hayward is a diverse city with a diverse economy – comprised of a growing business community that represents a balance of retail, industrial, and emerging technologies. In fiscal year 2013, the City of Hayward began to experience the slow improvement of the economy – as did other cities in the San Francisco Bay Area. It should be noted that the Bay Area is a region with many micro economies. Each agency within this region has experienced varying levels of economic improvement as driven by their distinct local economic situations. The recession resulting from the global financial and credit market meltdown in 2008 has had a direct and dramatic impact on Hayward’s local revenues these past few years and we are slowly beginning to see some stabilization.

Reports indicate that the state of California’s economy is improving and the Hayward economy is beginning to reflect this improvement. The Employment Development Department data reflects that 13,600 new jobs were added in the Bay Area during the month of December 2013. Consequently, the State unemployment rate has dropped to 8.3% (1.6% higher than the national unemployment rate of 6.7%), which is a significant improvement compared to a rate of 11.3% in November 2011 and 10% in December 2012. The East Bay jobless rate has dropped from 8.6% to 7.4% in the last year. In addition, Hayward has seen an increase in its assessed valuation in 2013 of almost 10% and the median residential home value is about \$395,000 in December 2013 versus \$300,000 a year ago.

Sales tax revenue declined by a cumulative loss of \$12.4 million from 2008 to 2012, largely due to lagging automobile sales, along with business-to-business, construction, and other retail sectors. Fiscal Year 2013 saw a rebound of these revenues, with sales tax revenues experiencing an 8.3% increase over fiscal year 2012 revenues. While this does not achieve the level of sales tax revenues experienced in 2008, it is close and management expects that by FY 2014 the City will have at least rebounded to FY 2008 sales tax revenue levels.

On May 19, 2009, the voters of the City of Hayward approved Measure A allowing for the collection of a 5.5% utility users tax to maintain key essential services and prevent further reductions to basic City services. The utility users' tax revenue for fiscal year 2013 was \$14.9 million.

While this is optimistic news with regards to City revenues, management has mixed views regarding the outlook for the future due to the continued growth of expenditures related to employee benefits and deferred infrastructure improvements. Controlling expenditures has been a key element to responding to the City's fiscal challenges. Management and employee groups have successfully partnered to implement significant structural savings and cost-sharing that will assist the City in achieving long-term fiscal sustainability.

### **Factors Affecting the City's Financial Condition**

The City has lost over \$100 million in local revenues to the State since 1994. Thankfully management is not aware of any additional direct local revenue losses in the most recent version of the State budget. However, the State's ability to take local government revenues, the recent loss of the City's redevelopment agency being a prime example, has significantly hampered the future plans of local government for years to come.

#### *Loss of California Redevelopment Agencies:*

The California State Legislature enacted Assembly Bill X1 26 (the "Dissolution Act") to dissolve redevelopment agencies formed under the Community Redevelopment Law in June of 2011. The California Supreme Court in its decision in *California Redevelopment Association v. Matosantos*, issued December 29, 2011, declared the Dissolution Act to be constitutional. Under the Dissolution Act, effective February 1, 2012, all redevelopment agencies throughout the State, including the Redevelopment Agency of the City of Hayward were dissolved. This is a loss of about \$11 million per year for economic development. The City continues to navigate the complicated dissolution process.

### **Long-term Perspective**

As stated previously, both prolonged recessionary pressures and the sustained impact of State takeaways influence the City in both the near and long term. The City has been prudent with its financial resources and has contained costs by implementing both structural and one-time budget savings. While the City has made great strides in balancing its budget, Hayward must continue this effort and make additional adjustments to its general expenditures in order to address an ongoing structural deficit over the next few fiscal years.

The City adopts a biennial budget and employs long-term planning as the framework for its fiscal decisions. The City utilizes ten-year planning tools for the General Fund as well as other key operating funds. While the General Fund structural budget gap has been greatly reduced, the City continues its efforts to entirely eliminate the remaining \$3 - \$6 million gap.

While Hayward's underlying economy is viewed as positive in the long-term, today's economic challenges, notably to the City's General Fund, must be dealt with now to ensure long-term economic stability. The other enormous challenge is to maintain an acceptable level of service to the community while meeting increased service demands with shrinking resources – while ensuring long-term economic stability.

## MAJOR INITIATIVES & ACCOMPLISHMENTS

In its role of providing direction and general oversight, the City Council has adopted three overarching priorities and three supporting priorities:

<b>Overarching Priorities:</b>	<b>SAFE</b>
	<b>CLEAN</b>
	<b>GREEN</b>
<b>Supporting Priorities:</b>	Organizational Health
	Land Use
	Fiscal Stability

Through the budget planning process, and with City Council direction, the management team aligned its program priorities and service delivery objectives with these priorities. The operating budget provides details related to the progress made in each department related to these City Council Priorities. Some of the City’s efforts toward accomplishing these initiatives are discussed below.

### Capital Improvement Program

An example of one of the strategies to meet Council priorities is the City’s Capital Improvement Program, which for FY 2013 was budgeted at \$106 million, and over the Ten-Year Planning Cycle, the Capital Improvement Program totals \$354 million in project allocations. These projects will improve the economic base of the City as well as improving the safety and reliability of City infrastructure for residents, businesses, and visitors.

### Neighborhood Services/Cleanliness

*Neighborhood Partnership Program:* The City continues to conduct Neighborhood Partnership meetings in many Hayward neighborhoods, as well as continuing the Hayward Blight Busters Program to clean up neighborhoods and provide graffiti removal.

*Graffiti Prevention Program:* The City has contracted with local artists to complete many murals throughout the community, as well as covering multiple utility boxes with art. The program was developed and is funded as a graffiti prevention program and has been very successful in that walls and boxes covered in art rarely, if ever, get tagged with graffiti. The City was honored with the Helen Putnam Award from the California League of Cities for this program; provided webinars on the program for the Alliance of Innovation; and has been asked by other cities in the Bay Area to assist them in developing a similar program.

In addition, Hayward continues to enjoy the active support and involvement of its Keep Hayward Clean and Green Task Force, which is a group of residents and business owners who are dedicated to keeping Hayward free of graffiti and litter. Through their efforts and the impacts of the mural/utility box program, Hayward is becoming one of the cleanest and most graffiti-free cities along the I-880 corridor. Visit [http://www.hayward-ca.gov/mural/?page\\_id=26](http://www.hayward-ca.gov/mural/?page_id=26) to view a sample of our utility box art; or <http://user.govoutreach.com/hayward/faq.php?cid=11713> for our murals.

*Conversion of City Streetlights and Traffic Signal Safety Lights to LED:*

Completed during FY 2013, this project converted approximately 7,000 City-owned streetlights and 340 traffic signal safety lights from high pressure sodium to low energy consuming LED technology. In addition to providing better lighting, LED streetlights have double the life expectancy of standard lights and use about 60% less energy.

*21<sup>st</sup> Century Library and Community Learning Center:* This project, which is expected to cost \$59.8 million, entered into the design phase during FY 2013. This project will allow for the construction of a 58,000 square foot facility that will meet the community's needs through 2030 and beyond.

*New Fire Station #7 and Firehouse Clinic:* Located on Huntwood Avenue, this new fire station will replace the existing facility, which is a four-piece modular building with an adjacent apparatus bay that opened in 1998 and shows severe sign of aging. The building is expected to cost approximately \$12.6 million to design and build. In addition, the project will feature a community health center, which will help to relieve emergency rooms of current, overcrowded conditions.

## **Land Use and Sustainability**

*Water Pollution Control Facility (WPCF) Energy Co-Generation:* The WPCF co-generation system uses bio-gas to provide power for wastewater treatment. Replacement of the existing co-generation facility, in place since 1982 and at the end of its useful life, was initiated to increase efficiency and energy output. The City also constructed a grease receiving and processing facility in 2013 to allow the WPCF to take in fats, oils and grease from restaurants and food processing businesses, and enhance the City's ability to produce energy. In combination with solar power, the new co-generation system will allow the WPCF to utilize clean, renewable energy resources for almost all of its power needs, and to deliver excess energy to the PG&E.

*Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) Tariff:* Hayward is the first municipality in the entire Pacific Gas and Electric service area to utilize RES-BCT tariffs, which allow local governments to generate electricity at one account and transfer any available excess amount as bill credits (in dollars) to another account owned by the same local government. In the City's case, excess energy generated by the WPCF will result in credits that can be used to offset the cost of operating water pump stations and other utilities-related facilities.

*Water and Sewer Utilities Master Plans:* Master Plan updates for the City's Water Distribution System, Sewer Collection System and Water Pollution Control Facility (wastewater treatment plant) were initiated in 2013 and will be completed in 2014. The Master Plans evaluate current demand and anticipated development to City utilities can meet the needs of future users, and guide the implementation of system improvements.

*Route 238 Settlement:* Route 238 stretches north to south from one end of the City of Hayward to the other and involves several projects related to this corridor. One major project relates to the disposition of over four hundred parcels of property accumulated by the State Department of Transportation (Caltrans) in preparation for the old 238 bypass freeway, which was abandoned by Caltrans through pressure by the community and housing advocates. The City and Caltrans

worked with housing advocates to develop a settlement agreement that outlines how the residents of State-owned properties will be accommodated as property disposition progresses. In previous years, the City conducted a land use study on these 238 properties and now continues to work towards implementing the terms of the Settlement Agreement in conformance with the results of the Land Use Study.

*Route 238 Corridor Improvement Project:* The City made many improvements to transportation and pedestrian access on Route 238, primarily along Mission and Foothill Boulevards. The project, which is the largest undertaken by the City, includes improvements to major intersections such as Mission and Carlos Bee, as well as relieving vehicle congestion through the Downtown. The project addresses existing and projected traffic congestion all along the Route 238 Corridor using funding from various sources, including proceeds from the disposition of the 238 Corridor properties; and made tremendous improvements in streetscape, lighting, and the pedestrian experience. The project was substantially completed by December 2013.

*880/92 Reliever Route Project:* Design work was initiated during 2013 for this \$26.6 million, multi-year project. This project will extend Whitesell Street as well as improve the intersection at Hesperian and Winton. The improvements will provide for better access in and out of the City's industrial area and will help to relieve congestion on Interstate 880, State Route 92, and several major arterials in the area.

*New Hayward Executive Airport Administration Building:* Construction began in August 2013 on this \$4.7 million, 5,000 square foot building, which will provide a single location for transient users to meet and will provide a facility for pilots to conduct flight planning activities.

*South Hayward BART Transit Oriented Development (TOD) Project:* This mixed-use TOD project received an allocation of \$47 million in State Prop 1C funding to fund Phase I of a transit-oriented development. Phase I includes market-rate rental units, affordable rental units, senior housing, and parking. Future plans call for retail, home-ownership condominiums, and a replacement parking garage to serve BART patrons. The City finalized negotiations on the Owner Participation Agreement for the project and executed the Standard Agreement with the State Department of Housing and Community Development for the Prop 1C funding. A Joint Powers Authority is being formed between the City and BART to manage the current and future parking needs of both BART patrons and those of neighbors and businesses surrounding the City's two BART stations.

### **Organizational Health and Fiscal Stability**

*Long Range Financial Planning:* The City continues to refine its ten-year financial planning tools as part of managing the annual budget for the General Fund, other key revenue funds such as internal service and enterprise funds and the Capital Improvement Program. Utilizing this ten-year approach has helped the City identify and plan accordingly to manage potential future structural deficits.

### **Long-term Debt Ratings**

Recently, Standard & Poors raised its rating of the City's \$26.1 million 2007 refunding of its certificates of participation (COPs) for the Civic Center building and other capital improvement projects from "A+" to "AA." The fact that the City was able to maintain such high rating in the

face of its fiscal challenges is recognition of a proven record of sound fiscal management by the Mayor, City Council and City staff.

## **FINANCIAL INFORMATION**

### **Internal Controls**

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that adequate accounting data is compiled to prepare the City's financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the calculation of costs and benefits requires estimates and judgments by management.

### **Budgetary Controls & Financial Policies**

The City Council adopts financial policies that provide guidance to critical areas such as budget administration and long-term planning, debt and cash management, fund balance/reserve levels, and risk management.

*Budget Control:* Budgetary controls ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Per the City Charter, the City Council is required to adopt an annual budget resolution by July 1 of each fiscal year. Activities of all funds, except agency funds, are included in the Annual Budget. The City also adopts a ten-year capital improvement program, appropriating the current year's expenditures in the annual budget. The level of control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The City Manager may authorize transfers of appropriations in the adopted budget within funds; however, any revisions which alter the total expenditures of any fund must be approved by the City Council.

*Long-term Planning:* One of the financial policies noted above outlines the City's goals related to long-range financial forecasting. As recommended by the policy, the City annually prepares and adopts a ten-year financial plan for the General Fund as part of the operating budget.

In addition, the City maintains long-range forecasting models for other key operating funds, including a capital improvement program plan. The City adopts a ten-year Capital Improvements Program annually, that includes planned projects in the areas of transportation, redevelopment, low to moderate income housing, pedestrian access, utilities, airport, and internal services capital replacements. All these investments in the various areas reflect the City Council's commitment to maintain or improve the City of Hayward and provide the citizens with the highest possible service and level of infrastructure possible given constrained funding.

*Debt Administration:* Even as a charter city, Hayward has adopted a comprehensive debt management policy that guides the issuance and management of City debt. The policy includes establishing the legal debt limits (per State law this equates to 15% of assessed value of all real and personal property of the city); identifying the types of debt that can be issued and purposes for which debt proceeds can be used; establishing financial limits affecting debt issuance; and identifying guidelines regarding the structuring of debt (such as term). At the end of fiscal year 2013, the City had total debt outstanding of \$89.3 million, which complies with the current

policy. This is further detailed in the accompanying Management Discussion and Analysis section of this document.

*Cash Management:* The City's investment policy is conservative and is supported by the annual adoption by the City Council of a Statement of Investment Policy that defines the objectives and priorities of the investment program, which stresses the safety and liquidity of funds as the highest priority. The final priority is to achieve the maximum yield possible within the constraints and limits stated in the policy. The City hired a third-party investment manager effective July 2012 to assist in managing and balancing the City's pooled cash portfolio, and improving the overall yield within policy guidelines.

*Reserve Policies:* As the City complies with the provisions of GASB 54 (fund balance reporting and fund type definitions), some of the current reserve designations may change. For FY 2013, the policy states that General Fund reserves for economic uncertainty and liquidity should be 15% of the annual General Fund operating appropriations. The policy also sets forth a \$10 million reserve for disaster-related emergencies to be established over a ten year planning period, which is critical given the risk of a major earthquake or other natural disaster affecting the City.

While further delineated in the accompanying MD&A, at the end of fiscal year 2013, the unassigned fund balance of the General Fund was \$28.1 million, while the total fund balance was \$35.4 million (includes non-cash outstanding receivables of over \$7 million). The unassigned fund balance represents 22.6% of total General Fund expenditures of \$124.6 million (including Transfers Out).

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Award Recognition**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Hayward for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the twenty-sixth consecutive year that the City of Hayward has received this prestigious national award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This Report must also satisfy both GAAP and applicable legal requirements.

A *Certificate of Achievement for Excellence in Financial Reporting* from the GFOA is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement requirements and staff will submit it to the GFOA to determine eligibility for another certificate.

### **Acknowledgements**

The preparation of this report would not have been possible without the dedicated efforts of the entire Finance Department staff, as well as the audit firm of Maze & Associates. All those who contributed to the preparation of this report deserve commendation for their dedication and hard work. In particular, I would like to express special appreciation to Jennifer Luong, Senior Accountant, and the entire Accounting Division staff.

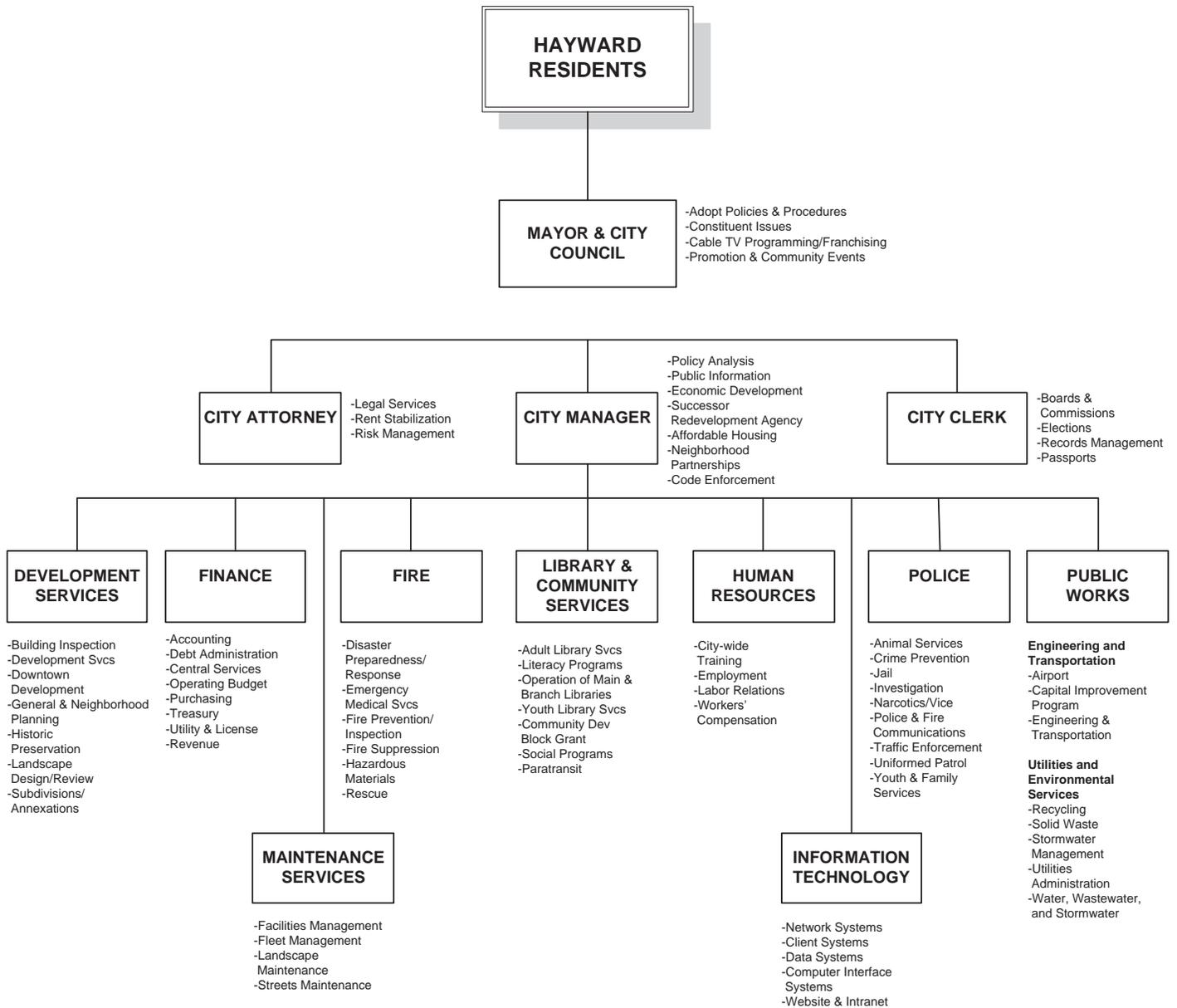
I also wish to recognize the commitment of the City Manager, the Mayor, and the City Council to the high standards embodied in this Report and express appreciation to them and each City department for their cooperation and support in conducting the fiscal operations of the City.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Tracy Vesely".

Tracy A. Vesely  
Director of Finance  
City of Hayward

# CITY OF HAYWARD ORGANIZATION



## City of Hayward Elected Officials

The Mayor and six Council members represent Hayward residents, adopt public policy, and approve resource allocations consistent with community priorities. The City Council generally meets the first, third, and fourth Tuesday of each month at 7:00 p.m. in Council Chambers, 2nd Floor of 777 B Street, Hayward, CA 94541. The public is invited and encouraged to attend Council meetings.



**Michael Sweeney**  
Mayor  
Term Expires 2014



**Marvin Peixoto**  
Council Member  
Term Expires 2014



**Barbara Halliday**  
Council Member  
Term Expires 2016



**Mark Salinas**  
Council Member  
Term Expires 2014



**Greg Jones**  
Council Member  
Term Expires 2016



**Francisco Zermeño**  
Council Member  
Term Expires 2016



**Al Mendall**  
Council Member  
Term Expires 2016

**Appointed by City Council**

City Manager	Fran David
City Attorney	Michael Lawson
City Clerk	Miriam Lens

**Department Directors**

Assistant City Manager	Kelly McAdoo
Development Services	David Rizk
Finance	Tracy Vesely
Fire	Chief Garrett Contreras
Human Resources	Fran Robustelli
Information Technology	Mark Guenther
Library & Community Services	Sean Reinhart
Maintenance Services	Matt McGrath
Police	Chief Diane Urban
Public Works Engineering & Transportation	Morad Fakhrai
Public Works Utilities & Environmental Services	Alex Ameri



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Hayward  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

## INDEPENDENT AUDITORS' OPINION

To the Honorable Members of the City Council  
City of Hayward, California

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hayward, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 from 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 City'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 City'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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

As discussed in Note 19, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Hayward Redevelopment Agency was dissolved and its assets turned over to and liabilities assumed by a Housing Successor and a Successor Agency effective January 31, 2012. Prior to the Redevelopment Agency dissolution, the Agency Board approved various agreements which obligated it to repay certain advances to the City. Repayment of these agreements is subject to certain administrative procedures and review and approval by the California Department of Finance and/or the Oversight Board, and as a result the amount disallowed is not determinable at this time.

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2013 that affected the format and nomenclature of the financial statements:

*Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* See Notes 1 to the financial statements for relevant disclosures.

The emphasis of these matters does not constitute a modification to our opinions.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014, on our consideration of the City'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* in considering the City's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
February 18, 2014

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## **CITY OF HAYWARD, CALIFORNIA** **Management's Discussion and Analysis**

As management of the City of Hayward (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information furnished in the Letter of Transmittal, which can be found in the preceding Introductory section of this Report, and with the City's basic financial statements and accompanying notes to those financial statements.

### **Financial Highlights**

- ❑ At the close of the most recent fiscal year, the assets of the City exceeded its liabilities by \$611.9 million (*total net position*). Of this amount, \$173.5 million (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors within the restrictions set forth by the various funding sources.
- ❑ The City's total *net position* increased by \$20.8 million during the current fiscal year. Governmental activities, including the General Fund, increased by \$15.9 million due to capital contributions and grants as well as an uptick in sales tax revenues over the prior fiscal year; while business-type activities such as Sewer, Water, and Airport Funds, increased by \$4.9 million largely due to water activities.
- ❑ As of June 30, 2013, the City's governmental funds reported combined fund balances of \$71.5 million, a decrease of \$19.8 million from the prior year largely due to the conclusion of the Route 238 Corridor Improvements capital project and expense of these capital funds.
- ❑ At the end of fiscal year 2013, total fund balance for the General Fund was \$35.4 million, an increase of \$455,171 over FY 2012. The balance includes \$7.03 million in non-spendable (illiquid reserves), largely comprised of \$7.0 million in long-term Interfund receivables. The remainder of the \$28.1 million spendable (cash) fund balance was designated for contingencies and liquidity by the City Council and represents 22.6% of total expenditures including Transfers Out.
- ❑ Fiscal year 2013 ended with net increase to the General Fund Reserve of \$455,171. The City did not need to utilize General Fund Reserves to balance the FY 2013 budget due to increases in revenue – albeit \$1.9 million was one-time revenue from redevelopment dissolution settlement funds. Without this one-time revenue, the City would have had to use \$1.5 million of Reserves. In addition, the General Fund expenditures in FY 2013 do not reflect all City costs, such as the cost of the Annual Required Contribution to the City's Retiree Medical Trust Fund, which will be included in future years' budgets.
- ❑ As of June 30, 2013, the City's enterprise funds (Sewer, Water, and Airport) reported combined net position (assets) of \$256.9 million, an increase of \$4.9 million from the previous year.

### **Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains required supplementary budget vs. actual information and other statistical supplementary information.

**Government-wide Financial Statements.** (pages 19-21) The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* (see Table 1 below on page 8) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. It should be noted that net position includes liquid and illiquid assets (cash and non-cash).

The *statement of activities and change in net position* (see Table 2 below on page 9) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow impacts in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the *government-wide financial statements* distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include: general government; public safety; public works and transportation; library and community services; planning and building; maintenance services; and interest on long-term debt. The business-type activities of the City include: sewer and water services; storm water runoff management; and the Hayward Executive Airport.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds; proprietary funds; and fiduciary funds.

**Governmental Funds.** (pages 24-30) Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

Because the focus of governmental funds are more narrow than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The City maintains thirty individual government funds for financial reporting. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, Federal Grants, Housing Authority, and Route 238 Corridor Improvement Fund, all of which are considered to be major funds. Data from the other thirty-five governmental funds are combined

into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the *Non-major Governmental Funds* section of this Report. *Combining statements* present and summarize all the details of the non-major funds.

The City adopts an annual appropriated budget for all its governmental funds. A budgetary comparison statement is provided for all governmental funds with annually adopted budgets. The budget comparison statement for the General Fund is located in the basic financial statements on page 31 of this Report. All other major and non-major funds with legally adopted annual budgets are located in the supplementary information section.

***Proprietary Funds.*** (pages 34-36) The City maintains two different types of *proprietary funds*, the Enterprise Funds and the Internal Service Funds. The *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water, storm water runoff, and airport operations. The *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Workers Compensation, General Liability, Fleet Management, Facilities, Technology Services, and Employee Benefits Funds. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the *government-wide financial statements*, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Water Funds which are considered to be major funds. Conversely, the Airport Fund and internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* in the *Internal Service Funds* section of this Report.

***Fiduciary Funds.*** (pages 38-39) Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs.

**Notes to the Basic Financial Statements.** (pages 41-48) The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, supplementary information on major and non-major governmental funds and internal service funds are presented in this report. Combining and individual fund statements and schedules can be found beginning on page 94 of this Report.

### **Government-wide Financial Analysis**

The *statement of net position* and the *statement of activities* of the City's governmental activities and business-type activities are presented below in Tables 1 and 2.

**Statement of Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets exceeded total liabilities by \$611.9 million at the close of the current fiscal year, an increase over the prior year of \$20.8 million.

**Table 1 - City of Hayward Statement of Net Position**  
(Amounts expressed in millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$138.5	\$133.9	\$146.5	\$143.3	\$285.0	\$277.2
Capital assets	310.0	281.1	174.9	176.3	\$484.9	\$457.4
<b>Total assets</b>	<b>448.5</b>	<b>415.0</b>	<b>321.4</b>	<b>319.6</b>	<b>769.9</b>	<b>734.6</b>
<b>Liabilities</b>						
Long term liabilities outstanding	29.8	33.8	53.7	63.3	83.5	97.1
Other liabilities	63.8	42.2	10.8	4.3	74.6	46.5
<b>Total liabilities</b>	<b>93.6</b>	<b>76.0</b>	<b>64.5</b>	<b>67.6</b>	<b>158.1</b>	<b>143.6</b>
<b>Net position:</b>						
Invested in capital assets, net of debt	279.5	249.0	116.6	113.0	396.1	362.0
Restricted	42.3	58.5	0.0	0.0	42.3	58.5
Unrestricted	33.2	31.5	140.3	139.0	173.5	170.5
<b>Total net position</b>	<b>\$355.0</b>	<b>\$339.0</b>	<b>\$256.9</b>	<b>\$252.0</b>	<b>\$611.9</b>	<b>\$591.0</b>

The largest portion of the FY 2013 City's net position, \$396.1 million or 64.7%, reflects its investment in capital assets (e.g. land, buildings, street infrastructure, sewer and water pipelines, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (future income), since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net position, \$42.3 million or 6.9%, represent resources that are subject to external restrictions on how they may be used. Almost all of these restricted net position are related to City's special revenue and capital projects funds. The remaining balance of unrestricted net position, \$173.5 million or 28.4%, may be used to meet the City's ongoing obligations to citizens and creditors within the restrictions set forth by the various funding sources.

**Statement of Activities.** The Statement of Activities provides information about all the City's revenues and all its expenses, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net position for the year and resulting net position. The City's governmental activities net position increased by a net total of \$15.9 million.

**Table 2 - City of Hayward Statement of Activities and Change in Net Position**

*(Amounts expressed in millions)*

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Program revenues</b>						
Charges for services	\$13.9	\$19.6	\$71.0	\$66.4	\$84.9	\$86.0
Operating contributions and grants	7.0	25.2	0.1	0.1	7.1	25.3
Capital contributions and grants	26.5	32.6	-	-	26.5	32.6
	47.4	77.4	71.1	66.5	118.5	143.9
<b>General revenues</b>						
Property tax	39.3	35.7	-	-	39.3	35.7
Incremental property tax	-	4.7	-	-	-	4.7
Sales tax	29.2	26.3	-	-	29.2	26.3
Utility user tax	15.0	14.8	-	-	15.0	14.8
Real property transfer tax	4.6	4.8	-	-	4.6	4.8
Franchise fees	9.7	9.9	-	-	9.7	9.9
Other taxes	10.3	5.9	-	-	10.3	5.9
Investment earnings	0.5	0.4	0.3	0.5	0.8	0.9
Miscellaneous	3.2	0.7	-	-	3.2	0.7
General revenues subtotal	111.8	103.2	0.3	0.5	112.1	103.7
<b>Total Revenues</b>	<b>159.2</b>	<b>180.6</b>	<b>71.4</b>	<b>67.0</b>	<b>230.6</b>	<b>247.6</b>
<b>Expenses by activity</b>						
General Government	11.2	9.4	-	-	11.2	9.4
Public safety	100.5	96.9	-	-	100.5	96.9
Public works and transportation	13.7	12.4	-	-	13.7	12.4
Library and neighborhood services	7.5	7.6	-	-	7.5	7.6
Redevelopment	-	2.1	-	-	-	2.1
Economic development	1.3	-	-	-	1.3	-
Planning and building	6.1	5.7	-	-	6.1	5.7
Maintenance services	3.9	4.0	-	-	3.9	4.0
Interest on long term debt	2.0	3.7	-	-	2.0	3.7
Sewer	-	-	19.1	18.0	19.1	18.0
Water	-	-	38.8	36.0	38.8	36.0
Airport	-	-	3.3	3.2	3.3	3.2
Stormwater	-	-	2.4	2.2	2.4	2.2
<b>Total expenses</b>	<b>146.2</b>	<b>141.8</b>	<b>63.6</b>	<b>59.4</b>	<b>209.8</b>	<b>201.2</b>
Increase (decrease) before transfers	13.0	38.8	7.8	7.6	20.8	46.4
Extraordinary Item (Note 19)	-	(9.3)	-	-	-	(9.3)
Transfers	2.9	2.2	(2.9)	(2.2)	-	-
Change in Net Position	15.9	31.7	4.9	5.4	20.8	37.1
Beginning Net Position (July 1)	339.1	307.4	252.0	246.6	591.1	554.0
<b>Ending Net Position (June 30)</b>	<b>\$355.0</b>	<b>\$339.1</b>	<b>\$256.9</b>	<b>\$252.0</b>	<b>\$611.9</b>	<b>\$591.1</b>

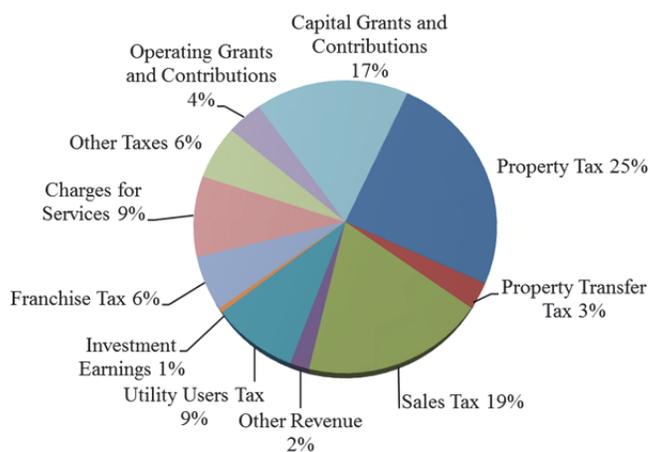
## Governmental Activities Revenues

Governmental revenues are categorized as Program Revenues and General Revenues. Program revenue includes charges for services such as traffic safety fines, licenses, permits, plan check fees, building inspection and other construction related fees. Contributions and grants include amounts contributed by developers and grants from state and federal government, of which the majority is public works capital grants. General Revenues includes general taxes (property, sales, etc.).

Total revenues decreased by \$21.4 million, largely attributed to a reduction of \$30 million in program revenues, driven by reductions in capital contributions and grants (project conclusion, e.g. Route 239 Connector Project). These decreases are offset by a net increase in general revenues of \$8.6 million mainly due to an increase in Property Tax, Sales Tax, Other Taxes and Miscellaneous revenue. With the dissolution of the Hayward Redevelopment Agency in 2012, the City no longer receives Incremental Tax Revenue.

- ❑ Property Tax increased from prior year by \$3.6 million, reflecting an improved real estate market and growth in assessed valuation. The growth also includes \$1.9 million in one-time revenues that includes a one-time payment of \$870,000 for over-charged Property Tax Administrative Fees by Alameda County and \$1.1 million in one-time payments from the Redevelopment Property Tax Trust Fund (RPTTF) related to the dissolution of the former Hayward Redevelopment Agency.
- ❑ Incremental Property Tax was eliminated pursuant to the dissolution of the City's Redevelopment agency, resulting in decrease of \$4.7 million in revenues.
- ❑ Sales Tax increased by \$2.9 million over the prior year – again reflecting an improved economy. Largest sales tax increases came from transportation (fuel sales), new auto sales and miscellaneous vehicle sales.
- ❑ Other Taxes increased by \$4.4 million over the prior year due, primarily due to the re-categorization of \$4.1 million of State Gas Tax revenues in this category.
- ❑ Miscellaneous Revenue increased by \$2.5 million over the prior year due to the re-categorization of revenues into this category, including donations and various fees.

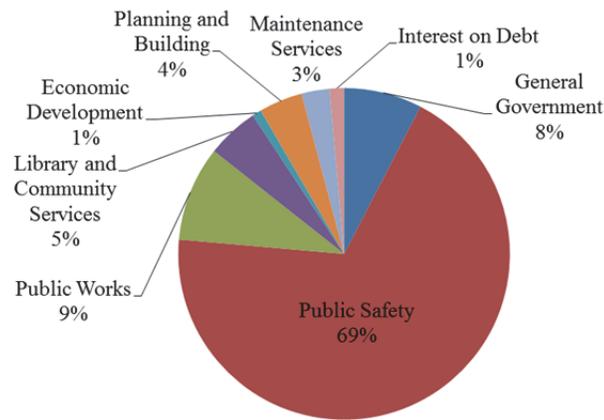
**Chart 1 – Revenues by Source – Governmental Activities FY 2013**



## Governmental Activities Expenses

The governmental expenses increased by \$4.4 million to \$146.2 million, largely attributed to the rising cost of employee benefits (e.g., medical, retirement). Chart 2 summarizes governmental expenses by category.

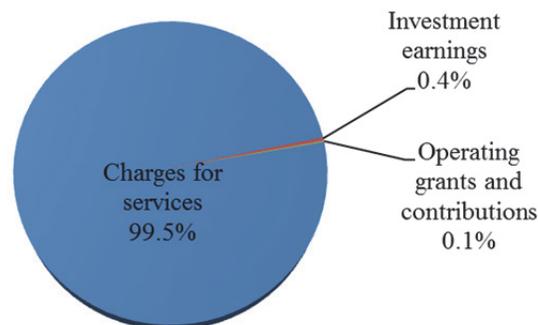
Chart 2 – Expenses by Function – Governmental Activities FY 2013



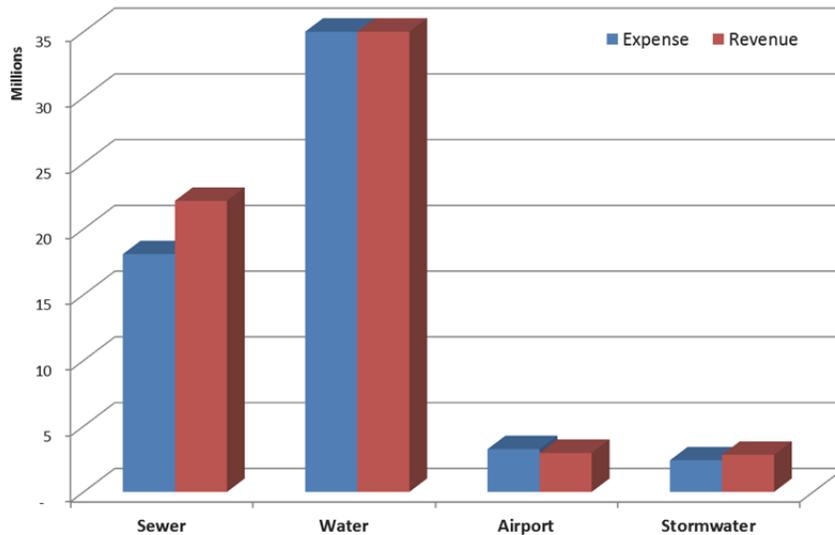
**Business-Type Activities.** The net position of business-type activities was \$256.9 million at June 30, 2013, an increase of \$4.9 million over last fiscal year. The increase in business-type assets is attributed to an increase over the prior fiscal year for charges for services, largely related to water costs. Program revenues totaled \$71.1 million, while program expenditures totaled \$63.6 million. Investment earnings totaled \$.3 million.

As the *Revenues by Source* chart indicates, charges for utility services account for 99.5% of the revenue for the City's enterprise funds. The majority of revenues are generated by the Water and Sewer enterprises.

Chart 3 – Revenues by Source – Business-type Activities



**Chart 4 – Expenses and Program Revenues – Business-type Activities**



The *Expenses and Program Revenues* chart above illustrates both expenditures and revenues for operations and capital improvements for the City’s business-type activities.

The Water and Sewer Funds increased their net position by \$3.2 million and \$1.8 million, respectively. Given future capital expenses to be borne by these funds, this is an appropriate level of revenue growth. The Airport Fund experienced a decrease in net position of \$387,681 due to an increase in operating expenses over the prior year. Stormwater Funds increased their net position by \$298,713.

### **Financial Analysis of the Government’s Funds**

**Governmental Funds.** The focus of the City governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s funding requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the year. It should be noted that unassigned amounts are designated by City Council for specific purposes.

At the end of fiscal year 2013, the City’s governmental funds reported combined ending fund balances of \$71.5 million, a decrease of \$19.8 million compared with the prior year – almost entirely due to the expense of capital funds. Approximately 62% of the fund balance or \$44.1 million represents Non-Spendable, Restricted, and Assigned fund balances; and 38% or \$27.4 million is Unassigned and is available for spending at the government’s discretion, this amount represents the General Fund Reserve balance – net of a negative fund balance of -\$724,802 in Other Governmental Funds.

**General Fund.** The General Fund, by definition, is a major governmental fund and represents all funds not required to be accounted for in other funds. The General Fund accounted for 80% of the total governmental revenues and 68.4% of the total expenditures (excluding Transfers In/Out). A number of primary City services are accounted for in the General Fund, including public safety (police and fire services), general government, development services, maintenance services, and library and community services.

At the end of fiscal year 2013, the unassigned fund balance of the General Fund was \$28.1 million, while the total fund balance was \$35.4 million. This is a slight increase from the prior fiscal year of \$455,171. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The unassigned fund balance represents 22.6% of total General Fund expenditures of \$124.6 million (including Transfers Out). The unassigned fund balance has been designated for the following purposes pursuant to the FY 2013 Adopted Budget:

- \$5.0 million for economic uncertainty
- \$5.0 million for liquidity
- \$5.0 million for emergencies
- \$13.1 million for contingencies
- \$28.1 million

**General Fund Budgetary Highlights.** FY 2013 ended with a net \$455,171 positive balance (GAAP Basis) and no General Fund reserves were needed during the fiscal year.

**Table 3 – FY 2013 General Fund Budget Summary** (expressed in thousands)

<i>(reflected in thousands)</i>	FY 2013 Adopted	FY 2013 Adjusted	FY 2013 Actual	Variance (Actual to Adjusted)	Variance %
Revenues	114,061	116,626	119,677	3,051	2.6%
Expenditures	114,924	116,015	114,661	(1,355)	-1.2%
Transfers In/(Out)	(4,733)	(4,932)	(4,742)	190	-3.9%
<b>Net Change in Fund Balance (Budget Basis)</b>	<b>(5,596)</b>	<b>(4,321)</b>	<b>274</b>	<b>4,595</b>	
Non-Budgeted Sub Funds	-	-	181	-	
<b>Net Change in Fund Balance (GAAP Basis)</b>	<b>(5,596)</b>	<b>(4,321)</b>	<b>455</b>	<b>4,595</b>	

The net change in fund balance between FY 2013 actuals and the Adjusted Budget is \$4.6 million, and is largely attributed to revenues. Of the \$3.05 million in revenue variance from the Adjusted Budget, about \$1.3 million is considered to be non-recurring. The \$1.355 in decreased expenditures from the Adjusted Budget was caused by various factors in non-personnel costs that include mid-year adjustments for grants that were not fully expended in FY 2013.

This fund balance summary on page 31 reflects the Net Change in Fund Balance on a budget basis. Generally accepted accounting principles (GAAP Basis) require that all funds not required to be accounted for in other funds be included in the General Fund, resulting in several general ledger funds being combined and reported as the General Fund in the financial statements. The table on page 31 of the document also reflects the addition of \$180,674 that represents perspective differences due to the inclusion of non-budgeted sub-funds with the General Fund. These adjustments represent the GAAP Basis Fund balance and form a Net Change in Fund Balance of \$455,171.

**Other Major Governmental Funds.** In addition to the General Fund, there are three other governmental funds considered to be major due to significant balances or activities in the current year and warrant a separate discussion in the management discussion and analysis: Federal Grants, Housing Authority Capital Projects Fund, and Route 238 Corridor Improvement Fund.

*Federal Grants Fund* accounts for various federal grants received by the City, with each grant segregated within the fund to account for specific grant allocations and expenditures for specific purpose, activity or program.

*The Housing Authority Fund Capital Projects Fund* maintains loans for affordable housing projects. In FY 2013 this fund expended \$2.2 million in the South Hayward BART area.

*The Route 238 Corridor Improvements Project Fund* accounts for various roadway improvements along Foothill and Mission Boulevard between the northern and southern city limits, including a downtown one-way loop system, peak hour traffic lanes, pedestrian and bicycle improvements, and landscaping enhancements. During fiscal year 2013, the City expended the majority of project funds and substantially completed this project. The ending fund balance is \$2.3 million.

**Proprietary Funds.** The City's proprietary-enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of fiscal year 2013, the unrestricted net position of the Sewer and Water Funds amounted to \$69.9, \$56 million, respectively. Sewer net position increased by \$1.8 million and Water net position increased \$3.2 million. Revenues from the sale of water increased by almost \$5.9 million due to an approximate 20% increase in Water rates in fiscal year 2012. This is slightly offset by a reduction of \$1.2 million in revenue from Charges for Services.

Wholesale water rate increases of nearly 50% in two years from the San Francisco Public Utilities Commission (SFPUC) have increased expenditures to the Water and Sewer Funds. The major factor for the increases is implementation of the Water System Improvement Program (WSIP) by the SFPUC. The WSIP is a series of projects to rebuild and retrofit the aging regional water system in order to improve water supply reliability, seismic safety, and to ensure that water quality standards will continue to be met. Two thirds of the cost of fixing the regional system will be borne by wholesale customers of SFPUC water, including Hayward. The remaining one-third will be paid by retail customers within San Francisco.

## **Capital Asset and Debt Administration**

**Capital Assets.** As of June 30, 2013, the City's investments in capital assets for its governmental and business-type activities are \$484.9 million (net of accumulated depreciation) as presented below in Table 5. The investment in capital assets includes land, buildings, land improvements, machinery and equipment, vehicles, and street infrastructure such as roads, bridges, street lights, traffic signals, airport hangers, sewer, and water pipelines. The City's investment in capital assets for the current fiscal year increased by 6%, which is mainly attributed mostly to the Route 238 Corridor Improvements Project (Construction in Progress).

**Table 4 - City of Hayward Capital Assets***(Net of depreciation / amounts expressed in millions)*

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$9.4	\$9.4	\$4.8	\$4.8	\$14.2	\$14.2
Construction in progress	102.6	71.7	12.7	6.8	115.3	78.5
Buildings	28.1	29.3	10.4	11.0	38.5	40.3
Improvements other than buildings	3.0	3.3			3.0	3.3
Machinery and equipment	14.3	13.9	17.0	17.8	31.3	31.7
Street infrastructure	152.6	153.6			152.6	153.6
Sewer infrastructure			84.4	88.3	84.4	88.3
Water infrastructure			33.3	35.1	33.3	35.1
Airport infrastructure			12.3	12.5	12.3	12.5
<b>Total</b>	<b>\$310.0</b>	<b>\$281.2</b>	<b>\$174.9</b>	<b>\$176.3</b>	<b>\$484.9</b>	<b>\$457.5</b>

Additional information on the City's capital assets can be found in Note 5 to the basic financial statements.

**Debt Administration.** At the end of fiscal year 2013, the City had total bonded debt outstanding of \$89.3 million as presented in Table 6. This represents a reduction over the prior year of \$7.7 million due to debt service payments. Of this amount, \$24.5 million represents certificates of participation debt for Civic Center Project (City Hall); \$11.9 million represents certificates of participation for sewer and water system improvements; \$3.3 million represents lease revenue bonds for capital improvements; \$5.8 million represents capital leases for a solar power generator, fleet vehicles, computer, and telephone equipment; and \$43.7 million represents State Water Board financing for a water pollution control facility.

With the dissolution of the City's Redevelopment Agency, tax allocation bonds for redevelopment projects are no longer reflected in the City's financial statements as this debt is now part of the Successor Agency to the Hayward Redevelopment Agency.

**Table 5 - City of Hayward Outstanding Debt***(Amounts expressed in millions)*

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Certificates of Participation	\$24.5	\$26.2	\$11.9	\$13.4	\$36.4	\$39.6
Promissory Note	\$0.1	\$0.2			\$0.1	\$0.2
Lease Revenue Bonds	0.6	0.7	2.7	3.5	\$3.3	\$4.2
Capital Lease Obligations	5.8	6.6			\$5.8	\$6.6
Tax Allocation Bonds *					\$0.0	\$0.0
State Water Resources Control Board Loan			43.7	46.4	\$43.7	\$46.4
<b>Total Long-Term Debt</b>	<b>\$31.0</b>	<b>\$33.7</b>	<b>\$58.3</b>	<b>\$63.3</b>	<b>\$89.3</b>	<b>\$97.0</b>

Local Improvement Districts (LIDS) in different parts of the City and a Community Facilities District #1 (Eden Shores) have also issued debt to finance infrastructure and facilities construction in their respective districts. As described in Note 8 to the financial statements, the City has sponsored special assessment debt issues, but has no legal liability for repayment. Therefore, these are not included in the City's governmental debt. As of June 30, 2013, a total of \$8.82 million in special assessment district debt was outstanding by four special assessment districts. (Further detail regarding the City debt can be found in Note 8 to the financial statements.)

### **Economic Outlook and Major Initiatives**

The economy of the City and major initiatives are discussed in the Transmittal Letter located in the Introductory Section of the CAFR.

### **Contacting the City's Financial Management**

This report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Additional financial information is available on our website at: [www.hayward-ca.gov](http://www.hayward-ca.gov). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Hayward Finance Department, 777 B Street, Hayward, California 94541-5007.

## CITY OF HAYWARD, CALIFORNIA

### STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and deferred outflows and all its liabilities and deferred inflows, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's Net Position, by subtracting total liabilities and deferred inflow of resources from total assets and deferred outflow of resources.

The Statement of Net Position summarizes the financial position of the entire City's Governmental Activities in a single column, and the financial position of the entire City's Business-Type Activities in a single column; these columns are followed by a total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's Net Position. It is also prepared using the full accrual basis of accounting, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the “modified accrual” basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City, the Hayward Public Financing Authority, the Hayward Business Improvement District and the Hayward Housing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for activities.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*.

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CITY OF HAYWARD  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and investments (Note 2)	\$64,810,629	\$111,332,442	\$176,143,071
Cash and investments with fiscal agents (Note 2)	3,157,015	1,560,397	4,717,412
Accounts receivable, net	19,373,470	13,538,891	32,912,361
Due from other governments	14,034,512	40,762	14,075,274
Interest receivable	187,003		187,003
Internal balances (Note 4)	(1,625,000)	1,625,000	
Loans receivable (Note 3)	21,500,465		21,500,465
Long-term advance to the Private Purpose Trust Fund (Note 19E)	10,892,958		10,892,958
Land held for resale (Note 1)	5,176,270		5,176,270
Deposits, parts, supplies and other	1,038,752	6,942,513	7,981,265
Investment in East Bay Dischargers Authority (Note 16)		11,421,966	11,421,966
Capital assets (Note 5):			
Land	9,413,427	4,757,492	14,170,919
Construction in progress	102,581,415	12,694,888	115,276,303
Depreciable capital assets, net	198,001,425	157,439,049	355,440,474
<b>Total assets</b>	<b>448,542,341</b>	<b>321,353,400</b>	<b>769,895,741</b>
<b>LIABILITIES:</b>			
Accounts payable	5,079,755	3,575,243	8,654,998
Accrued interest	417,130	626,529	1,043,659
Accrued liabilities	13,892,577	21,696	13,914,273
Unearned revenue	12,262,330	162,430	12,424,760
Refundable deposits	4,638,020	646,566	5,284,586
Compensated absences (Note 1):			
Due within one year	5,870,122	765,587	6,635,709
Due in more than one year	1,711,580	242,063	1,953,643
Accrued reclamation costs (Note 10):			
Due in more than one year		125,000	125,000
Net OPEB obligation (Note 14)	18,671,822		18,671,822
Long-term debt (Note 6):			
Due within one year	2,981,801	4,966,015	7,947,816
Due in more than one year	28,052,613	53,332,248	81,384,861
<b>Total liabilities</b>	<b>93,577,750</b>	<b>64,463,377</b>	<b>158,041,127</b>
<b>NET POSITION (Note 9):</b>			
Net investments in capital assets	279,525,198	116,593,166	396,118,364
Restricted for:			
Public safety	323,173		323,173
Public works and transportation	14,618,651		14,618,651
Planning and building	16,752,335		16,752,335
Economic development activities	10,530,351		10,530,351
<b>Total restricted net assets</b>	<b>42,224,510</b>		<b>42,224,510</b>
Unrestricted	33,214,883	140,296,857	173,511,740
<b>Total net position</b>	<b>\$354,964,591</b>	<b>\$256,890,023</b>	<b>\$611,854,614</b>

See accompanying notes to basic financial statements

CITY OF HAYWARD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	\$11,162,908	\$2,505,144	\$3,047,665	\$176
Public safety	100,470,925	3,308,573	3,927,540	
Public works and transportation	13,689,585	3,780,364	23,445	26,479,029
Library and community services	7,490,405	95,682		
Economic development	1,285,830			
Planning and building	6,102,300	3,541,420		
Maintenance services	3,896,951	710,653		
Interest on long term debt	2,056,984			
<b>Total Governmental Activities</b>	<b>146,155,888</b>	<b>13,941,836</b>	<b>6,998,650</b>	<b>26,479,205</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Sewer	19,127,813	22,136,846		
Water	38,837,206	43,128,089		
Airport	3,252,108	2,963,971		
Stormwater	2,402,138	2,821,653	88,916	
<b>Total Business-type Activities</b>	<b>63,619,265</b>	<b>71,050,559</b>	<b>88,916</b>	
<b>Total</b>	<b>\$209,775,153</b>	<b>\$84,992,395</b>	<b>\$7,087,566</b>	<b>\$26,479,205</b>
<b>GENERAL REVENUES:</b>				
Taxes:				
Property taxes				
Sales taxes				
Utility users tax				
Real property transfer tax				
Franchise tax				
Business tax				
Excise tax				
Other taxes				
Motor vehicle in lieu, unrestricted				
Investment earnings				
Miscellaneous				
TRANSFERS (Note 4)				
Total General Revenues And Transfers				
CHANGE IN NET POSITION				
BEGINNING NET POSITION				
ENDING NET POSITION				

See accompanying notes to basic financial statements

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
(\$5,609,923)		(\$5,609,923)
(93,234,812)		(93,234,812)
16,593,253		16,593,253
(7,394,723)		(7,394,723)
(1,285,830)		(1,285,830)
(2,560,880)		(2,560,880)
(3,186,298)		(3,186,298)
(2,056,984)		(2,056,984)
(98,736,197)		(98,736,197)
	\$3,009,033	3,009,033
	4,290,883	4,290,883
	(288,137)	(288,137)
	508,431	508,431
	7,520,210	7,520,210
(98,736,197)	7,520,210	(91,215,987)
39,297,973		39,297,973
29,197,989		29,197,989
14,939,639		14,939,639
4,595,640		4,595,640
9,687,980		9,687,980
2,548,248		2,548,248
1,868,695		1,868,695
5,820,346		5,820,346
78,484		78,484
534,927	269,873	804,800
3,192,697		3,192,697
2,889,691	(2,889,691)	
114,652,309	(2,619,818)	112,032,491
15,916,112	4,900,392	20,816,504
339,048,479	251,989,631	591,038,110
\$354,964,591	\$256,890,023	\$611,854,614

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# CITY OF HAYWARD, CALIFORNIA

## FUND FINANCIAL STATEMENTS

The Fund financial statements include only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

### MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2013. Individual non-major funds are reported in the Supplemental Section.

*General Fund* is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources, which are not accounted for in another fund.

*Federal Grants* accounts for various federal grants received by the City, with each grant segregated within the fund to account for specific grant allocations and expenditures for specific purpose, activity or program.

*Housing Authority* – Under a cooperation agreement with the former Redevelopment Agency, the Housing Authority will use resources for purposes consistent with the California Health and Safety Code. The fund accounts for the activities financed by grants of the tax increment revenue from the former Redevelopment agency.

*Route 238 Corridor Improvement Fund* – Accounts for various roadway improvements along Foothill and Mission Boulevard between northern city limits and Industrial Parkway including a downtown one-way loop street system, peak hour traffic lanes, pedestrian and bicycle improvements, and landscaping enhancements.

CITY OF HAYWARD  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013

	Special Revenue Fund		Capital Projects Funds	
	General	Federal Grants	Housing Authority	Route 238 Corridor Improvement
<b>ASSETS:</b>				
Cash and investments (Note 2)	\$21,696,057	\$1,225,052	\$2,415,192	
Cash and investments with fiscal agents (Note 2)				\$2,633,132
Accounts receivable, net	2,835,687			8,100,000
Due from other governments	5,212,278	332,717		2,046,247
Interest receivable	170,342	136		
Due from other funds (Note 4)	3,579,348		727,344	
Loans receivable (Note 3)		8,764,704	9,973,845	
Long-term advance to the Private Purpose Trust Fund (Note 19)	7,016,442		3,876,516	
Land held for resale (Note 1)			707,539	4,468,731
Deposits, parts, supplies and other	11,861			
<b>Total Assets</b>	<b><u>\$40,522,015</u></b>	<b><u>\$10,322,609</u></b>	<b><u>\$17,700,436</u></b>	<b><u>\$17,248,110</u></b>
<b>LIABILITIES:</b>				
Accounts payable	\$1,607,761	\$203,308	\$15,181	\$152,968
Accrued liabilities	3,104,753		113	6
Due to other funds (Note 4)				4,077,078
Deferred revenue		8,764,704	9,973,845	8,100,000
Refundable deposits	409,724			2,633,132
<b>Total Liabilities</b>	<b><u>5,122,238</u></b>	<b><u>8,968,012</u></b>	<b><u>9,989,139</u></b>	<b><u>14,963,184</u></b>
<b>FUND BALANCES (Note 9):</b>				
Nonspendable	7,028,303			
Restricted				
Public safety				
Public works and transportation				2,284,926
Planning and building		1,354,597		
Economic development			7,711,297	
Debt service				
Assigned	256,170			
Unassigned	28,115,304			
<b>Total Fund Balances (Deficit)</b>	<b><u>35,399,777</u></b>	<b><u>1,354,597</u></b>	<b><u>7,711,297</u></b>	<b><u>2,284,926</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$40,522,015</u></b>	<b><u>\$10,322,609</u></b>	<b><u>\$17,700,436</u></b>	<b><u>\$17,248,110</u></b>

See accompanying notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
\$26,348,935	\$51,685,236
88,850	2,721,982
91,167	11,026,854
6,443,270	14,034,512
16,525	187,003
	4,306,692
2,761,916	21,500,465
	10,892,958
	5,176,270
68	11,929
<u>\$35,750,731</u>	<u>\$121,543,901</u>
\$2,277,882	\$4,257,100
8,201	3,113,073
229,614	4,306,692
6,906,677	33,745,226
1,594,664	4,637,520
11,017,038	50,059,611
	7,028,303
323,173	323,173
4,233,725	6,518,651
15,397,738	16,752,335
2,729,004	10,440,301
128,312	128,312
2,646,543	2,902,713
(724,802)	27,390,502
24,733,693	71,484,290
<u>\$35,750,731</u>	<u>\$121,543,901</u>

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CITY OF HAYWARD  
GOVERNMENTAL FUNDS  
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL  
FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

Total Fund Balances reported on the governmental funds balance sheet \$71,484,290

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

Land	9,040,679
Construction in progress	99,466,751
Depreciable capital assets, net	185,521,005

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	13,560,426
Accounts receivable	246,616
Deposits, parts, supplies and other	1,026,823
Land	372,748
Construction in progress	3,114,664
Depreciable capital assets, net	12,480,420
Accounts payable	(822,655)
Accrued liabilities	(10,427,403)
Refundable deposits	(500)
Long-term interfund payables	(1,625,000)
Compensated absences	(389,331)
Long-term debt	(5,408,381)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.

Unavailable revenue	21,482,896
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LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Accounts receivable	8,100,000
Interest payable	(417,130)
Long-term debt	(25,626,033)
Long-term liability	(352,101)
Compensated absences	(7,192,371)
Net OPEB Obligation	(18,671,822)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$354,964,591
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See accompanying notes to basic financial statements

CITY OF HAYWARD  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Fund		Capital Projects Fund	
	General	Federal Grants	Housing Authority	Route 238 Corridor Improvement
<b>REVENUES:</b>				
Property taxes	\$39,180,750			
Sales taxes	29,197,989			
Utility users tax	14,939,639			
Other taxes	20,449,831			
Licenses and permits	3,605,753			
Fines and forfeitures	2,929,067			
Special assessments				
Investment income	25,761	\$1,758	\$79,217	
Rental income	369,423			\$217,581
Intergovernmental	5,363,360	1,008,865		11,913,562
Fees and charges for services	4,865,908	40,676	271	1,171,952
School District reimbursement				
Other revenue	102,309	5,000	526,605	25
<b>Total Revenues</b>	<b>121,029,790</b>	<b>1,056,299</b>	<b>606,093</b>	<b>13,303,120</b>
<b>EXPENDITURES:</b>				
Current:				
General government	9,837,411	3,897		
Public safety	90,493,152	47,808		
Public works and transportation	1,290,409	718,270	2,157,359	
Library and community services	4,996,804			
Economic development		130,261	34,480	
Planning and building	5,648,721			
Maintenance services	3,645,973			
Capital outlay				24,513,281
Debt service				
Principal				
Interest and fiscal charges	120,090		1,450	
<b>Total Expenditures</b>	<b>116,032,560</b>	<b>900,236</b>	<b>2,193,289</b>	<b>24,513,281</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,997,230</b>	<b>156,063</b>	<b>(1,587,196)</b>	<b>(11,210,161)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (Note 4)	4,064,265			
Transfers (out) (Note 4)	(8,606,324)	(474,966)	(49,944)	(450,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,542,059)</b>	<b>(474,966)</b>	<b>(49,944)</b>	<b>(450,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>455,171</b>	<b>(318,903)</b>	<b>(1,637,140)</b>	<b>(11,660,161)</b>
<b>BEGINNING FUND BALANCES</b>	<b>34,944,606</b>	<b>1,673,500</b>	<b>9,348,437</b>	<b>13,945,087</b>
<b>ENDING FUND BALANCES</b>	<b>\$35,399,777</b>	<b>\$1,354,597</b>	<b>\$7,711,297</b>	<b>\$2,284,926</b>

See accompanying notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
	\$39,180,750
	29,197,989
	14,939,639
\$180,335	20,630,166
	3,605,753
9,039	2,938,106
891,037	891,037
62,930	169,666
	587,004
10,332,212	28,617,999
2,298,911	8,377,718
109,677	109,677
<u>1,300,202</u>	<u>1,934,141</u>
<u>15,184,343</u>	<u>151,179,645</u>
	9,841,308
155,763	90,696,723
6,332,009	10,498,047
1,534,402	6,531,206
1,682,878	1,847,619
158,020	5,806,741
39,880	3,685,853
12,284,136	36,797,417
1,854,870	1,854,870
<u>1,919,452</u>	<u>2,040,992</u>
<u>25,961,410</u>	<u>169,600,776</u>
<u>(10,777,067)</u>	<u>(18,421,131)</u>
7,240,690	11,304,955
<u>(3,108,528)</u>	<u>(12,689,762)</u>
<u>4,132,162</u>	<u>(1,384,807)</u>
(6,644,905)	(19,805,938)
<u>31,378,598</u>	<u>91,290,228</u>
<u>\$24,733,693</u>	<u>\$71,484,290</u>

CITY OF HAYWARD  
 RECONCILIATION OF THE  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 WITH THE  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$19,805,938)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. Capital outlay expenditures are therefore added back to fund balance 36,797,417  
 Non-capitalized capital outlay expenditures were reclassified to various governmental activities (1,397,613)  
 Depreciation expense is deducted from fund balance  
 (Depreciation expense is net of internal service fund depreciation of \$1,490,366 which has already been allocated to service funds.) (7,432,257)  
 Loss on disposal of capital assets is deducted from fund balance (1,626)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.  
 Repayment of debt principal is added back to fund balance 1,854,870

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):  
 Receipt of intergovernmental revenue 8,100,000  
 Receipt of loans receivable principal (108,910)  
 New loans made 670,636  
 Reduction of Long-term liabilities 143,584  
 Compensated absences 1,645,480  
 Net OPEB Obligation (3,706,544)  
 Interest payable 27,446

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.  
 Change in Net Position - All Internal Service Funds (870,433)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$15,916,112

See accompanying notes to basic financial statements

CITY OF HAYWARD  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	Variance with Adjusted Budget
	<u>Adopted</u>	<u>Adjusted</u>		Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$35,768,000	\$35,768,000	\$39,180,750	\$3,412,750
Real property transfer tax	3,525,000	4,000,000	4,595,640	595,640
Sales taxes	26,590,000	27,940,000	28,534,228	594,228
Utility user tax	15,096,000	15,096,000	14,939,639	(156,361)
Business license tax	2,448,000	2,448,000	2,493,454	45,454
Other tax	13,164,000	13,164,000	13,360,737	196,737
Licenses and permits	3,152,441	3,152,441	3,060,732	(91,709)
Fines and forfeitures	2,570,288	2,770,288	2,915,433	145,145
Investment and rental income	452,567	452,567	401,839	(50,728)
Intergovernmental	5,285,075	5,874,209	5,364,776	(509,433)
Fees and charges for services	6,009,523	5,960,713	4,829,888	(1,130,825)
<b>Total Revenues</b>	<b>114,060,894</b>	<b>116,626,218</b>	<b>119,677,116</b>	<b>3,050,898</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	10,904,031	10,916,905	10,042,400	874,505
Public safety	89,575,625	90,258,097	90,496,790	(238,693)
Public works and transportation	1,519,666	1,519,666	1,290,232	229,434
Library and community services	4,604,751	4,718,331	4,687,923	30,408
Planning and building	4,379,965	4,469,145	4,377,098	92,047
Maintenance services	3,865,644	4,043,085	3,646,030	397,055
<b>Debt Service:</b>				
Interest and fiscal charges	75,160	90,000	120,087	(30,087)
<b>Total Expenditures</b>	<b>114,924,842</b>	<b>116,015,229</b>	<b>114,660,560</b>	<b>1,354,669</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)</b>	<b>(863,948)</b>	<b>610,989</b>	<b>5,016,556</b>	<b>4,405,567</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,867,299	3,867,299	4,064,265	196,966
Transfers (out)	(8,599,784)	(8,799,784)	(8,806,324)	(6,540)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,732,485)</b>	<b>(4,932,485)</b>	<b>(4,742,059)</b>	<b>190,426</b>
<b>NET CHANGE IN FUND BALANCE - BUDGET BASIS</b>	<b>(\$5,596,433)</b>	<b>(\$4,321,496)</b>	<b>274,497</b>	<b>\$4,595,993</b>
<b>PROSPECTIVE DIFFERENCES - NON- BUDGETED SUB FUNDS</b>			<b>180,674</b>	
<b>NET CHANGE IN FUND BALANCE - GAAP BASIS</b>			<b>455,171</b>	
<b>BEGINNING FUND BALANCE</b>			<b>34,944,606</b>	
<b>ENDING FUND BALANCE</b>			<b>\$35,399,777</b>	

See accompanying notes to basic financial statements

CITY OF HAYWARD  
 FEDERAL GRANTS SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Adjusted Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Investment income			\$1,758	\$1,758
Intergovernmental	\$341,270	\$2,615,105	1,008,865	(1,606,240)
Fees and charges for services			40,676	40,676
Other revenue		5,000	5,000	
<b>Total Revenues</b>	<u>341,270</u>	<u>2,620,105</u>	<u>1,056,299</u>	<u>(1,563,806)</u>
<b>EXPENDITURES:</b>				
Current:				
General government		1,167,476	3,897	1,163,579
Public safety		54,345	47,808	6,537
Public works and transportation	255,270	2,547,632	718,270	1,829,362
Economic development		130,234	130,261	(27)
<b>Total Expenditures</b>	<u>255,270</u>	<u>3,899,687</u>	<u>900,236</u>	<u>2,999,451</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>86,000</u>	<u>(1,279,582)</u>	<u>156,063</u>	<u>1,435,645</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers (out)		(270,000)	(474,966)	(204,966)
<b>Total Other Financing Sources (Uses)</b>		<u>(270,000)</u>	<u>(474,966)</u>	<u>(204,966)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$86,000</u>	<u>(\$1,549,582)</u>	<u>(318,903)</u>	<u>\$1,230,679</u>
<b>BEGINNING FUND BALANCE</b>			<u>1,673,500</u>	
<b>ENDING FUND BALANCE</b>			<u>\$1,354,597</u>	

## CITY OF HAYWARD, CALIFORNIA

### MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City has identified the funds below as major proprietary funds in fiscal year 2013.

The disclosure of budget versus actual comparisons is not required for proprietary funds.

*Sewer Fund* - Accounts for activities associated with sewage transmission and treatment.

*Water Fund* - Accounts for activities associated with distribution and transmission of potable water to users.

CITY OF HAYWARD  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2013

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	Non-Major Funds	Totals	
<b>ASSETS:</b>					
Current Assets:					
Cash and investments (Note 2)	\$49,288,632	\$45,852,660	\$16,191,150	\$111,332,442	\$13,125,393
Cash and investments with fiscal agents (Note 2)	1	1,560,396		1,560,397	435,033
Accounts receivable, net	4,108,674	9,314,523	115,694	13,538,891	246,616
Due from other governments			40,762	40,762	
Deposits, parts, supplies and other	24,633	1,177,671		1,202,304	1,026,823
<b>Total Current Assets</b>	<b>53,421,940</b>	<b>57,905,250</b>	<b>16,347,606</b>	<b>127,674,796</b>	<b>14,833,865</b>
Noncurrent Assets:					
Long-term interfund receivables (Note 4)	1,625,000	1,905,000		3,530,000	
Deposits, parts, supplies and other	5,398,116	179,693	162,400	5,740,209	
Investment in East Bay Dischargers Authority (Note 16)	11,421,966			11,421,966	
Capital assets (Note 5):					
Land	1,830,143	2,683,047	244,302	4,757,492	372,748
Construction in progress	5,807,550	5,659,109	1,228,229	12,694,888	3,114,664
Depreciable capital assets, net	97,948,875	45,959,878	13,530,296	157,439,049	12,480,420
<b>Total Noncurrent Assets</b>	<b>124,031,650</b>	<b>56,386,727</b>	<b>15,165,227</b>	<b>195,583,604</b>	<b>15,967,832</b>
<b>Total Assets</b>	<b>177,453,590</b>	<b>114,291,977</b>	<b>31,512,833</b>	<b>323,258,400</b>	<b>30,801,697</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts payable	912,682	2,617,044	45,517	3,575,243	822,655
Accrued interest	516,413	110,116		626,529	
Accrued liabilities	244	20,357	1,095	21,696	10,427,403
Unearned revenue		162,430		162,430	
Refundable deposits		551,300	95,266	646,566	500
Compensated absences - due within one year (Note 1)	290,140	389,411	86,036	765,587	295,891
Accrued reclamation costs (Note 10)	125,000			125,000	
Long term debt - due within one year (Note 6)	3,936,015	1,030,000		4,966,015	1,077,003
<b>Total Current Liabilities</b>	<b>5,780,494</b>	<b>4,880,658</b>	<b>227,914</b>	<b>10,889,066</b>	<b>12,623,452</b>
Noncurrent Liabilities:					
Long-term interfund payables (Note 4)			1,905,000	1,905,000	1,625,000
Compensated absences (Note 1)	91,736	123,125	27,202	242,063	93,440
Long term debt - due in more than one year (Note 6)	46,137,248	7,195,000		53,332,248	4,331,378
<b>Total Noncurrent Liabilities</b>	<b>46,228,984</b>	<b>7,318,125</b>	<b>1,932,202</b>	<b>55,479,311</b>	<b>6,049,818</b>
<b>Total Liabilities</b>	<b>52,009,478</b>	<b>12,198,783</b>	<b>2,160,116</b>	<b>66,368,377</b>	<b>18,673,270</b>
<b>NET POSITION (Note 9):</b>					
Net investments in capital assets	55,513,305	46,077,034	15,002,827	116,593,166	10,994,484
Unrestricted	69,930,807	56,016,160	14,349,890	140,296,857	1,133,943
<b>Total Net Position</b>	<b>\$125,444,112</b>	<b>\$102,093,194</b>	<b>\$29,352,717</b>	<b>\$256,890,023</b>	<b>\$12,128,427</b>

See accompanying notes to basic financial statements

CITY OF HAYWARD  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Business-type Activities-Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	<u>Sewer</u>	<u>Water</u>	<u>Non-Major Funds</u>	<u>Totals</u>	
OPERATING REVENUES:					
Charges for services	\$21,373,951	\$6,062,048	\$5,729,031	\$33,165,030	\$21,098,735
Sale of water		36,887,422		36,887,422	
Miscellaneous	762,895	178,619	56,593	998,107	135,096
Total Operating Revenues	<u>22,136,846</u>	<u>43,128,089</u>	<u>5,785,624</u>	<u>71,050,559</u>	<u>21,233,831</u>
OPERATING EXPENSES:					
Salaries and related expenses	5,764,760	5,634,160	2,865,613	14,264,533	4,991,033
Materials, supplies and services	6,780,328	7,231,263	1,491,177	15,502,768	9,869,953
Repairs and maintenance	725,020	1,068,817	213,311	2,007,148	2,098,508
Water purchases		22,302,215		22,302,215	
Self-funded insurance expense					7,897,038
Depreciation (Note 5)	4,812,273	2,208,283	1,084,145	8,104,701	1,490,366
Total Operating Expenses	<u>18,082,381</u>	<u>38,444,738</u>	<u>5,654,246</u>	<u>62,181,365</u>	<u>26,346,898</u>
Operating Income (Loss)	<u>4,054,465</u>	<u>4,683,351</u>	<u>131,378</u>	<u>8,869,194</u>	<u>(5,113,067)</u>
NONOPERATING REVENUES (EXPENSES):					
Investment income	76,340	171,146	22,387	269,873	11,574
Intergovernmental			88,916	88,916	
Interest (expense)	(888,074)	(392,468)		(1,280,542)	(43,438)
Loss from equity investment	(157,358)			(157,358)	
Net Nonoperating Revenues (Expenses)	<u>(969,092)</u>	<u>(221,322)</u>	<u>111,303</u>	<u>(1,079,111)</u>	<u>(31,864)</u>
Income (Loss) Before Contributions and Transfers	<u>3,085,373</u>	<u>4,462,029</u>	<u>242,681</u>	<u>7,790,083</u>	<u>(5,144,931)</u>
TRANSFERS					
Transfers in (Note 4)					5,271,440
Transfers (out) (Note 4)	(1,274,538)	(1,283,504)	(331,649)	(2,889,691)	(996,942)
Net Transfers	<u>(1,274,538)</u>	<u>(1,283,504)</u>	<u>(331,649)</u>	<u>(2,889,691)</u>	<u>4,274,498</u>
CHANGE IN NET POSITION	1,810,835	3,178,525	(88,968)	4,900,392	(870,433)
BEGINNING NET POSITION	<u>123,633,277</u>	<u>98,914,669</u>	<u>29,441,685</u>	<u>251,989,631</u>	<u>12,998,860</u>
ENDING NET POSITION	<u>\$125,444,112</u>	<u>\$102,093,194</u>	<u>\$29,352,717</u>	<u>\$256,890,023</u>	<u>\$12,128,427</u>

See accompanying notes to basic financial statements

CITY OF HAYWARD  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	Non-Major Funds	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$21,591,832	\$41,032,700	\$5,636,822	\$68,261,354	\$21,162,437
Payments to suppliers	(6,559,244)	(28,945,196)	(1,777,851)	(37,282,291)	(9,090,770)
Payments to employees	(5,878,811)	(5,760,296)	(2,940,852)	(14,579,959)	(5,142,344)
Claims paid					(5,704,424)
Net Cash Flows From Operating Activities	9,153,777	6,327,208	918,119	16,399,104	1,224,899
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Non operating revenues			88,916	88,916	
Interfund receipts	517,857	100,000		617,857	
Interfund payments			(100,000)	(100,000)	(517,857)
Transfers in					5,271,440
Transfers (out)	(1,274,538)	(1,283,504)	(331,649)	(2,889,691)	(996,942)
Net Cash Flows From Noncapital and Related Financing Activities	(756,681)	(1,183,504)	(342,733)	(2,282,918)	3,756,641
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(3,147,810)	(2,584,875)	(951,548)	(6,684,233)	(2,324,460)
Issuance of long-term debt					520,000
Principal payments on capital debt	(3,973,891)	(1,052,380)		(5,026,271)	(1,312,536)
Interest paid	(929,537)	(402,036)		(1,331,573)	(43,438)
Net Cash Flows From Capital and Related Financing Activities	(8,051,238)	(4,039,291)	(951,548)	(13,042,077)	(3,160,434)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	111,149	204,105	34,462	349,716	18,894
Investment proceeds					990,591
Net increase in the fair value of investments	13,285	118,310		131,595	
Net Cash Flows From Investing Activities	124,434	322,415	34,462	481,311	1,009,485
<b>NET CASH FLOWS</b>	470,292	1,426,828	(341,700)	1,555,420	2,830,591
<b>CASH AND EQUIVALENTS AT BEGINNING OF PERIOD</b>	48,818,340	44,425,832	16,532,850	109,777,022	10,294,802
<b>CASH AND EQUIVALENTS AT END OF PERIOD</b>	\$49,288,632	\$45,852,660	\$16,191,150	\$111,332,442	\$13,125,393
<b>RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$4,054,465	\$4,683,351	\$131,378	\$8,869,194	(\$5,113,067)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	4,812,273	2,208,283	1,084,145	8,104,701	1,490,366
Change in assets and liabilities:					
Receivables, net	(545,014)	(2,045,564)	(127,367)	(2,717,945)	(71,394)
Due from other governments			(20,381)	(20,381)	
Parts and supplies	(24,633)	(448,333)		(472,966)	
Other assets	655,178	17,493	11,600	684,271	(73,269)
Accounts payable and other accrued expenses	390,642	2,087,939	(84,963)	2,393,618	5,143,574
Compensated absences	(114,051)	(126,136)	(75,239)	(315,426)	(151,311)
Refundable deposits		(11,570)	484	(11,086)	
Unearned revenue		(38,255)	(1,538)	(39,793)	
Accrued reclamation costs	(75,083)			(75,083)	
Net Cash Flows From Operating Activities	\$9,153,777	\$6,327,208	\$918,119	\$16,399,104	\$1,224,899
Non cash transactions:					
Retirement of capital assets, net			\$82,755		

See accompanying notes to basic financial statements

## CITY OF HAYWARD, CALIFORNIA

### FIDUCIARY FUND FINANCIAL STATEMENTS

The fiduciary funds account for resources received and are held by the City in a fiduciary capacity. Disbursements are made in accordance with the trust agreement or applicable legislative enactment for each fund.

*Successor Agency to the Redevelopment Agency Private Purpose Trust Fund* - This fund was established to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of Hayward.

*Agency Funds* account for assets held by the City as agent for individuals, governmental entities, and non-public organizations. These funds include the following:

*Local Improvement Districts Fund* - Accounts for debt service activities for LIDs #14, #15, #16, #17 and Community Facilities District #1. The City has no commitment for the repayment of these Districts' debt.

*South Hayward BART JPA Parking District Fund* - Account for related revenues and expenditures related to the Joint Powers Authority agreement between the City and Bay Area Rapid Transit (BART) for the purpose of providing parking access around the South Hayward BART station.

*Other Agency Funds* - Accounts for activities of Hayward Coalition for Youth and the Hayward Friends of the Library Fund.

CITY OF HAYWARD  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2013

	Private Purpose Trust Funds	Agency Funds
CURRENT ASSETS:		
Cash and investments (Note 2)	\$5,158,468	\$2,116,039
Cash and investments with fiscal agents (Note 2)	4,009,366	659,214
Accounts receivable, net	1,198,028	6,463
Due from other governments		1,241,682
	<u>10,365,862</u>	<u>4,023,398</u>
NONCURRENT ASSETS:		
Loans receivable (Note 19)	32,298,541	
Land held for resale (Note 1)	9,565,031	
Capital assets (Note 19):		
Land	5,277,955	
depreciable capital assets, net	13,191,784	
	<u>60,333,311</u>	
Total Assets	<u>\$70,699,173</u>	<u>\$4,023,398</u>
CURRENT LIABILITIES:		
Accounts payable	\$1,127,986	\$1,416
Refundable deposits	128,000	181,586
Due to assessment districts and others		3,840,396
Long-term debt - due in less than one year (Note 19)	1,680,000	
	<u>2,935,986</u>	<u>4,023,398</u>
NONCURRENT LIABILITIES (Note 19):		
Long-term interfund payables - due in more than one year	10,892,958	
Long-term debt - due in more than one year	45,345,000	
	<u>56,237,958</u>	
Total Liabilities	<u>59,173,944</u>	<u>\$4,023,398</u>
NET POSITION HELD IN TRUST FOR PRIVATE PURPOSES:	<u>\$11,525,229</u>	

See accompanying notes to basic financial statements

CITY OF HAYWARD  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

	Private-Purpose Trust Fund
<b>ADDITIONS</b>	
Property tax increment	\$4,934,694
Investment income	3,597
Rental income	50,000
Intergovernmental	1,027,236
Other revenue	1,312,886
Total additions	7,328,413
<b>DEDUCTIONS</b>	
Maintenance services	1,997,199
Depreciation expense	377,372
Interest and fiscal charges	2,400,322
Total deductions	4,774,893
Net change in net position before extraordinary item	2,553,520
<b>EXTRAORDINARY ITEMS</b>	
Payment of other former Redevelopment funds to Alameda County (Note 19)	(2,695,429)
Net change in position	(141,909)
Net position - beginning	11,667,138
Net position - ending	\$11,525,229

See accompanying notes to basic financial statements

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**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**Description of Reporting Entity** – The City of Hayward, California (the “City”) was originally incorporated as the Town of Hayward in 1876. On March 7, 1956, the people of the City adopted a City Charter under which the City currently operates. The City maintains a Council-Manager form of government and is governed by an independently elected seven-member City Council. The City provides the following services as authorized by its charter: public safety (police, fire, and building inspection), highways and streets, sanitation, water, airport, social services, public improvements, planning library and zoning, and general administrative services.

**Reporting Entity** – The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. The City Council sits in a different capacity as the governing boards of the following entities. Although they are separate legal entities, *blended* component units are in substance part of the City’s operations and are reported as an integral part of the City’s financial statements. This City’s component units which are described below are all blended.

- *Hayward Public Financing Authority* (the “Authority”) - In May 1989, the City and the Redevelopment Agency entered into a joint powers agreement under the Joint Exercise of Powers Law of the State of California, thereby forming the Authority for the purpose of financing certain capital improvements within the City. These capital improvements are leased to the City for rental payments, which, together with restricted assets of the Authority, will be sufficient to meet the debt service obligations of the Authority. At the termination of the individual leases, title to the related improvements will pass to the City. Operating activities of the Authority are reflected in both the Governmental and Business funds of the City.
- *The Hayward Business Improvement District* (the “District”) was established in 1984 to collect certain charges imposed on businesses within the downtown business improvement district and to expend such monies on activities, which enhance the district as a shopping and business center. Operating activities of the District are included as a special revenue fund of the City.
- *The Hayward Housing Authority* (“*Housing Authority*”) was originally established in 1946. The Housing Authority is only a conduit to issue housing mortgage revenue bonds for developers, whereby such developers are entirely responsible for meeting the related debt obligations and where the funds raised through such housing mortgage revenue bond issues are used to finance multifamily rental housing developments. A certain percentage of housing units being financed must be for low and moderate income purposes. The Housing Authority is paid a fee by the benefited developers for issuing the bonds and for monitoring the occupancy of these housing developments. This activity is recorded as a capital projects fund of the City.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City participates in a joint venture, the East Bay Dischargers Authority (“EBDA”), which is not included in the accompanying basic financial statements as it is administered by a board separate from and independent of the City. EBDA is also fiscally independent of the City (see Note 16).

Complete financial statements of the individual component units and the joint venture can be obtained from:

City of Hayward  
Finance Department, 3<sup>rd</sup> Floor  
777 B Street  
Hayward, California 94541

***Basis of Presentation*** – The City’s Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

***Government-wide Statements:*** The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements:*** The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

*Major Funds* – Governmental Accounting Standards Board requires that the City’s major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

*General Fund* is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources, which are not accounted for in another fund.

*Federal Grants Fund* – Accounts for various federal grants received by the City, with each grant segregated within the fund to account for specific grant allocations and expenditures for specific purpose, activity or program.

*Housing Authority Fund* – Under a cooperation agreement with the former Redevelopment Agency, the Housing Authority will use resources for purposes consistent with the California Health and Safety Code. The fund accounts for the activities financed by grants of the tax increment revenue from the former Redevelopment agency.

*Route 238 Corridor Improvement Fund* – Accounts for various roadway improvements along Foothill and Mission Boulevard between northern city limits and Industrial Parkway including a downtown one-way loop street system, peak hour traffic lanes, pedestrian and bicycle improvements, and landscaping enhancements.

The City reported all the following proprietary-enterprise funds as major funds in the accompanying financial statements:

*Sewer Fund* - Accounts for activities associated with sewage transmission and treatment.

*Water Fund* - Accounts for activities associated with distribution and transmission of potable water to users.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City also reports the following fund types:

*Internal Service funds*

These funds account for workers' compensation reimbursable costs, risk management expenses, self-insurance costs, and operation, maintenance and replacement of City-owned buildings, vehicles and mobile radio units; all of which are provided to other departments on a cost-reimbursement basis.

*Fiduciary funds*

These funds account for assets held by the City in trust or as an agent for various assessment and community facilities districts. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements. Agency funds apply the accrual basis of accounting but do not have a measurement focus. The Successor Agency to the Former Redevelopment Agency of the City of Hayward Private-purpose Trust Fund is used to account for the activities of the Redevelopment Agency of the City of Hayward Successor Agency. The financial activities of these funds are excluded from the City-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

***Basis of Accounting*** - The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within forty-five days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest and charges for services.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted Net Position may be made available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's business-type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

***Deferred Outflows/Inflows of Resources*** – In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Budgets and Budgetary Accounting*** – The City adopts an annual operating budget on or before June 30 for the ensuing fiscal year for all Funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental fund types. The level of budgetary control within all governmental fund types is at the fund level. The City Council may amend the budget by resolution during the fiscal year. The City Manager may transfer appropriations from one program, activity, or object to another within the same fund without the approval of the City Council. All appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

All governmental fund type annual operating budgets are presented on a basis consistent with generally accepted accounting principals (“GAAP”) except as follows:

- The City has several unrestricted subfunds it accounts for separately in its general ledger that are combined and included in General Fund amounts reported in the accompanying financial statements. However for budgetary presentation purposes, the City only reports its main operating fund. Other subfunds not included in the budgetary presentation are reported as perspective differences.

At June 30, 2013 expenditures exceeded budget for the following funds:

Fund Name	Amount
<b><i>Special Revenue Funds:</i></b>	
Park Dedication Ordinance	\$477,787
Narcotics Asset Seizure	48,350
Measure B Local Streets and Roads	577,937
Measure F	521,080
<b><i>Debt Service Fund</i></b>	
Certificates of Participation	5,059
<b><i>Capital Projects Fund</i></b>	
Housing Authority	1,489,576

***Parts and Supplies*** of the governmental funds consist of expendable supplies held for consumption and are valued at cost (first-in, first-out). The cost is recorded as expenditure in the governmental funds at the time individual items are consumed. Reported supplies are equally offset by nonspendable or restricted fund balances reservation which indicate that they do not constitute “available spendable resources” even though they are a component of net current assets. Supplies of enterprise funds are valued at the lower of cost (first-in, first-out) or market. Supplies of the enterprise funds consist principally of materials and supplies for utility operations and are expensed or capitalized as such supplies are consumed.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Land held for Resale* of \$5,176,270 at June 30, 2013 is stated at the lowest of historical cost, net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer performing projects in accordance with the Redevelopment Plan of the former Redevelopment Agency of the City of Hayward.

*Property taxes* – Alameda County assesses properties and bills for and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien/levy dates	January 1	January 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

The term “unsecured” refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables, net of estimated uncollectibles, in the fiscal year of levy.

*Compensated Absences* - The long-term portion of the liability for vested vacation, time off in lieu of overtime and sick pay for governmental fund type operations is recorded as compensated absences in the government-wide financial statements. The portion expected to be permanently liquidated (matured due to termination) is recorded in the governmental funds. Vested vacation and sick pay of proprietary fund type operations is recorded in the respective proprietary fund type. Compensated absences attributable to governmental funds are typically liquidated by the General Fund. Compensated Absences are presented below as of June 30, 2013:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning Balance	\$9,378,493	\$1,323,076	\$10,701,569
Additions	5,474,124	689,813	6,163,937
Payments	(7,270,915)	(1,005,239)	(8,276,154)
Ending Balance	<u>\$7,581,702</u>	<u>\$1,007,650</u>	<u>\$8,589,352</u>
Current Portion	<u>\$5,870,122</u>	<u>\$765,587</u>	<u>\$6,635,709</u>

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Special Assessment Debt*** - The City is considered to be “obligated in some manner,” as defined by Governmental Accounting Standards Board Statement No. 6, *Accounting and Financial Reporting for Special Assessments*, for certain special assessment district debt. The City is obligated for the special assessment debt if the City is required to purchase properties on which owners have failed to pay installments of assessments as they fall due or is obligated to honor deficiencies to the extent that lien foreclosures proceeds are insufficient. Those special assessment debt would be included in the government-wide financial statements (see Note 6), and special assessment transactions would be included in the debt service funds to reflect the individual special assessment funds’ activities. There are other special assessment districts for which the City has no commitment to repay the debt (see Note 8). Activities for these districts are reported in Agency Funds.

***Debt Defeasance And Refundings*** - In an advance refunding, new debt (termed refunding debt) is issued to provide the cash needed to refund old debt (termed refunded debt). Proceeds from the refunding debt are used to purchase U.S. government securities which are placed in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded debt. As a result, the refunded debt is considered defeased and is removed from the City’s financial statements. The City is amortizing the loss on debt defeasance over the life of refunding debt.

***Estimates and Assumptions*** - The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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 expenses during the reporting period. Actual results could differ from those estimates.

***New Funds, Closed Funds and Funds combined and renamed*** - Effective July 1, 2013, the City implemented a new financial management system, which required the creation of a new Chart of Accounts. In the course of creating the new Chart of Accounts, most funds were renumbered and many funds were eliminated and/or combined.

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The City’s dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except cash with fiscal agent so that it can be invested at the maximum yield, consistent with the principles of safety and liquidity. Individual funds can make expenditures at any time. Investments are carried at fair value.

***Policies*** - The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. In the City's case, fair value equals market value, since all of the City's investments are readily marketable.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the City's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the City's name and places the City ahead of general creditors of the institution pledging the collateral. As of June 30, 2013, the City held \$2,999,474 in uncollateralized deposits under escrow agreements with construction contractors. Such deposits are permitted to be uncollateralized under the government code.

The City maintains a cash management pool that is available for use by all funds. Each fund type's portion of the pool is shown on the combined balance sheet as "Cash and investments" or "Due to other funds" (for cash overdrafts), as appropriate.

**Classification** – As of June 30, 2013 cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

***Statement of Net Assets***

Cash and investments available for operation:	\$176,143,071
Cash and investments with fiscal agents	4,717,412

***Private Purpose Trust Fund***

Cash and investments available for operation:	5,158,468
Cash and investments with fiscal agents	4,009,366

***Agency Funds***

Cash and investments available for operation:	2,116,039
Cash and investments with fiscal agents	659,214
Total Cash and Investments	<u>\$192,803,570</u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$6,117
Cash in bank	12,826,886
Investments	<u>179,970,567</u>
Total Cash and Investments	<u>\$192,803,570</u>

Cash and investments are used in preparing Proprietary Fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

***Investments Authorized by the California Government Code and the City's Investment Policy*** - The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligation	5 years	None	100%	100%
U.S. Agency Securities (fully backed)	5 years	None	100%	100%
U.S. Agency Securities (sponsored)	5 years	None	100%	40%
Banker's Acceptance	180 days	A-1/P-1	40%	5%
Commercial Paper	270 days	A-1/P-1	25%	5%
Negotiable Certificates of Deposit	5 years	A	30%	5%
Repurchase Agreements	1 year	None	25%	20%
Medium Term Notes	5 years	A	30%	5%
Money Market Fund	N/A	AAAm	20%	10%
Municipal Bonds	5 years	A	20%	5%
Alameda County Investment Pool	None	None	10%	10%
California Local Agency Investment Fund	None	None	\$50m per account	N/A
Certificates of Deposit	5 years	None	25%	20%

***Investments Authorized by Debt Agreements*** - The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type. The table also identifies certain provisions of these debt agreements:

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Authorized Investment Type	Maximum Maturity	Minimum Credit
U.S. Treasury Obligations	No Limit	No Limit
U.S. Agency Securities (fully backed)	No Limit	No Limit
U.S. Agency Securities (sponsored)	No Limit	None to AAA
Money Market Mutual Funds	No Limit	AAM to AAAM-G
Collateralized Certificates of Deposits	None to 1 year	None to A-1+
FDIC Insured Deposits	No Limit	No Limit
Investment Agreements	No Limit	None to two Highest Categories
Commercial Paper	None to 270 days	A-1 to A-1+ A/A2 to Two
State General Obligations	No Limit	Highest Categories AAA to Two
Municipal Obligations	No Limit	Highest Categories
Federal Funds or Bankers Acceptances	180 days to 1 year	A-1 to A-1+
Repurchase Agreements	None to 30 days	None to A
Pre-funded Municipal Bonds	No Limit	AAA
California Local Agency Investment Fund	No Limit	No Limit

**Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Investment Type	12 Months or less	13 Months to 24 Months	25 Months to 60 Months	Total
U.S. Treasury	\$8,037,270	\$2,586,425	\$15,013,864	\$25,637,559
U.S. Agency Securities	1,030,813	8,551,170	5,654,513	15,236,496
Money Market Mutual Fund	5,352,498			5,352,498
California Local Agency Investment Fund	131,535,927			131,535,927
Guaranteed Investment Contract	623,828			623,828
Corporate Bonds	1,584,259			1,584,259
Total Investments	<u>\$148,164,595</u>	<u>\$11,137,595</u>	<u>\$20,668,377</u>	179,970,567
Cash in Banks				12,826,886
Cash on hand				6,117
Total Cash				<u>12,833,003</u>
Total Cash and Investments				<u>\$192,803,570</u>

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2013, these investments have an average maturity of 278 days.

Money market funds are available for withdrawal on demand and at June 30, 2013, have an average maturity of 32 to 52.

**Credit Risk** - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2013 for each investment type as provided by Standard and Poor's investment rating system:

Investment Type	AAA	AAA <sub>m</sub>	AA1	AA3	A1	Not Rated	Total
U.S. Treasury	\$25,637,559						\$25,637,559
U.S. Agency Securities	15,236,496						15,236,496
Money Market Mutual Fund		\$5,352,498					5,352,498
California Local Agency Investment Fund						\$131,535,927	131,535,927
Guaranteed Investment Contract						623,828	623,828
Corporate Bonds			\$390,758	\$447,656	\$745,845		1,584,259
<b>Total Investments</b>	<u>\$40,874,055</u>	<u>\$5,352,498</u>	<u>\$390,758</u>	<u>\$447,656</u>	<u>\$745,845</u>	<u>\$132,159,755</u>	<u>\$179,970,567</u>

**Custodial Credit Risk – Investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Significant investments in the securities of any individual issuers, other than U. S. Treasury securities or mutual funds would be subjected to this risk. As of June 30, 2013, the City was not exposed to significant custodial credit risk.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**3. LOANS RECEIVABLES**

*Loans Receivable* - In order to carry out low and moderate housing programs, the Housing Authority Capital Project Fund loaned to homebuyers and third-party contractors for the purposes of promoting home ownership in the City and developing low and moderate income housing. The loans bear interest at rates equivalent to either the 11<sup>th</sup> District cost of funds or the rate the City earns on its cash and investments.

*Huntwood Commons Apartments* – The City has a loan agreement with Eden Housing, Inc., a California nonprofit public benefit corporation. Eden Housing intends to rehabilitate thirty-nine units of rental housing for rental to low-income households and one manager’s unit. The loans are in the amount of \$840,000 consisting of HOME funds and \$175,500 consisting of Workforce Housing Reward funds. At June 30, 2013 the principal balances outstanding for the HOME and Workforce Housing Reward loan funds were \$840,000 and \$175,500, respectively. The outstanding principal balance of the loan funds will accrue interest at a rate of 3% annually. Repayments of the principal amount of the loan and any accrued interest on such principal shall be deferred until April 30, 2062.

The City also pools certain funds received from the U.S. Department of Housing and Urban Development and the State of California Department of Housing and Community Development, and administrative fees received from owners of multifamily projects funded by mortgage revenues bonds sponsored by the City. These monies are loaned to businesses, nonprofit and for-profit housing developers and to qualified first-time homebuyers for the above purposes. Loans receivable are offset in fund financial statements by deferred revenue in the Funds providing the loans, as these loans are not expected to be collected in the next year.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**4. INTERFUND TRANSACTIONS**

*Transfers Between Funds* – With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2013 were as follows:

<b>FROM FUND:</b>	<b>TO FUND:</b>	<b>AMOUNT:</b>
General Fund	Non-Major Governmental Funds	\$5,254,500 A
	Internal Service Funds	3,351,824 A
Federal Grants	Non-Major Governmental Funds	474,966 B
Housing Authority	General Fund	40,531 B
	Internal Service Funds	9,413 D
Route 238 Corridor Improvement	Non-Major Governmental Funds	450,000 B
Non-Major Governmental Funds	General Fund	1,742,710 E
	Non-Major Governmental Funds	1,011,034 E
	Internal Service Funds	354,784 C
Sewer	General Fund	418,725 D
	Non-Major Governmental Funds	11,895 A
	Internal Service Funds	843,918 C
Water	General Fund	824,700 D
	Non-Major Governmental Funds	11,895 A
	Internal Service Funds	446,909 C
Non-Major Enterprise Funds	General Fund	204,544 D
	Internal Service Funds	127,105 C
Internal Service Funds	General Fund	833,055 D
	Non-Major Governmental Funds	26,400 A
	Internal Service Funds	<u>137,487 C</u>
		<u><u>\$16,576,395</u></u>

- A To fund debt service, capital projects and administrative overhead
- B To fund capital projects
- C To fund general liability insurance fund
- D To fund allocation of administrative overhead
- E To fund capital projects and public safety activities

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**4. INTERFUND TRANSACTIONS (Continued)**

***Current Interfund Balances***

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after end of the fiscal year. At June 30, 2013 interfund balances were as follows:

<u>Due from Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Route 238 Corridor Improvement Fund	\$3,349,734
	Non-major Governmental Funds	229,614
Housing Authority Fund	Route 238 Corridor Improvement Fund	<u>727,344</u>
		<u><u>\$4,306,692</u></u>

***Long-Term Interfund Advances*** - At June 30, 2013, the funds below had made advances that were not expected to be repaid within the next year.

	<u>Long-Term Interfund Receivable</u>	<u>Long-Term Interfund Payable</u>
Enterprise Funds		
Sewer	\$1,625,000	
Water	1,905,000	
Airport		\$1,905,000
Internal Service Funds		<u>1,625,000</u>
Total	<u><u>\$3,530,000</u></u>	<u><u>\$3,530,000</u></u>

In fiscal year 2002, the Water Enterprise Fund loaned \$2.89 million to the Airport Enterprise Fund bearing interest between 3% to 4.75%, due in annual installments until October 2026. As June 30, 2013 the outstanding loan balance is \$1,905,000.

Sewer Enterprise Fund Long-term Receivable from Technology Services Fund - In fiscal year 2009, the Sewer Enterprise Fund loaned \$2,250,000 to the Technology Services Internal Service Fund for the public safety aided dispatch/records management system replacement. This loan bears 2% interest and repayments commenced in fiscal year 2010. As of June 30, 2013 the outstanding loan balance was \$1,125,000.

Sewer Enterprise Fund Long-term Receivable from Fleet Management Fund - In fiscal year 2010, the Water Enterprise Fund loaned \$1,000,000 to the Fleet Management Internal Service Fund for the design, build and purchase of an aerial tiller Fire Apparatus. The interest will accrue on the unpaid balance at the rate equal to the City's monthly average investment portfolio rate. As of June 30, 2013 the outstanding loan balance was \$500,000.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**4. INTERFUND TRANSACTIONS (Continued)**

*Internal Balances* - Internal balances are presented only in the Government-wide financial statements. They represent the net interfund receivable and payables remaining after the elimination of all such balances within governmental and business-type activities.

**5. CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City's policy is to capitalize all assets with costs exceeding \$5,000 and with useful lives exceeding two years.

With the implementation of GASB Statement 34, the City has recorded all current year additions for its public domain (infrastructure) capital assets, which include traffic signals, medians and streets in its Governmental-wide financial statements. In fiscal year 2003, as allowed under GASB Statement 34, the City implemented the retroactive accounting for its infrastructure assets acquired in prior years.

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of the assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City begins depreciation on July 1<sup>st</sup> of the year following acquisition. The City has assigned the useful lives listed below to capital assets.

Buildings and improvements	10 - 50 years
Machinery and equipment	7 - 50 years
Streets	25 - 40 years
Traffic Signals	20 years
Medians	25 - 40 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**5. CAPITAL ASSETS (Continued)**

*Capital Asset Additions and Retirements* – Capital assets at June 30 comprise:

	Balance June 30, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$9,413,427				\$9,413,427
Construction in progress	71,702,973	\$35,410,813		(\$4,532,371)	102,581,415
Total capital assets not being depreciated	81,116,400	35,410,813		(4,532,371)	111,994,842
Capital assets being depreciated:					
Buildings and improvements	50,005,620				50,005,620
Improvements other than buildings	7,719,880				7,719,880
Machinery and equipment	40,071,721	2,313,451	(\$866,082)		41,519,090
Streets	196,156,352			4,532,371	200,688,723
Traffic signals	7,257,235				7,257,235
Conduits	1,540,569				1,540,569
Medians	3,724,705				3,724,705
Drains	2,994,000				2,994,000
Total capital assets being depreciated	309,470,082	2,313,451	(866,082)	4,532,371	315,449,822
Less accumulated depreciation for:					
Buildings and improvements	20,745,396	1,146,853			21,892,249
Improvements other than buildings	4,413,730	289,228			4,702,958
Machinery and equipment	26,190,782	1,952,081	(864,456)		27,278,407
Streets	49,668,016	4,913,338			54,581,354
Traffic signals	4,401,426	316,736			4,718,162
Conduits	1,559,999	65,571			1,625,570
Medians	1,126,141	93,117			1,219,258
Drains	1,284,740	145,699			1,430,439
Total accumulated depreciation	109,390,230	8,922,623	(864,456)		117,448,397
Net depreciable assets	200,079,852	(6,609,172)	(1,626)	4,532,371	198,001,425
Governmental activity capital assets, net	\$281,196,252	\$28,801,641	(\$1,626)		\$309,996,267

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**5. CAPITAL ASSETS (Continued)**

	Balance June 30, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
<i>Business-type activities:</i>					
Capital assets not being depreciated:					
Land	\$4,757,492				\$4,757,492
Construction in progress	6,768,451	\$6,766,989	(\$82,754)	(\$757,798)	12,694,888
Total capital assets not being depreciated	<u>11,525,943</u>	<u>6,766,989</u>	<u>(82,754)</u>	<u>(757,798)</u>	<u>17,452,380</u>
Capital assets being depreciated:					
Buildings and improvements	27,589,544				27,589,544
Improvements other than buildings					
Machinery and equipment	28,135,592		(4,267)	108,016	28,239,341
Sewer pipelines and infrastructure	121,425,940				121,425,940
Water pipelines and infrastructure	62,000,505		(82,939)		61,917,566
Airport hangars, tarmacs and other infrastructure assets	25,400,494			649,782	26,050,276
Total capital assets being depreciated	<u>264,552,075</u>		<u>(87,206)</u>	<u>757,798</u>	<u>265,222,667</u>
Less accumulated depreciation for:					
Buildings and improvements	16,600,962	593,885			17,194,847
Improvements other than buildings					
Machinery and equipment	10,301,573	907,668	(4,267)		11,204,974
Sewer pipelines and infrastructure	33,054,017	3,987,143			37,041,160
Water pipelines and infrastructure	26,926,330	1,706,894	(82,937)		28,550,287
Airport hangars, tarmacs and other infrastructure assets	12,883,239	909,111			13,792,350
Total accumulated depreciation	<u>99,766,121</u>	<u>8,104,701</u>	<u>(87,204)</u>		<u>107,783,618</u>
Net depreciable assets	<u>164,785,954</u>	<u>(8,104,701)</u>	<u>(2)</u>	<u>757,798</u>	<u>157,439,049</u>
Business-type activity capital assets, net	<u>\$176,311,897</u>	<u>(\$1,337,712)</u>	<u>(\$82,756)</u>		<u>\$174,891,429</u>

Governmental capital assets construction in progress was composed of the following at June 30, 2013:

**Governmental Funds:**

	Project Budget	Expended to June 30, 2013	Encumbered	Committed
Improvement other than buildings	\$3,914,495	\$3,412,104	\$1,077	\$501,314
Machinery and equipment	4,680,000	4,035,231	64,489	580,280
Streets	115,517,701	95,134,080	1,867,524	18,516,097
Total	<u>\$124,112,196</u>	<u>\$102,581,415</u>	<u>\$1,933,090</u>	<u>\$19,597,691</u>

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**5. CAPITAL ASSETS (Continued)**

A summary of enterprise fund construction in progress at June 30, 2013 follows:

**Enterprise Funds:**

	Project Budget	Expended to June 30, 2013	Encumbered	Committed
Sewer Enterprise Fund	\$23,506,489	\$5,807,550	\$325,845	\$17,373,094
Water Enterprise Fund	12,602,642	5,659,109	307,053	6,636,480
Airport Enterprise Fund	8,208,761	1,228,229	706,530	6,274,002
Total	<u>\$44,317,892</u>	<u>\$12,694,888</u>	<u>\$1,339,428</u>	<u>\$30,283,576</u>

Sewer facilities constructed for the sole use of the City by EBDA, including construction in progress, are included in capital assets at their full construction cost.

**Capital Asset Contributions** – Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. GAAP requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

**Depreciation Allocation** – Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

**Governmental Activities**

General Government	\$694,199
Public Safety	5,080,385
Public Works and Transportation	641,676
Library and Community Services	400,493
Economic Development	108,847
Planning and Building	295,559
Maintenance Services	211,098
Internal Service Funds	<u>1,490,366</u>
	<u>\$8,922,623</u>

**Business-Type Activities**

Sewer Fund	\$4,812,273
Water Fund	2,208,283
Stormwater Fund	274
Airport Fund	<u>1,083,871</u>
	<u>\$8,104,701</u>

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**6. LONG-TERM DEBT**

The City's long-term debt issues and transactions are summarized below:

Type of Obligation	Authorized and Issued	Balance June 30, 2012	Additions	Retirements	Outstanding at June 30, 2013	Current Portion
<b>Governmental Activity Debt:</b>						
<b>Certificates of Participation</b>						
2007 Refunding COP (a)						
4.0-4.5%, due 8/1/26	\$31,820,000	\$26,095,000		\$1,570,000	\$24,525,000	\$1,630,000
<b>Promissory Note</b>						
Fire Suppression Equipment, 3%, due on 7/31/13 (a)	200,000	200,000		100,000	100,000	100,000
<b>Lease Revenue Bonds</b>						
ABAG Series 2001-2 (a), 3.0-5.0%, due 12/01/20	3,589,835	650,240		75,240	575,000	60,000
<b>Capital Lease Obligations, for acquisition of:</b>						
Boys and Girls Club (a), 4.660%, due 09/20/16	1,215,000	535,663		109,630	426,033	114,798
Subtotal		<u>27,480,903</u>		<u>1,854,870</u>	<u>25,626,033</u>	<u>1,904,798</u>
<b>Internal Service Fund Long-Term Debt (b)</b>						
<b>Lease Revenue Bonds</b>						
ABAG Series 2001-02, 3.0-5.0%, due 12/01/20	2,480,000	90,000		90,000		
<b>Capital Leases - Equipment</b>						
Solar Power Generator Equipment (a), 6%, due 03/01/30	1,035,000	860,000		30,000	830,000	35,000
Energy Upgrades and Solar Project , 3%, due 06/22/2024	887,152	887,152		220,822	666,330	67,980
<b>Capital Leases - Fleet</b>						
City Vehicles						
4.06%, due 7/27/12	1,290,863	55,609		55,609		
Police Vehicles						
1.827%, due 10/22/14	316,420	228,060		89,981	138,079	91,633
Fire Engines						
3.240%, due 10/22/20	1,906,413	1,732,030		180,079	1,551,951	185,960
Maintenance Vehicles						
2.88%, due on 10/22/17	765,366	656,675		111,844	544,831	115,089
Police Vehicles Replacement						
2.05%, due on 11/10/2015	815,000	716,724		199,585	517,139	203,697
Police Vehicles						
1.3% due on 11/15/2016	520,000		\$520,000	63,552	456,448	128,308
Type of Obligation	Authorized and Issued	Balance June 30, 2012	Additions	Retirements	Outstanding at June 30, 2013	Current Portion
<b>Capital Leases - Technology</b>						
Computer Mainframe						
2.98%, due on 4/1/14	\$314,734	\$206,669		\$111,330	\$95,339	\$95,339
VOIP System, (a), 4.24-4.44%, due 10/15/10	1,293,767	12,898		6,322	6,576	6,576
Computer hardware	755,100	755,100		143,984	611,116	147,421
Total capital lease obligations		<u>6,110,917</u>	<u>\$520,000</u>	<u>1,213,108</u>	<u>5,417,809</u>	<u>1,077,003</u>
Subtotal		<u>6,200,917</u>	<u>520,000</u>	<u>1,303,108</u>	<u>5,417,809</u>	<u>1,077,003</u>
Total Governmental Activity Debt		<u>\$33,681,820</u>	<u>\$520,000</u>	<u>\$3,157,978</u>	<u>\$31,043,842</u>	<u>\$2,981,801</u>

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**6. LONG-TERM DEBT (Continued)**

Subtotal		6,200,917	520,000	1,303,108	5,417,809	1,077,003
Total Governmental Activity Debt		<u>\$33,681,820</u>	<u>\$520,000</u>	<u>\$3,157,978</u>	<u>\$31,043,842</u>	<u>\$2,981,801</u>
<b>Business-type Activity Debt:</b>						
<i>Enterprise Long Term Debt</i>						
<b>Revenue Bonds</b>						
Hayward Public Financing Authority, Series 1996 (c), 3.0-5.2%, due 6/1/14	\$6,440,000	\$1,065,000		\$515,000	\$550,000	\$550,000
ABAG Series 2001-2 (c) & (d), 3.0-5.0%, due 12/01/20	1,405,165	144,760		144,760		
Energy Efficiency Loan, 3%, due 6/22/25	2,450,000	2,330,152		149,010	2,181,142	153,514
Total Revenue Bonds		<u>3,539,912</u>		<u>808,770</u>	<u>2,731,142</u>	<u>703,514</u>
<b>Certificates of Participation</b>						
For acquisition of:						
2001 Water System Improvement Project (c), 2.0-4.75%, due 10/1/26	5,030,000	2,005,000		100,000	1,905,000	105,000
2004 Water System Improvement Project (c), 2.0-4.375%, due 10/1/24	6,845,000	6,135,000		365,000	5,770,000	375,000
2007 Sewer (d) 3.5-4.0%%, due 2/1/18	9,880,000	5,275,000		1,025,000	4,250,000	1,055,000
Total certificates of participation		<u>13,415,000</u>		<u>1,490,000</u>	<u>11,925,000</u>	<u>1,535,000</u>
<b>State Water Resource Control Board Loan</b>						
0%, due 9/30/28 (d)		<u>46,369,622</u>		<u>2,727,501</u>	<u>43,642,121</u>	<u>2,727,501</u>
Total State Water Loan		<u>46,369,622</u>		<u>2,727,501</u>	<u>43,642,121</u>	<u>2,727,501</u>
Total Business-type Activity Debt		<u>\$63,324,534</u>		<u>\$5,026,271</u>	<u>\$58,298,263</u>	<u>\$4,966,015</u>

Debt service payments are generally made from the following sources:

- (a) Revenues recorded in the General Fund.
- (b) Operating revenues recorded in the Equipment Management Internal Service Fund.
- (c) Operating Revenues from the Water Enterprise Fund.
- (d) Operating revenues recorded in the Sewer Enterprise Fund.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**6. LONG-TERM DEBT (Continued)**

***A. 2007 Refunding Certificates of Participation***

In August 2007, the Authority issued \$31,820,000 in Certificates of Participation (2007 COPs) to prepay \$26,740,000 of the outstanding principal of the 1996 Civic Center Certificates of Participation and to prepay \$4,245,000 of the outstanding principal of the 1997 Road and Seismic Retrofit Refunding Certificates of Participation. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of Net Position. This advance refunding was undertaken to reduce total debt service payments over the next 18 years by \$2,864,926 and resulted in an economic gain of \$1,991,771. The 2007 Refunding COPs bear interest at 3% to 5.2% and are due serially each August 1. Interest payments are due semi-annually on February 1 and August 1, through maturity in 2026.

***B. Promissory Note***

In fiscal year 2011, the City entered into a promissory note agreement with A100 US, LLC. The City borrowed \$200,000 to help finance the purchase of new City vehicles. The note bears no interest and will be paid in two consecutive yearly installments of \$100,000 each, commencing on July 31, 2012 with the remaining balance being paid in full on July 31, 2013.

***C. 2001 ABAG Lease Revenue Bonds***

In fiscal year 2002, the City issued \$7,475,000 principal amount of ABAG Lease Revenue Bonds, Series 2001-2, (2001-2 Bonds), the proceeds of which were used to finance the cost of acquiring capital assets and to refund and retire various capital lease and certificates of participation obligations. This bifurcated Bond issue is repayable from governmental funds, the Equipment Management Internal Service Fund, the Sewer Enterprise Fund and the Water Enterprise Fund and as a result, the principal balance of the 2001-2 Bonds has been prorated and recorded in each of the above funds and activities.

***D. Capital Lease Obligations***

The City has entered into various capital lease agreements to acquire property, miscellaneous computer mainframe equipment, and various City vehicles. All of the lease agreements require annual payments.

***E. Public Financing Authority 1996 Revenue Bonds***

In February 1996, the City issued \$6,440,000 in Lease Revenue Refunding Bonds; Series 1996, to advance refund \$5,915,000 of outstanding 1989 Lease Revenue Bonds. Improvements, initially financed with 1989 lease revenue bonds, and which have been completed, include a Reservoir Telemetry Control System, installation of two emergency electrical generators used to pump water in the event of electrical failure, fuel tanks, and replacement of 16,600 feet of water mains.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**6. LONG-TERM DEBT (Continued)**

The 1996 Bonds bear interest at 3% to 5.2% and are due serially each June 1. Interest payments are due semi-annually on December 1 and June 1. 1996 Bonds maturing on or after June 1, 2005 may be prepaid on any date beginning June 1, 2004 at par plus 2%. The prepayment price decreases one-half of one percent each year until June 1, 2006, at which time the 1996 Bonds may be prepaid at par.

The Bonds are payable from and secured by a pledge of revenues consisting primarily of lease payments to be made by the City under the Lease Agreement between the Authority, as lessor, and the City, as lessee. The pledge of future lease payments ends upon repayment of the \$550,000 in remaining debt service on the 1996 Revenue Bonds which is scheduled to occur in June 2014. For fiscal year 2013 lease payments amounted to \$127,164 which represented coverage of 23.1% over the \$550,000 in debt service.

***F. Energy Efficiency Loan***

In fiscal year 2011, the City was issued a \$2,450,000 loan from the Energy Conservation Assistance Program, issued by the California Infrastructure and Economic Development Bank. The loan will finance an Energy Savings Project that consists of 1 MW Tracking Photovoltaic System on the City's Water Pollution Control Facility. The loan bears interest at 3% and payments are to be made bi-annually on June 22 and December 22 of each year until 2025.

***G. 2001 Water System Improvement Project Certificates of Participation***

On October 24, 2001 the City issued \$5,030,000 in Certificates of Participation to finance construction of the Hesperian Booster Pump Station. The 2001 COPs bear interest at 2% to 4.75% and are due semi-annually on April 1 and October 1, commencing April 1, 2002. Principal payments are due annually on October 1. 2001 COPs maturing on or after October 1, 2012 may be prepaid, on any payment date beginning October 1, 2011 at par.

***H. 2004 Water System Improvement Project Certificates of Participation***

In January 2004, the City issued \$6,845,000 in Certificates of Participation to the design and construction of a new booster pump station. The 2004 COPs are payable from net revenue from operations of the City's water system. The 2004 COPs bear interest serially of 2% to 4.375% and are due serially on October 1. Interest payments are due semi-annually on April 1 and October 1.

***I. 2007 Sewer Refunding Certificates of Participation***

The City's 2007 Sewer Refunding Certificates of Participation are due August 1, 2026 and bear interest at rates of 4% and 4.5%. The proceeds from the 2007 COPs were used to advance refund the remaining outstanding balance on the City's 1996 Sewer System Improvement Certificates of Participation and the 1998 Sewer System Improvement Certificates of Participation. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of Net Position. Certificates maturing on or after August 1, 2017 are subject to optional prepayment by the City after this date. Interest payments are due on February 1 and August 1 of each year through maturity in 2018.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**6. LONG-TERM DEBT (Continued)**

***J. State Water Resources Control Board Loan***

In June 2006, the City entered into a loan agreement with the State of California's State Water Resources Control Board for the purpose of financing the Wastewater System Improvement Project. Under the terms of the contract, the City has agreed to repay \$54,550,018 to the State in exchange for receiving \$45,458,167 in proceeds used to fund the Project. The difference between the repayment obligation and proceeds amounts to \$9,091,852 upon issue and represents in-substance interest on the outstanding balance. As of June 30, 2013, the City's gross repayment obligation totaled \$43,642,121 and has a corresponding prepayment of interest expense for \$6,160,318. The repayments of the loan are due annually on September 30, commencing September 30, 2009.

At June 30, 2013, annual debt service requirements to maturity for long-term debt, including interest payments, were as follows:

Year Ending June 30:	Governmental Activities				Business-Type Activities	
	Outstanding Bonds		Capital Leases		Principal	Interest
	Principal	Interest	Principal	Interest		
2014	\$1,790,000	\$1,019,982	\$1,191,801	\$181,367	\$4,966,015	\$1,217,208
2015	1,765,000	947,257	1,078,972	142,266	4,485,655	1,093,983
2016	1,840,000	874,570	953,170	112,993	4,555,288	995,329
2017	1,905,000	799,145	737,863	86,406	3,900,356	892,621
2018	1,990,000	720,654	400,862	67,704	3,950,429	812,724
2019 - 2023	8,200,000	2,573,728	1,056,174	179,526	17,808,678	2,961,698
2024 - 2028	7,710,000	703,281	290,000	74,875	15,902,236	1,223,553
2029 - 2030			135,000	8,500	2,729,606	99,364
Totals	<u>\$25,200,000</u>	<u>\$7,638,617</u>	<u>\$5,843,842</u>	<u>\$853,637</u>	<u>\$58,298,263</u>	<u>\$9,296,480</u>

***K. Defeased Bonds***

As of June 30, 2013, outstanding balances for defeased debt were \$22,110,000 for 1996 Civic Center Certificates of Participation, \$2,380,000 for 1997 Road and Seismic Retrofit Refunding Certificates of Participation, \$565,000 for 1989 Lease Revenue Bonds, \$2,400,000 for 1996 Sewer System Improvement certificates of Participation and \$2,530,000 for the 1998 Sewer System Improvement Certificates of Participation.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**7. LEASING ARRANGEMENTS**

Certificates of Participation, Lease Revenue Bonds and Capital Leases are issued for the purpose of financing the construction or acquisition of projects defined in each leasing arrangement. Projects are leased to the City for lease payments which, together with unspent proceeds of the leasing arrangement, will be sufficient to meet the debt service obligations of the leasing arrangement. At the termination of the leasing arrangement title to the project will pass to the City.

Leasing arrangements are similar to debt; they allow investors to participate in a share of guaranteed payments, which are made by the City. Because they are similar to debt, the present value of the total of the payments to be made by the City is recorded as long-term debt. The City's leasing arrangements are included in long term obligations discussed in the preceding note.

**8. SPECIAL ASSESSMENT DEBT WITHOUT CITY COMMITMENT**

The City has sponsored special assessment debt issues under which it has no legal or moral liability with respect to repayment of the debt and therefore does not include this debt in the City's Governmental Activity. A summary of such debt follows:

In June 1994 the Local Improvement District No. 16, Garin Avenue, issued Limited Obligation Improvement Bonds in the original principal amount of \$3,000,000 to finance construction of a water system within the District. Outstanding debt at June 30, 2013 was \$1,310,000.

In June 1999 the Local Improvement District No. 17, Twin Bridges Community Park, issued Limited Obligation Improvement Bonds in the original principal amount of \$396,014 to finance improvements within the District. Outstanding debt at June 30, 2013 was \$255,000.

In July 2002 the Community Facilities District No. 1, Eden Shores issued Special Tax Bonds in the original principal amount of \$9,965,000 to finance improvements within the District. Outstanding debt at June 30, 2013 was \$7,255,000.

**9. NET POSITION AND FUND BALANCES**

*Net Position* - Net Position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position are divided into three captions. These captions apply only to Net Position, and are described below:

*Net Investments in Capital Assets* describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets and related deferred inflows.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**9. NET POSITION AND FUND BALANCES (Continued)**

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include the following:

Public Safety Activities – These Net Positions are restricted for activities pertaining to the rehabilitation or reconstruction of pavement, repair of or installation of new sidewalks, maintenance of or improvements to the City's streetlights and traffic signals, as well as other improvements to the City's infrastructure. Such projects primarily draw their funding from Special Revenue Programs operated by the City, including State Gasoline Tax, Alameda County Measure B, and various local, state and federal grants.

Public Works and Transportations Activities – These Net Positions are restricted for grants received by the City for the specific activities involving emergency response and responding to other emergency and other public safety calls for service from the community.

Planning and Buildings Activities – These Net Positions are restricted managing the development of Hayward in order to assure the economic and environmental health of the community, and to protect the health and safety of the community through building inspection, enforcement of codes and standards, and by providing new housing opportunities for residents of the City.

Economic Development Activities – These Net Positions are restricted by state law to housing redevelopment activities of the City of Hayward.

*Unrestricted* describes the portion of Net Position which is not restricted as to use.

**Fund balance** - Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendables* represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**9. NET POSITION AND FUND BALANCES (Continued)**

*Committed* fund balances have constraints imposed by formal action of the City Council which may be altered only by the resolutions of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

*Assigned* fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. In accordance to the City's fund balance policy, intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council. This category includes encumbrances; Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

***Fund balance flow assumptions*** - Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Minimum Fund Balance Policies*** - The City's Budget and Fiscal Policy requires the City to strive to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one time expenditures. These resources also provide a first defense against deficit spending and help maintain liquidity when budgeted draw downs are inevitable. The reserve may be used at the City Council's discretion to address temporary cash flow shortages, emergencies, unanticipated economic downturns, and one time opportunities. These resources are intended to provide flexibility to respond to unexpected opportunities that may help the City of Hayward achieve its goals. The use of these funds may also be tied to an adverse change in economic indicators to ensure that the funds are not depleted before an emergency arises.

It is the policy of the City of Hayward to establish and maintain adequate financial reserves in order to avoid the negative effects of economic cycles upon essential services to the public and to assure that annual fluctuations in revenue receipts do not impede the City's ability to meet its expenditure obligations. During periods of economic sufficiency, these reserves shall be used as a source of supplemental revenue through prudent investments and earnings under policies of the City Council and for meeting short term cash flow deficiencies. During periods of economic downturns, when revenues fail to meet the normal operating requirements of essential public services, or when need for reserves temporarily exceeds receipts, these designations may, upon the recommendation of the City Manager and the authorization of the City Council, be used in accordance with the standards set forth herein.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**9. NET POSITION AND FUND BALANCES (Continued)**

Under GASB 54, such reserves are includable in Unassigned fund balance when the usage is predicated on general circumstances which are expected to routinely occur.

The General Fund Balances are detailed below and described along with the minimum balance target and purpose:

	<b>Balance at June 30, 2013</b>
<b>Nonspendables:</b>	
Items not in spendable form:	
Long-term interfund receivables	\$7,016,442
Deposits, parts, supplies and other:	
Prepaid Expenses	11,861
<b>Total Nonspendable Fund Balances</b>	<b>7,028,303</b>
 <b>Assigned:</b>	
Capital projects	256,170
 <b>Unassigned:</b>	
Designations:	
Contingencies	5,000,000
Economic Uncertainty	5,000,000
Emergencies	5,000,000
Liquidity	13,115,304
<b>Total Unassigned Fund Balances</b>	<b>28,115,304</b>
<b>Total Fund Balances</b>	<b>\$35,399,777</b>

- **Economic Uncertainty:** Minimum balance equal to greater of \$5 million or 10% of the annual general fund operating appropriations.

This reserve is to be used to soften economic impacts. Sales tax, real property transfer tax and development related fees are sensitive to general economic cycles. Since they are major revenue sources to the general fund it is necessary to create a reserve that will allow the City to continue providing acceptable service levels during economic downturns.

- **Liquidity:** Minimum balance equal to greater of \$2.5 million or 5% of the annual general fund operating appropriations.

This reserve is to address short term borrowing needs the City may encounter. Certain major revenues of the general fund are passed through other government agencies, state and county. The City cannot control the timing of when they make payments to the City.

- **Contingencies:** To ensure that the City can address any unforeseen claims in the future, the City has set up a reserve amount as recommended by the City Attorney.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**9. NET POSITION AND FUND BALANCES (Continued)**

- **Emergencies:** Minimum balance of \$10 million to be established in \$1 million annual increments starting in fiscal 2008-09. Maximum balance equivalent to three months City payroll. In fiscal year 2013, the minimum balance per the City's policy is \$5 million.

To ensure that the City can provide essential services to the public during a disaster, an exact reserve for emergencies will be developed over the next 10 year planning period.

*Deficit Fund Balances* – As of June 30, 2013, the following funds had deficits:

The Special Gasoline Tax Special Revenue Funds reported a deficit of \$239,742, which is expected to be eliminated with future tax revenue.

The Measure F Special Revenue Fund reported a deficit of \$521,080, which is expected to be eliminated with future tax revenue.

The Workers' Compensation Insurance Internal Service Fund reported a deficit of \$1,838,397 which is expected to be eliminated with future interdepartmental charges.

**10. ACCRUED RECLAMATION COSTS**

To comply with regulatory requirements imposed by the California Regional Water Quality Control Board and the Alameda County Department of Environmental Health, the City expects to incur reclamation costs associated with an abandoned 60 acre landfill site. Such costs represent placing an 18-inch vegetative cover over the landfill site as well as ongoing monitoring costs. As of June 30, 2013, the City expects to incur \$125,000 for remaining reclamation costs, funded from operating revenue of the Sewer Enterprise Fund. Reclamation payments totaled \$198,283 for the year ended June 30, 2013. Reclamation costs are accrued in the Sewer Enterprise Fund. Actual costs may be higher due to inflation, changes in technology, or changes in State or federal regulations.

**11. DEFERRED COMPENSATION PLAN**

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them. Distributions may be made only at termination, retirement, death, or in an emergency defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**12. CalPERS SAFETY AND MISCELLANEOUS EMPLOYEES RETIREMENT PLANS**

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CalPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2013, are summarized below:

	<b>Safety</b>		
	<b>Police</b>	<b>Fire</b>	<b>Miscellaneous</b>
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	55
Monthly benefits, as a % of annual salary	3%	3%	3%
Required employee contribution rates	9%	9%	8%
Required employer contribution rates	26.480%	26.786%	18.225%

CalPERS determine contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**12. CalPERS SAFETY AND MISCELLANEOUS EMPLOYEES RETIREMENT PLANS  
(Continued)**

The Plans' actuarial value (which differs from fair value) and funding progress over the most recent three years available is set forth below at their actuarial valuation date of June 30:

**Police Safety Plan:**

<b>Actuarial</b>						
<b>Valuation Date</b>	<b>Entry Age Accrued Liability</b>	<b>Value of Assets</b>	<b>Unfunded (Overfunded) Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded (Overfunded) Liability as % of Payroll</b>
2009	\$232,210,728	\$177,072,753	\$55,137,975	76.30%	\$20,412,494	270.12%
2010	237,600,574	184,722,971	52,877,603	77.75%	21,813,351	242.41%
2011	254,131,801	194,937,228	59,194,573	76.71%	22,521,830	262.83%

**Fire Safety Plan:**

<b>Actuarial</b>						
<b>Valuation Date</b>	<b>Entry Age Accrued Liability</b>	<b>Value of Assets</b>	<b>Unfunded (Overfunded) Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded (Overfunded) Liability as % of Payroll</b>
2009	\$188,893,249	\$150,123,772	\$38,769,477	79.50%	\$14,668,974	264.30%
2010	193,955,889	154,756,793	39,199,096	79.79%	14,816,463	264.56%
2011	206,427,050	161,522,914	44,904,136	78.25%	15,397,163	291.64%

**Miscellaneous Plan:**

<b>Actuarial</b>						
<b>Valuation Date</b>	<b>Entry Age Accrued Liability</b>	<b>Value of Assets</b>	<b>Unfunded (Overfunded) Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded (Overfunded) Liability as % of Payroll</b>
2009	\$301,787,752	\$243,588,232	\$58,199,520	80.72%	\$38,112,160	152.71%
2010	318,597,286	252,506,731	66,090,555	79.26%	40,903,589	161.58%
2011	340,535,356	262,905,787	77,629,569	77.20%	40,501,319	191.67%

Audited annual financial statements and ten year statistical trend are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**12. CalPERS SAFETY AND MISCELLANEOUS EMPLOYEES RETIREMENT PLANS (Continued)**

Assembly Bill 340 (AB 340) created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of new member under PEPRA.

The table below provides the details of the new provisions.

	Miscellaneous	Safety- Fire	Safety - Police
Benefit Formula	2.0% at age 62	2.7% at age 57	2.7% at age 57
Final Compensation Period	3 year final compensation	3 year final compensation	3 year final compensation
Employer Contributions Rate as a Percentage of Payroll	18.225% of reportable compensation	32.786% of reportable compensation	34.930% of reportable compensation
Member Contribution Rate as a Percentage of Payroll	6.25% of reportable compensation	11.25% of reportable compensation	12.75% of reportable compensation

**13. PUBLIC AGENCY RETIREMENT SYSTEM**

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan. Effective January 1, 1992, the City contracted with the Public Agency Retirement System (PARS), a defined contribution plan. This Plan covers part-time, seasonal and temporary employees and all employees not covered by another retirement system. All eligible employees covered by the Plan are fully vested. Employer liabilities are limited to the amount of current contributions.

Under PARS employees contribute 3.75 % and the City contributes 3.75% of the employees' salary each pay period. For the fiscal year ending June 30, 2013, total contributions of \$15,273 were made based on a total amount of covered compensation of \$410,932.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**14. OTHER POSTEMPLOYMENT BENEFITS**

By City Council resolution the City provides certain health care benefits for employees who retire directly from the City with at least five years of service with the City and who are vested in the California Public Employees Retirement System (CalPERS). The City participates in the CalPERS health care plan which is governed under the California Public Employees Health and Medical Care Act (PEMCHA). Required retiree medical plan contributions are also governed by PEMCHA for member agencies.

The City contributes up to a fixed dollar amount for retiree medical benefits, which varies by employee bargaining group and coverage level as governed by PEMCHA. Benefits continue for surviving spouses in amounts as required by PEMCHA. Should an eligible retiree opt out of the CalPERS medical plan, they will receive \$120 to \$125 per month in lieu of contributions to the CalPERS plan. As of June 30, 2013, approximately 577 retirees were eligible and were receiving retiree health care benefits from the City. There were approximately 690 active employees that should they meet requirements will be eligible to receive health care benefits upon retirement.

***Funding Policy and Actuarial Assumptions*** - The annual required contribution (ARC) was determined as part of a June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included 4.60% investment rate of return, 3.50% projected annual salary increase, 5% health cost inflation increase and 3% inflation. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 25-year closed amortization period.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**14. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Funding Progress and Funded Status* - In fiscal year 2013, the City made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Net OPEB Liability at June 30, 2012	\$14,965,278
Annual required contribution (ARC)	6,640,457
Interest on net OPEB obligation	688,403
Adjustment to annual required contribution	(1,096,399)
Annual OPEB cost	6,232,461
Contributions made:	
City's portion of current year premiums paid	(2,449,092)
Contribution to CERBT Trust	(76,825)
Subtotal	(2,525,917)
Change in net OPEB Liability	3,706,544
Net OPEB Liability at June 30, 2013	\$18,671,822

The Plan's annual required contributions and actual contributions for the past three years is set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$6,102,153	\$2,700,792	44%	\$11,193,262
6/30/2012	6,281,139	2,509,123	40%	14,965,278
6/30/2013	6,232,461	2,525,917	41%	18,671,822

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**14. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data is presented below:

Miscellaneous						Overfunded (Underfunded)
Actuarial			Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Liability as Percentage of Covered Payroll
Valuation Date	Value of Assets	Accrued Liability				
6/30/2007		\$23,630,852	(\$23,630,852)		\$32,554,020	-72.59%
6/30/2009		17,689,982	(17,689,982)		34,031,772	-51.98%
6/30/2011		17,580,936	(17,580,936)		39,213,057	-44.83%

Fire						Overfunded (Underfunded)
Actuarial			Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Liability as Percentage of Covered Payroll
Valuation Date	Value of Assets	Accrued Liability				
6/30/2007		\$9,883,767	(\$9,883,767)		\$13,252,058	-74.58%
6/30/2009		16,717,981	(16,717,981)		10,949,127	-152.69%
6/30/2011	\$517,364	12,687,117	(12,531,996)	4%	15,634,077	-80.16%

Police						Overfunded (Underfunded)
Actuarial			Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Liability as Percentage of Covered Payroll
Valuation Date	Value of Assets	Accrued Liability				
6/30/2007		\$37,242,641	(\$37,242,641)		\$18,648,792	-199.71%
6/30/2009		28,005,965	(28,005,965)		17,169,192	-163.12%
6/30/2011		38,686,935	(38,324,692)		22,673,602	-169.03%

Total						Overfunded (Underfunded)
Actuarial			Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Liability as Percentage of Covered Payroll
Valuation Date	Value of Assets	Accrued Liability				
6/30/2007		\$70,757,260	(\$70,757,260)		\$64,454,870	-109.78%
6/30/2009		62,413,928	(62,413,928)		62,150,091	-100.42%
6/30/2011	\$517,364	68,954,988	(68,437,624)	1%	77,520,736	-88.28%

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**15. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; natural disasters. The City is self-insured for its general liability, workers' compensation, malpractice liability, and general and auto liability. The City has chosen to establish risk financing internal service funds where assets are set aside for claim settlements associated with the above risks of loss up to certain limits.

Type of Coverage	Self Insurance	Coverage and Limits
General Liability	\$0 - \$1,000,000 per occurrence	\$250,000 - \$25,000,000
Workers' compensation	\$0 - statutory limits	None
Property	\$0 - \$500,000 per occurrence	\$250,000 - \$1,000,000,
Cyber	\$0 - \$100,000 per occurrence	\$25,000 - \$20,000,000
Boiler and machinery	\$0 - \$350,000 per occurrence	\$2,000,000 - \$100,000,
Accidental medical expense	None	\$5,000 per occurrence
Airport	\$5,000 per aircraft	\$25,000 - \$50,000,000
Pollution	\$0 - \$750,000 per pollution condition	\$200,000 - \$25,000,000

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mounts in excess of the insured limits are self-insured.

In fiscal year 2004, the City did not renew its workers' compensation insurance coverage and instead elected to self-insure all workers' compensation claims.

The City is a member of the Exclusive Risk Management Authority of California (formally known as CA Risk Management Authority) JPA for general municipal liability insurance coverage.

**Self-Insurance** - The City records estimated liabilities for general liability claims filed or expected to be filed in the General Liability Fund (internal service fund). As of June 30, 2013, the recorded liability was \$848,956 charges to the General Fund and other funds are determined from an analysis of self-insured claim costs and recorded as transfers from such funds to the General Liability Fund.

The City records estimated liabilities for workers' compensation claims filed or expected to be filed in the Worker's Compensation Insurance Fund (internal service fund). As of June 30, 2013, the recorded liability was \$6,840,053. Premiums are paid to the Insurance Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program.

Property damage risks are covered on an occurrence basis up to the deductibles listed above by commercial insurance, Driver Alliant Insurance Services Inc, purchased from independent third parties. All properties are insured at full replacement values. During the past three years there have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded insurance coverage.

The unpaid workers' compensation claims liabilities included in the Worker's Compensation Insurance Internal Service Fund are based on the results of an actuarial study and include amounts for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. In addition, the liability is discounted using an annual interest rate of 6%.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**15. RISK MANAGEMENT (Continued)**

Changes in the balances of claims liabilities, including a provision for claims incurred but not reported, during the past two fiscal years are as follows:

	General Liability	Workers' Compensation	Totals, as of June 30	
			<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$816,822	\$4,647,439	\$5,464,261	\$5,702,532
Current year claims and changes in estimates	272,806	12,013,726	12,286,532	3,324,666
Claims paid	<u>(22,821)</u>	<u>(7,338,165)</u>	<u>(7,360,986)</u>	<u>(3,562,937)</u>
Balance, end of year	<u>\$1,066,807</u>	<u>\$9,323,000</u>	<u>\$10,389,807</u>	<u>\$5,464,261</u>

**16. JOINT POWERS AGREEMENTS**

In March 2013, agencies of Alameda County entered into a Joint Powers Agreement creating the Energy Council to further the efforts of the Alameda County Waste Management Authority (ACWMA) in efforts to seek funding, develop and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency and advance the use of clean efficient and renewable resources in the region for the benefit of the member agencies. No debt, liability, or obligation of the Energy Council shall constitute a debt, liability of obligation of the City of Hayward pursuant to Government Code section 6508.1 and the terms of the agreement. The Energy Council shall be governed by the Board, consisting of one member from each governing body of each member agency. The financial activities for the Energy Council are not included in the accompanying financial statements as it is administered by a board separate from and independent of the City.

The East Bay Dischargers Authority (“EBDA”) was established in 1974 under the Joint Exercise of Powers Act of the State of California by the Cities of Hayward and San Leandro, and the Ora Loma, Castro Valley, and Union Sanitary Districts for the purpose of planning, acquiring, constructing, managing and operating common use and individual wastewater treatment and disposal facilities for the member agencies. The governing body of EBDA consists of five members, one appointed by each of the member agencies. The City exercises a weighted vote of 20.7% of the total vote. As a separate legal entity, EBDA exercises full powers and authorities within the scope of the Joint Powers Agreement. Obligations and liabilities of EBDA are not those of the member agencies.

The financial activities for EBDA are not included in the accompanying financial statements as it is administered by a board separate from and independent of the City. Transactions with and the investment in the joint powers agency are accounted for as follows:

- a) Payments related to the services which the City received during fiscal year 2013 amounted to \$690,193 and are recorded as materials, supplies and services expenses.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**16. JOINT POWERS AGREEMENTS (Continued)**

- b) Payments related to the City's long-term investment in the joint powers agency, for which the City has the ability to exercise significant influence over operating and financial policies, are recorded as an investment in the East Bay Dischargers Authority under the equity method. The City's equity approximates one-third of the total net assets of EBDA and amounts to \$11,421,966 at June 30, 2013.

The investment in East Bay Dischargers Authority is valued as of June 30, 2012, the latest date for which financial information is available.

Summary financial information as of and for the year ended June 30, 2012 (the most recent audited financial information available) for EBDA's common use operations was as follows:

Assets	
Current	\$5,345,371
Net OPEB asset	31,731
Capital assets - net	<u>30,084,779</u>
Total	<u><u>\$35,461,881</u></u>
Liabilities	\$849,863
Net Assets	<u>34,612,018</u>
Total	<u><u>\$35,461,881</u></u>
Revenues	\$3,390,259
Expenses	(3,885,909)
Non-operating revenues	430,055
Non-operating expenses	<u>(411,248)</u>
Change in Net Assets	<u><u>(\$476,843)</u></u>

Complete financial statements of EBDA can be obtained from:

City of Hayward  
 Finance Department, 3<sup>rd</sup> Floor  
 777 B Street  
 Hayward, California 94541

**17. COMMITMENTS AND CONTINGENCIES**

The City is a defendant in several lawsuits arising from its normal operations. City management is of the opinion that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City.

The City has line of credit agreements with its bank under which the bank is authorized to draw on the lines to cover overdrafts from the City's bank account and to cover liquidity requirements. The lines have a maximum amount of \$6,800,000, bear interest at the bank's reference.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**18. CONDUIT DEBT WITHOUT CITY COMMITMENT**

On March 26, 1998, the City assisted in the issuance of \$9,500,000 in Variable Rate Demand Multifamily Housing Revenue Bonds, Series 1998A for the purpose of providing funds to make a loan to Santa Clara Associates, LLC to provide permanent financing for a multifamily rental housing project known as the Timbers Apartments Project. Interest on the bonds is payable monthly commencing April 1, 1998. Principal on the Bonds is due March 1, 2023. The City has no legal or moral commitment for the repayment of these bonds.

On August 15, 2001, the City sponsored the issuance of the City of Hayward Variable Rate Demand Multifamily Housing Revenue Bonds (Lord Tennyson Apartments), 2001 Series A which were issued in the aggregate principal amount of \$6,450,000 to assist a developer in financing the acquisition and rehabilitation of a 96-unit multifamily complex located in Hayward. Repayments for the loan are required to be made by the developer. The City has no legal or moral liability with respect to the payment of this debt.

On January 6, 2004 the City sponsored the issuance of the second supplement of the 1984A City of Hayward Variable Rate Demand Multifamily Housing Revenue Bonds, (Shorewood Apartment Project) which were issued in the aggregate principal amount of \$33,100,000 to refinance prior bonds used to finance the acquisition and construction of a 544-unit multifamily rental housing complex. Repayments for the loan are required to be made by the developer. The City has no legal or moral liability with respect to the payment of this debt.

On April 1, 2005, the City sponsored the issuance of City of Hayward Multifamily Housing Revenue Bonds (Lord Tennyson Apartments) 2005 Series A and 2005 Series A-T which were issued in the aggregate principal amount of \$14,625,000 to finance the acquisition, rehabilitation and development of multifamily rental housing facilities. The City has no legal or moral liability with respect to the payment of this debt.

On October 1, 2005, the City sponsored the issuance of City of Hayward Multifamily Housing Revenue Bonds (Las Casitas of Hayward) 2005 Series A which were issued in the aggregate principal amount of \$6,325,000 to finance the acquisition, rehabilitation and development of multifamily rental housing facilities. The City has no legal or moral liability with respect to the payment of this debt.

On November 28, 2006, the City sponsored the issuance of Multi-Family Housing Revenue Bonds (Saklan Family Housing Development) 2006 Series A which were issued in the aggregate principal amount of \$14,000,000 to assist in the construction and development 78-unit Saklan Family Housing project. The City has no legal or moral liability with respect to the payment of this debt.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**19. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

***A. Redevelopment Dissolution***

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

ABx1 26 and AB1484 created three regulatory authorities, the Successor Agency Oversight Board, State Controller and Department of Finance (DOF), to review the former Agency's asset transfers, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City initially declined to become the Housing Successor, however after other agencies refused to assume the responsibility, the City elected to become the temporary Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Housing Authority Capital Projects Fund.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 30, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**19. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

The activities of the Housing Successor are reported in the Housing Authority Capital Projects Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews are to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR and the Successor Agency remitted the unencumbered balance of \$2,695,429 to the County on April 19, 2013. The Department of Finance approved the Non-housing DDR and the Successor Agency remitted the unencumbered balance of \$5,856,617 to the County on October 28, 2013. Both remittances to the County have been reported as an Extraordinary Item in the Statement of Changes in Fiduciary Net Position. The Successor Agency received its Finding of Completion on November 8, 2013.

***B. Cash and Investments***

The Successor Agency pools cash from all sources and all funds with the City so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. The details of the City's investment pool can be found in the Note 2 above.

Restricted cash and investments may be used only for activities authorized by the bond indentures of the former Redevelopment Agency 2004 and 2006 Tax Allocation Bonds.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**19. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

**C. Capital Assets**

The Successor Agency assumed the capital assets of the former Redevelopment Agency as of February 1, 2012.

Capital Assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows.

Buildings and improvements	10 - 50 years
Machinery and equipment	7 - 50 years

The Successor Agency has recorded all its public domain (infrastructure) capital assets, which include landscape, storm, street, and traffic systems.

**Capital Asset Additions, Retirements, and Balances**

	Balance June 30, 2012	Additions	Balance June 30, 2013
Capital assets not being depreciated:			
Land	\$5,277,955		\$5,277,955
Total capital asset not being depreciated	5,277,955		5,277,955
Capital assets being depreciated:			
Buildings and improvements	14,135,897		14,135,897
Improvements other than buildings	1,574,361		1,574,361
Machinery and equipment	9,575		9,575
Total capital asset being depreciated	15,719,833		15,719,833
Less accumulated depreciation for:			
Buildings and improvements	1,821,249	\$314,130	2,135,379
Improvements other than buildings	320,120	62,975	383,095
Machinery and equipment	9,308	267	9,575
Total accumulated depreciation	2,150,677	377,372	2,528,049
Net depreciable assets	13,569,156	(377,372)	13,191,784
Private purpose trust fund assets, net	\$18,847,111	(\$377,372)	\$18,469,739

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**19. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

***D. Loans Receivable***

The Successor Agencies assumed the notes and loans receivable of the former Redevelopment Agency as of February 1, 2012. The balance of the notes receivable assumed by the Successor Agency at June 30, 2013 was \$32,298,541 recorded in the Successor Agency to the Redevelopment Agency Private-Purpose Trust, consisting of rehabilitation and construction loans.

***Elementary School and Public Improvements (Cannery/Burbank Project)*** - Pursuant to an agreement between the former Redevelopment Agency, City, the Hayward Area Park and Recreation District (HARD), and the Hayward Unified School District, the City has agreed to construct and the former Redevelopment Agency has agreed to pay for the design and construction of a new elementary school to be located on a site composed of parcels owned by or to be acquired by the former Redevelopment Agency. The project was completed during the year ended June 30, 2009 for a total cost of \$35,944,664. The site and improvements have been conveyed to the School District in exchange for a portion of land owned by the School District (the old school site).

The former Redevelopment Agency also agreed to deconstruct the old school site, and finance the cost of certain infrastructure improvements to the adjacent Cannery Park, which will be jointly used by the HARD, Park District and the School District. This infrastructure project was completed during the year ended June 30, 2009 for a total cost of \$6,813,260. The site and improvements have been conveyed to the HARD.

Receivables – To partially compensate the former Redevelopment Agency for the above design and construction costs and repay the advances, the School District, HARD and the City have agreed to assign certain school development fees and park-in-lieu fees to the former Redevelopment Agency. In addition, the School District has agreed that the former Redevelopment Agency may retain pass-through payments due the School District pursuant to the Health and Safety Code, as partial compensation for the above costs. The remaining unreimbursed costs are recorded in a schedule of changes in the loan receivable balance for the year ended June 30, 2013. See Note 19E as these loans were transferred to the Successor Agency.

	<u>School Project</u>	<u>Cannery Park</u>	<u>Total</u>
Balance at June 30, 2012	\$28,386,179	\$4,227,273	\$32,613,452
Less: Development fees	(252,271)		(252,271)
Less: Park in lieu fees		(62,640)	(62,640)
Balance at June 30, 2013	<u>\$28,133,908</u>	<u>\$4,164,633</u>	<u>\$32,298,541</u>

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**19. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

***E. Loans Payable***

The Successor Agencies assumed the notes and loans payable of the former Redevelopment Agency as of February 1, 2012. The balance of the loans payable assumed by the Successor Agency at June 30, 2013 was \$10,892,958 recorded in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund. The loans were as follows:

General Fund	\$7,016,442	
Successor Agency Private Purpose Trust Fund		\$10,892,958
Housing Authority	3,876,516	
Total	\$10,892,958	\$10,892,958

Funds were advanced from the City to the former Redevelopment Agency under an Amended Repayment Agreement whereby the Agency has agreed to reimburse the City a portion of project costs for the B Street/Watkins/Mission Garage and B Street Retail and Civic Center Plaza not to exceed \$11,186,217.

Under the Dissolution Act, certain agreements between the Cities and the redevelopment agencies no longer qualify as enforceable obligations. However, with the passage of AB 1484 on June 28, 2012, upon meeting certain requirements including the issuance of a finding of completion by the State Department of Finance and approval from the Oversight Board, this loan may be restored at LAIF rates from inception. The City has elected to not increase this loan and keep it at the original amount. The portion owned to the City's General Fund was \$7,016,442, to the Housing Authority fund was \$3,876,516.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**19. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

***F. Long-Term Debt***

The Successor Agency assumed the long-term debt of the Redevelopment Agency as of February 2012. The Successor Agency's debt issues and transactions are summarized below and discussed in detail thereafter.

Type of Obligation	<u>Authorized and Issued</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Retirements</u>	<u>Principal Outstanding June 30, 2013</u>	<u>Current Portion</u>
Tax Allocation Bonds,					
2004 Redevelopment Agency					
due 3/1/2034, interest at 3%-5.3%	\$44,790,000	\$36,910,000	\$1,525,000	\$35,385,000	\$1,595,000
2006 Redevelopment Agency					
due 3/1/2036, interest at 3.75%-5.0%	<u>11,800,000</u>	<u>11,720,000</u>	<u>80,000</u>	<u>11,640,000</u>	<u>85,000</u>
Total	<u>\$56,590,000</u>	<u>\$48,630,000</u>	<u>\$1,605,000</u>	<u>\$47,025,000</u>	<u>\$1,680,000</u>

At June 30, 2013, future debt service requirement for the Successor Agency were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$1,680,000	\$2,328,656
2015	1,750,000	2,253,588
2016	1,835,000	2,173,930
2017	1,920,000	2,089,188
2018	2,010,000	1,999,130
2019 - 2023	11,580,000	8,432,185
2024 - 2028	14,405,000	5,200,277
2029 - 2033	7,270,000	2,206,309
2034 - 2036	<u>4,575,000</u>	<u>467,805</u>
Totals	<u>\$47,025,000</u>	<u>\$27,151,068</u>

***2004 Tax Allocation Bonds***

In fiscal year 2004, the former Redevelopment Agency issued \$44,790,000 of Tax Allocation Bonds to provide funds to defeased and retire the 1996 Tax Allocation Bonds and to finance various redevelopment projects within the Redevelopment Project Area. The Bonds are a special obligation of the Agency originally secured by tax increment revenues on parity with the Agency's 2006 Tax Allocation Bonds. The bonds are payable in annual installments as indicated below, until Maturity on March 1, 2034. Interest is paid semiannually on March 1 and September 1, with rates ranging from 3% to 5.3% per annum.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**19. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

***2006 Tax Allocation Bonds***

In fiscal year 2006, the former Redevelopment Agency issued \$11,800,000 principal amount of Redevelopment Agency Tax Allocation Bonds, Series 2006, the proceeds of which will be used to finance various redevelopment projects within the Redevelopment Area. The Bonds are special obligation of the Agency originally secured by tax increment revenues on parity with the Agency's 2004 Tax Allocation Bonds. The Bonds are payable in annual installments as indicated below, until maturity on March 1, 2036. Interest is paid semiannually on March 1 and September 1, with rates ranging from 3.75% to 5.0% per annum.

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed and housing set-aside amounts are no longer required, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. The Successor Agency only receives the funds necessary to fulfill its approved obligations. In fiscal year 2013, total tax increment calculated and available for distribution by the County Auditor-Controller was \$9,938,971, and the total received by the Successor Agency was \$5,059,694. The taxes available for distribution represented 100% of the \$4,005,320 of debt service.

***G. Commitments and Contingencies***

***State Approval of Enforceable Obligations***

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**19. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

*State Asset Transfer Review*

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California. Certain transactions undertaken by the former Redevelopment Agency prior to the date of dissolution are subject to an asset transfer review by the State Controller's Office. The review has been completed but the State has not issued the report in draft form as of the report issuance date, therefore, the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time.

The following are activities between the City and the RDA which occurred after January 1, 2011:

- a. In 1990, the City's Water Enterprise Fund made a loan to the Agency to finance the purchase of land for development. Scheduled debt service payments for the loan are being made from available incremental property tax revenues. During the year ended June 30, 2011, the Agency repaid the outstanding balance of \$1,041,075 pursuant to Board Resolution.
- b. During fiscal year 2003, the Sewer Enterprise Fund loaned \$2.35 million to the Redevelopment Agency pursuant to a City Council resolution to partially finance sidewalk improvements. This loan bears interest from 2.25% to 3.00%, which is repaid quarterly. Principal is repayable over a five-year period commencing the fourth quarter of fiscal year 2006. During the year ended June 30, 2011, the Agency repaid the outstanding balance of \$831,877 pursuant to Board Resolution.

**20. SUBSEQUENT EVENTS**

**2013 Water Revenue Refunding Bonds** – The City issued Water Revenue Bonds of \$7,245,000 on August 13, 2013, to refund the District's outstanding Public Financing Authority 1996 Revenue Bonds, 2001 Water System Improvement Project Certificates of Participation and 2004 Water System Improvement Project Certificates of Participation. The Water Revenue Refunding Bonds are secured by a pledge of the net revenues of the water system. The Bonds bear interest at a rate per annum at 2.76%. Principal payments are payable May 1. Interest payments are payable semiannually on May 1 and November 1, commencing May 1, 2014 through maturity on May 1, 2025.

**CITY OF HAYWARD, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**20. SUBSEQUENT EVENTS (Continued)**

**Multifamily Housing Revenue Bonds, 2013 Series A** – The City issued Multifamily Housing Revenue Bonds of \$5,500,000 on February 18, 2013, to finance the acquisition and the construction of a 22-unit multifamily rental housing project. Principal and accrued interest are payable upon redemption of the bonds at the end of the loan term. Interest only payments are due the first of the month during the loan term by the borrower not the city.

**Special Tax Refunding Bonds, Series 2013** – The Community Facilities District No. 1, Eden Shores issued Special Tax Refunding Bonds of \$7,076,294 on October 17, 2013, to refund the outstanding balance of the outstanding balance of the Special Tax Bonds, Series 2002 in the amount of \$7,080,000. Principal payment are payable annually on September 1. Interest payments are payable semiannually on May 1 and September 1, commencing March 1, 2014 through maturity on September 1, 2032.

**Residential Rental Projects Bonds** – The City intends to issue Residential Projects Bonds in the amount of \$40,000,000, the proceeds of which will be loaned to Eden Housing, Inc. for the purpose of acquiring land and construction of a 151-unit multifamily rental housing development.

CITY OF HAYWARD  
HOUSING AUTHORITY CAPITAL PROJECT FUND  
SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Adjusted Budget Positive (Negative)
REVENUES:				
Investment income	\$23,994	23,994	79,217	55,223
Fees and charges for services			271	271
Other revenue	<u>55,436</u>	<u>55,436</u>	<u>526,605</u>	<u>471,169</u>
Total Revenues	<u>79,430</u>	<u>79,430</u>	<u>606,093</u>	<u>526,663</u>
EXPENDITURES:				
Public works and transportation	611,445	611,445	2,157,359	(1,545,914)
Housing and business improvement loans	76,388	90,268	34,480	55,788
Interest and fiscal charges	<u>2,000</u>	<u>2,000</u>	<u>1,450</u>	<u>550</u>
Total Expenditures	<u>689,833</u>	<u>703,713</u>	<u>2,193,289</u>	<u>(1,489,576)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(610,403)</u>	<u>(624,283)</u>	<u>(1,587,196)</u>	<u>(962,913)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,632,874	2,632,874		(2,632,874)
Transfers (out)		<u>(611,445)</u>	<u>(49,944)</u>	<u>561,501</u>
Total Other Financing Sources (Uses)	<u>2,632,874</u>	<u>2,021,429</u>	<u>(49,944)</u>	<u>(2,071,373)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$2,022,471</u></u>	<u><u>\$1,397,146</u></u>	<u>(1,637,140)</u>	<u><u>(\$3,034,286)</u></u>
BEGINNING FUND BALANCE			<u>9,348,437</u>	
ENDING FUND BALANCE			<u><u>\$7,711,297</u></u>	

CITY OF HAYWARD  
ROUTE 238 CORRIDOR IMPROVEMENT CAPITAL PROJECT FUND  
SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Adjusted Budget Positive (Negative)
REVENUES:				
Investment income	\$117,000	\$117,000	(\$2,028)	(\$119,028)
Rental income			217,581	217,581
Intergovernmental			11,913,562	11,913,562
Fees and charges for services			1,173,980	1,173,980
Other revenue			25	25
Total Revenues	117,000	117,000	13,303,120	13,186,120
EXPENDITURES:				
Capital outlay	24,784,601	24,784,601	24,513,281	271,320
Total Expenditures	24,784,601	24,784,601	24,513,281	271,320
EXCESS OF REVENUES OVER EXPENDITURES	(24,667,601)	(24,667,601)	(11,210,161)	13,457,440
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(1,188,672)	(1,188,672)	(450,000)	738,672
Total Other Financing Sources (Uses)	(1,188,672)	(1,188,672)	(450,000)	738,672
NET CHANGE IN FUND BALANCE	(\$25,856,273)	(\$25,856,273)	(11,660,161)	\$14,196,112
BEGINNING FUND BALANCE			13,945,087	
ENDING FUND BALANCE			\$2,284,926	

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

*Special Gasoline Tax Fund* - Accounts for revenue apportioned to the City from State collected gasoline taxes and expended for construction and maintenance of City streets.

*Community Development Block Grant Program Fund* – Accounts for monies received from the U.S. Department of Housing and Urban Development (“HUD”) and expended for development of jobs and suitable housing for low-income residents.

*Housing Mortgage Revenue Bonds Fund* - Accounts for fees paid by benefited developers of multifamily rental housing and used to reimburse City cost related to bond issuance and program monitoring.

*Park Dedication Ordinance Fund* - Accounts for park dedication fees applied to new construction and expended for acquisition of recreational land and construction of recreational facilities.

*Business Improvement Fund* - Accounts for fees imposed on businesses within the downtown business improvement district and expended on activities, which enhance the district as a shopping and business center.

*Donation Fund* - Accounts for miscellaneous donations expended for purposes agreed upon by the City and the donors.

*Recycling Fund* - Accounts for revenue received from County Measure D funds, curbside recycling and multifamily recycling service fees, and grants used to support the City’s recycling program.

*Narcotics Asset Seizure Fund* - Accounts for funds received pursuant to federal and State narcotic and seizure laws used to support identified law enforcement activities.

*Park Maintenance District Fund* - Accounts for revenues from annual assessments of developers’ proportionate shares of the City’s costs for park maintenance in the areas of the developers’ projects and accounts for the actual park maintenance costs.

*Measure B Local Streets and Roads* – Accounts for proceeds of an additional one-half cent sales tax to be used to improve, repair and overlay city streets.

*Measure B Pedestrian Fund* - Accounts for revenue apportioned to the City from locally collected retail sales taxes and expended for pedestrian projects.

## **NON-MAJOR GOVERNMENTAL FUNDS (Continued)**

*Measure B Paratransit Fund* - Accounts for the provision of taxi and van transportation for the elderly and the handicapped.

*Measure F Fund* – Alameda County Vehicle Registration Fee was approved in November 2010. \$10 per year vehicle registration fee collection supports local road improvement and repair projects, traffic congestion relief projects, local transportation technology projects, and pedestrian and bicyclist access and safety projects.

### **DEBT SERVICE FUNDS**

*Certificates of Participation* – Accounts for transfers of revenue from the general and capital projects funds for payment of interest and principal on certificates of participation.

### **CAPITAL PROJECTS FUNDS**

*General Capital Projects Fund* - Accounts for general fund or special revenue fund transfers expended for acquisition and construction of general purpose public facilities, street surfacing and improvements.

*Traffic Signal Construction Fund* - Accounts for traffic signal fees paid by developers of residential housing and expended for installation of traffic signal equipment.

*Performance Deposits Fund* – Accounts for deposits belong to developer which will go through the entitle process for eligible expenses. Once projects completed City will either refund or bill developers for the difference.

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CITY OF HAYWARD, CALIFORNIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2013

	SPECIAL REVENUE FUNDS			
	Special Gasoline Tax	Community Development Block Grant	Housing Mortgage Revenue Bonds	Park Dedication Ordinance
<b>ASSETS:</b>				
Cash and investments		\$1,714,601	\$1,023,146	\$3,174,394
Cash and investments with fiscal agents				
Accounts receivable, net	\$16,775			
Due from other governments	293,812	147,597		
Interest receivable	16,525			
Loans receivable		2,473,249	175,500	
Deposits, parts, supplies and other				
Total Assets	\$327,112	\$4,335,447	\$1,198,646	\$3,174,394
<b>LIABILITIES:</b>				
Accounts payable	\$337,240	\$148,936		\$420,140
Accrued liabilities		5,204		
Due to other funds	229,614			
Deferred revenue		2,473,249	\$175,500	
Refundable deposits		2,200		1,091,567
Total Liabilities	566,854	2,629,589	175,500	1,511,707
<b>FUND BALANCES:</b>				
Nonspendable				
Restricted				
Public safety				
Public works and transportation				
Planning and building				1,662,687
Economic development		1,705,858	1,023,146	
Debt service				
Assigned				
Unassigned	(239,742)			
Total Fund Balances (Deficit)	(239,742)	1,705,858	1,023,146	1,662,687
Total Liabilities and Fund Balance	\$327,112	\$4,335,447	\$1,198,646	\$3,174,394

SPECIAL REVENUE FUNDS

Business Improvement	Donation	Recycling	Narcotics Asset Seizure	Park Maintenance District	Measure B Local Streets and Roads
\$233,429	\$10,894,627	\$1,501,852	\$376,083	\$2,675,302	\$351,001
		9,733		5,525	515,424
		113,167			
68					
<u>\$233,497</u>	<u>\$10,894,627</u>	<u>\$1,624,752</u>	<u>\$376,083</u>	<u>\$2,680,827</u>	<u>\$866,425</u>
\$8,620	\$8,590 346	\$21,974 18	\$852	\$36,344	\$6,688
		73,631	52,058	20,000	
<u>8,620</u>	<u>8,936</u>	<u>95,623</u>	<u>52,910</u>	<u>56,344</u>	<u>6,688</u>
			323,173		
224,877	10,885,691	1,529,129		2,624,483	859,737
<u>224,877</u>	<u>10,885,691</u>	<u>1,529,129</u>	<u>323,173</u>	<u>2,624,483</u>	<u>859,737</u>
<u>\$233,497</u>	<u>\$10,894,627</u>	<u>\$1,624,752</u>	<u>\$376,083</u>	<u>\$2,680,827</u>	<u>\$866,425</u>

(Continued)

CITY OF HAYWARD, CALIFORNIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2013

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUND
	Measure B Pedestrian	Measure B Paratransit	Measure F	Certificates of Participation
<b>ASSETS:</b>				
Cash and investments	\$244,626	\$862,395	\$363,390	\$39,462
Cash and investments with fiscal agents				88,850
Accounts receivable, net				
Due from other governments	105,707	187,384	126,596	
Interest receivable				
Loans receivable				
Deposits, parts, supplies and other				
Total Assets	<u>\$350,333</u>	<u>\$1,049,779</u>	<u>\$489,986</u>	<u>\$128,312</u>
<b>LIABILITIES:</b>				
Accounts payable	\$804	\$86,098	\$576,225	
Accrued liabilities				
Due to other funds				
Deferred revenue	1,991			
Refundable deposits				
Total Liabilities	<u>2,795</u>	<u>86,098</u>	<u>576,225</u>	
<b>FUND BALANCES:</b>				
Nonspendable				
Restricted				
Public safety				
Public works and transportation	347,538	963,681		
Planning and building				
Economic development				
Debt service				\$128,312
Assigned				
Unassigned			(86,239)	
Total Fund Balances (Deficit)	<u>347,538</u>	<u>963,681</u>	<u>(86,239)</u>	<u>128,312</u>
Total Liabilities and Fund Balance	<u>\$350,333</u>	<u>\$1,049,779</u>	<u>\$489,986</u>	<u>\$128,312</u>

CAPITAL PROJECTS FUNDS

<u>General Capital Projects</u>	<u>Traffic Signal Construction</u>	<u>Performance Deposits</u>	<u>Total Nonmajor Governmental Funds</u>
\$2,331,027	\$164,427	\$399,173	\$26,348,935
			88,850
68,867			91,167
5,057,017			6,443,270
			16,525
			2,761,916
			68
<u>\$7,456,911</u>	<u>\$164,427</u>	<u>\$399,173</u>	<u>\$35,750,731</u>
\$595,435	\$29,936		\$2,277,882
37	24	\$2,572	8,201
			229,614
4,130,248			6,906,677
84,648		396,249	1,594,664
<u>4,810,368</u>	<u>29,960</u>	<u>398,821</u>	<u>11,017,038</u>
			323,173
	134,467	399,173	4,233,725
			15,397,738
			2,729,004
			128,312
2,646,543			2,646,543
		(398,821)	(724,802)
<u>2,646,543</u>	<u>134,467</u>	<u>352</u>	<u>24,733,693</u>
<u>\$7,456,911</u>	<u>\$164,427</u>	<u>\$399,173</u>	<u>\$35,750,731</u>

CITY OF HAYWARD, CALIFORNIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS			
	Special Gasoline Tax	Community Development Block Grant	Housing Mortgage Revenue Bonds	Park Dedication Ordinance
REVENUES:				
Other taxes				
Fines and forfeitures				
Special assessments				
Investment income		\$28,480	\$1,594	\$4,962
Intergovernmental	3,405,464	1,077,271		
Licenses and permits				
Fees and charges for services	78,900			
Other	16,775	361,091	77,786	175,616
Total Revenues	3,501,139	1,466,842	79,380	180,578
EXPENDITURES:				
Current:				
Public safety				
Public works and transportation	1,714,085	24,354		
Library and community services		995,560		
Economic development			126,512	1,516,756
Planning and building		158,020		
Maintenance services				
Capital outlay				
Debt service:				
Principal repayment		109,630		
Interest and fiscal charges		24,575	1,450	
Total Expenditures	1,714,085	1,312,139	127,962	1,516,756
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,787,054	154,703	(48,582)	(1,336,178)
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000			
Transfers (out)	(2,626,000)	(56,595)	(3,138)	
Total Other Financing Sources (Uses)	(2,426,000)	(56,595)	(3,138)	
NET CHANGE IN FUND BALANCES	(638,946)	98,108	(51,720)	(1,336,178)
BEGINNING FUND BALANCES	399,204	1,607,750	1,074,866	2,998,865
ENDING FUND BALANCES (DEFICITS)	(\$239,742)	\$1,705,858	\$1,023,146	\$1,662,687

SPECIAL REVENUE FUNDS

Business Improvement	Donation	Recycling	Narcotics Asset Seizure	Park Maintenance District	Measure B Local Streets and Roads
\$54,794		\$26,241			
			\$9,039		
350	\$8,490	2,005	917	\$891,037	
		703,353		3,853	\$2,019,972
					360
631	595,681	68,619			
55,775	604,171	800,218	9,956	894,890	2,020,332
	107,413		48,350		
	3,012	710,780			1,967,937
39,610					
				39,880	
		4,169		806,355	
39,610	110,425	714,949	48,350	846,235	1,967,937
16,165	493,746	85,269	(38,394)	48,655	52,395
		(85,128)			
		(85,128)			
16,165	493,746	141	(38,394)	48,655	52,395
208,712	10,391,945	1,528,988	361,567	2,575,828	807,342
\$224,877	\$10,885,691	\$1,529,129	\$323,173	\$2,624,483	\$859,737

(Continued)

CITY OF HAYWARD, CALIFORNIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUND
	Measure B Pedestrian	Measure B Paratransit	Measure F	Certificates of Participation
REVENUES:				
Other taxes				
Fines and forfeitures				
Special assessments				
Investment income	\$72	\$1,274	\$1,253	\$2,121
Intergovernmental	414,286	734,391	701,802	
Licenses and permits				
Fees and charges for services	8,290		200	
Other				
Total Revenues	<u>422,648</u>	<u>735,665</u>	<u>703,255</u>	<u>2,121</u>
EXPENDITURES:				
Current:				
Public safety				
Public works and transportation	390,761		1,521,080	
Library and community services		538,842		
Economic development				
Planning and building				
Maintenance services				
Capital outlay				
Debt service:				
Principal repayment				1,745,240
Interest and fiscal charges		876		1,082,027
Total Expenditures	<u>390,761</u>	<u>539,718</u>	<u>1,521,080</u>	<u>2,827,267</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>31,887</u>	<u>195,947</u>	<u>(817,825)</u>	<u>(2,825,146)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				2,876,690
Transfers (out)		(14,270)		(3,397)
Total Other Financing Sources (Uses)		<u>(14,270)</u>		<u>2,873,293</u>
NET CHANGE IN FUND BALANCES	31,887	181,677	(817,825)	48,147
BEGINNING FUND BALANCES	<u>315,651</u>	<u>782,004</u>	<u>731,586</u>	<u>80,165</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$347,538</u>	<u>\$963,681</u>	<u>(\$86,239)</u>	<u>\$128,312</u>

CAPITAL PROJECTS FUNDS

<u>General Capital Projects</u>	<u>Traffic Signal Construction</u>	<u>Performance Deposits</u>	<u>Total Nonmajor Governmental Funds</u>
\$99,300			\$180,335
			9,039
6,964	\$243	\$352	891,037
1,019,115	256,558		62,930
109,677			10,332,212
2,211,161			109,677
4,003			2,298,911
<u>3,450,220</u>	<u>256,801</u>	<u>352</u>	<u>1,300,202</u>
			15,184,343
			155,763
			6,332,009
			1,534,402
			1,682,878
			158,020
			39,880
11,758,428	525,708		12,284,136
			1,854,870
			<u>1,919,452</u>
<u>11,758,428</u>	<u>525,708</u>	<u>352</u>	<u>25,961,410</u>
<u>(8,308,208)</u>	<u>(268,907)</u>	<u>352</u>	<u>(10,777,067)</u>
3,814,000	350,000		7,240,690
(320,000)			(3,108,528)
<u>3,494,000</u>	<u>350,000</u>	<u>352</u>	<u>4,132,162</u>
(4,814,208)	81,093		(6,644,905)
<u>7,460,751</u>	<u>53,374</u>	<u>352</u>	<u>31,378,598</u>
<u>\$2,646,543</u>	<u>\$134,467</u>	<u>\$352</u>	<u>\$24,733,693</u>

CITY OF HAYWARD, CALIFORNIA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS					
	Special Gasoline Tax			Community Development Block Grant		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Other taxes						
Fines and forfeitures						
Special assessments						
Investment income	\$5,000		(\$5,000)	\$40,830	\$28,480	(\$12,350)
Licenses and permits						
Intergovernmental	2,391,000	3,405,464	1,014,464	1,619,289	1,077,271	(542,018)
Fees and charges for services		78,900	78,900			
Other		16,775	16,775	331,100	361,091	29,991
<b>Total Revenues</b>	<b>2,396,000</b>	<b>3,501,139</b>	<b>1,105,139</b>	<b>1,991,219</b>	<b>1,466,842</b>	<b>(524,377)</b>
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation	5,190,584	1,714,085	3,476,499	27	24,354	(24,327)
Library and community services				1,462,781	995,560	467,221
Economic development				299,992		299,992
Planning and building				1,134,081	158,020	976,061
Maintenance services						
Capital outlay						
Debt service						
Principal repayment				109,630	109,630	
Interest and fiscal charges				26,699	24,575	2,124
<b>Total Expenditures</b>	<b>5,190,584</b>	<b>1,714,085</b>	<b>3,476,499</b>	<b>3,033,210</b>	<b>1,312,139</b>	<b>1,721,071</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,794,584)	1,787,054	4,581,638	(1,041,991)	154,703	1,196,694
OTHER FINANCING SOURCES (USES)						
Transfers in	200,000	200,000		201,597		(201,597)
Transfers (out)	(2,626,000)	(2,626,000)		(261,330)	(56,595)	204,735
<b>Total Other Financing Sources (Uses)</b>	<b>(2,426,000)</b>	<b>(2,426,000)</b>		<b>(59,733)</b>	<b>(56,595)</b>	<b>3,138</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(\$5,220,584)</b>	<b>(638,946)</b>	<b>\$4,581,638</b>	<b>(\$1,101,724)</b>	<b>98,108</b>	<b>\$1,199,832</b>
BEGINNING FUND BALANCES		399,204			1,607,750	
ENDING FUND BALANCES (DEFICIT)		(239,742)			\$1,705,858	

SPECIAL REVENUE FUNDS

Housing Mortgage Revenue Bonds			Park Dedication Ordinance			Business Improvement		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
						\$50,000	\$54,794	\$4,794
\$21,912	\$1,594	(\$20,318)		\$4,962	\$4,962		350	350
<u>116,916</u>	<u>77,786</u>	<u>(39,130)</u>	<u>\$113,297</u>	<u>175,616</u>	<u>62,319</u>		<u>631</u>	<u>631</u>
<u>138,828</u>	<u>79,380</u>	<u>(59,448)</u>	<u>113,297</u>	<u>180,578</u>	<u>67,281</u>	<u>50,000</u>	<u>55,775</u>	<u>5,775</u>
243,874	126,512	117,362	1,038,969	1,516,756	(477,787)	60,413	39,610	20,803
<u>1,550</u>	<u>1,450</u>	<u>100</u>						
<u>245,424</u>	<u>127,962</u>	<u>117,462</u>	<u>1,038,969</u>	<u>1,516,756</u>	<u>(477,787)</u>	<u>60,413</u>	<u>39,610</u>	<u>20,803</u>
<u>(106,596)</u>	<u>(48,582)</u>	<u>58,014</u>	<u>(925,672)</u>	<u>(1,336,178)</u>	<u>(410,506)</u>	<u>(10,413)</u>	<u>16,165</u>	<u>26,578</u>
<u>(3,138)</u>	<u>(3,138)</u>							
<u>(3,138)</u>	<u>(3,138)</u>							
<u>(\$109,734)</u>	<u>(51,720)</u>	<u>\$58,014</u>	<u>(\$925,672)</u>	<u>(1,336,178)</u>	<u>(\$410,506)</u>	<u>(\$10,413)</u>	<u>16,165</u>	<u>\$26,578</u>
	<u>1,074,866</u>			<u>2,998,865</u>			<u>208,712</u>	
	<u>\$1,023,146</u>			<u>\$1,662,687</u>			<u>\$224,877</u>	

(Continued)

CITY OF HAYWARD, CALIFORNIA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SPECIAL REVENUE FUNDS						
	Donation			Recycling		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Other taxes						
Fines and forfeitures					\$26,241	\$26,241
Special assessments						
Investment income						
Licenses and permits		\$8,490	\$8,490	\$16,000	2,005	(13,995)
Intergovernmental						
Fees and charges for services				615,565	703,353	87,788
Other						
		<u>595,681</u>	<u>595,681</u>	<u>19,000</u>	<u>68,619</u>	<u>49,619</u>
Total Revenues		<u>604,171</u>	<u>604,171</u>	<u>650,565</u>	<u>800,218</u>	<u>149,653</u>
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation	\$271,266	107,413	163,853			
Library and community services		3,012	(3,012)	1,371,759	710,780	660,979
Economic development						
Planning and building						
Maintenance services						
Capital outlay						
Debt service						
Principal repayment						
Interest and fiscal charges					4,169	(4,169)
Total Expenditures					<u>4,169</u>	<u>(4,169)</u>
	<u>271,266</u>	<u>110,425</u>	<u>160,841</u>	<u>1,371,759</u>	<u>714,949</u>	<u>656,810</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(271,266)</u>	<u>493,746</u>	<u>765,012</u>	<u>(721,194)</u>	<u>85,269</u>	<u>806,463</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)				<u>(85,128)</u>	<u>(85,128)</u>	
				<u>(85,128)</u>	<u>(85,128)</u>	
NET CHANGE IN FUND BALANCES	<u>(\$271,266)</u>	<u>493,746</u>	<u>\$765,012</u>	<u>(\$806,322)</u>	<u>141</u>	<u>\$806,463</u>
BEGINNING FUND BALANCES						
		<u>10,391,945</u>			<u>1,528,988</u>	
ENDING FUND BALANCES (DEFICIT)		<u>\$10,885,691</u>			<u>\$1,529,129</u>	

SPECIAL REVENUE FUNDS

Narcotics Asset Seizure			Park Maintenance District			Measure B Local Streets and Roads		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
	\$9,039	\$9,039						
	917	917	\$836,357	\$891,037 3,853	54,680 3,853	\$7,000		(\$7,000)
							2,019,972 360	2,019,972 360
	9,956	9,956	836,357	894,890	58,533	7,000	2,020,332	2,013,332
	48,350	(48,350)						
			(16,000)	39,880	(55,880)	1,390,000	1,967,937	(577,937)
			888,888	806,355	82,533			
	48,350	(48,350)	872,888	846,235	26,653	1,390,000	1,967,937	(577,937)
	(38,394)	(38,394)	(36,531)	48,655	85,186	(1,383,000)	52,395	1,435,395
(\$174,000)		174,000						
(174,000)		174,000						
(\$174,000)	(38,394)	\$135,606	(\$36,531)	48,655	\$85,186	(\$1,383,000)	52,395	\$1,435,395
	361,567			2,575,828			807,342	
	\$323,173			\$2,624,483			\$859,737	

(Continued)

CITY OF HAYWARD, CALIFORNIA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SPECIAL REVENUE FUNDS						
	Measure B Pedestrian			Measure B Paratransit		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>						
Other taxes						
Fines and forfeitures						
Special assessments						
Investment income	\$4,000	\$72	(\$3,928)	\$3,000	\$1,274	(\$1,726)
Licenses and permits						
Intergovernmental		414,286	414,286	700,000	734,391	34,391
Fees and charges for services		8,290	8,290			
Other						
<b>Total Revenues</b>	<b>4,000</b>	<b>422,648</b>	<b>418,648</b>	<b>703,000</b>	<b>735,665</b>	<b>32,665</b>
<b>EXPENDITURES:</b>						
Current:						
Public safety						
Public works and transportation	512,317	390,761	121,556			
Library and community services				1,044,651	538,842	505,809
Economic development						
Planning and building						
Maintenance services						
Capital outlay						
Debt service						
Principal repayment						
Interest and fiscal charges				2,500	876	1,624
<b>Total Expenditures</b>	<b>512,317</b>	<b>390,761</b>	<b>121,556</b>	<b>1,047,151</b>	<b>539,718</b>	<b>507,433</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(508,317)</b>	<b>31,887</b>	<b>540,204</b>	<b>(344,151)</b>	<b>195,947</b>	<b>540,098</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)				(14,270)	(14,270)	
<b>Total Other Financing Sources (Uses)</b>				<b>(14,270)</b>	<b>(14,270)</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>(\$508,317)</b>	<b>31,887</b>	<b>\$540,204</b>	<b>(\$358,421)</b>	<b>181,677</b>	<b>\$540,098</b>
<b>BEGINNING FUND BALANCES</b>		<b>315,651</b>			<b>782,004</b>	
<b>ENDING FUND BALANCES (DEFICIT)</b>		<b>\$347,538</b>			<b>\$963,681</b>	

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
Measure F			Certificates of Participation			General Capital Projects		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
							\$99,300	\$99,300
	\$1,253	\$1,253	\$3,000	\$2,121	(\$879)	\$42,000	6,964	(35,036)
	701,802	701,802					109,677	
	200	200					1,019,115	1,019,115
							2,211,161	2,211,161
							4,003	4,003
	<u>703,255</u>	<u>703,255</u>	<u>3,000</u>	<u>2,121</u>	<u>(879)</u>	<u>42,000</u>	<u>3,450,220</u>	<u>3,298,543</u>
\$1,000,000	1,521,080	(521,080)						
						13,069,972	11,758,428	1,311,544
			1,745,240	1,745,240				
			1,076,968	1,082,027	(5,059)			
<u>1,000,000</u>	<u>1,521,080</u>	<u>(521,080)</u>	<u>2,822,208</u>	<u>2,827,267</u>	<u>(5,059)</u>	<u>13,069,972</u>	<u>11,758,428</u>	<u>1,311,544</u>
<u>(1,000,000)</u>	<u>(817,825)</u>	<u>182,175</u>	<u>(2,819,208)</u>	<u>(2,825,146)</u>	<u>(5,938)</u>	<u>(13,027,972)</u>	<u>(8,308,208)</u>	<u>4,719,764</u>
			2,821,955	2,876,690	54,735	3,988,000	3,814,000	(174,000)
				(3,397)	(3,397)	(320,000)	(320,000)	
			2,821,955	2,873,293	51,338	3,668,000	3,494,000	(174,000)
<u>(\$1,000,000)</u>	<u>(817,825)</u>	<u>\$182,175</u>	<u>\$2,747</u>	<u>48,147</u>	<u>\$45,400</u>	<u>(\$9,359,972)</u>	<u>(4,814,208)</u>	<u>\$4,545,764</u>
	731,586			80,165			7,460,751	
	<u>(\$86,239)</u>			<u>\$128,312</u>			<u>\$2,646,543</u>	

(Continued)

CITY OF HAYWARD, CALIFORNIA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CAPITAL PROJECTS FUNDS						
	Traffic Signal Construction			Performance Deposits		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Other taxes						
Fines and forfeitures						
Special assessments						
Investment income	\$6,000	\$243	(\$5,757)		\$352	\$352
Licenses and permits						
Intergovernmental		256,558	256,558			
Fees and charges for services						
Other						
Total Revenues	<u>6,000</u>	<u>256,801</u>	<u>250,801</u>		<u>352</u>	<u>352</u>
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation						
Library and community services						
Economic development						
Planning and building						
Maintenance services						
Capital outlay	642,108	525,708	116,400			
Debt Service						
Principal repayment						
Interest and fiscal charges						
Total Expenditures	<u>642,108</u>	<u>525,708</u>	<u>116,400</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(636,108)</u>	<u>(268,907)</u>	<u>367,201</u>		<u>352</u>	<u>352</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	350,000	350,000				
Transfers (out)						
Total Other Financing Sources (Uses)	<u>350,000</u>	<u>350,000</u>				
NET CHANGE IN FUND BALANCES	<u><u>(\$286,108)</u></u>	<u>81,093</u>	<u><u>\$367,201</u></u>		<u>352</u>	<u><u>\$352</u></u>
BEGINNING FUND BALANCES		<u>53,374</u>				
ENDING FUND BALANCES		<u><u>\$134,467</u></u>			<u><u>\$352</u></u>	

## **NON-MAJOR ENTERPRISE FUNDS**

*Stormwater Fund* – Accounts for activities with stormwater management and urban runoff control, as required by Federal and State law.

*Airport Fund* - Accounts for the operation, development and maintenance of the Hayward Air Terminal.

CITY OF HAYWARD  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF NET POSITION  
JUNE 30, 2013

	<u>Stormwater</u>	<u>Airport</u>	<u>Totals</u>
Current Assets:			
Cash and investments	\$3,046,352	\$13,144,798	\$16,191,150
Accounts receivable, net	115,694		115,694
Due from other governments		40,762	40,762
	<u>3,162,046</u>	<u>13,185,560</u>	<u>16,347,606</u>
Total Current Assets			
Noncurrent Assets:			
Deposits, parts, supplies and other		162,400	162,400
Capital assets			
Land		244,302	244,302
Construction in progress		1,228,229	1,228,229
Depreciable capital assets, net	2,462	13,527,834	13,530,296
	<u>2,462</u>	<u>15,162,765</u>	<u>15,165,227</u>
Total Noncurrent Assets			
	<u>2,462</u>	<u>15,162,765</u>	<u>15,165,227</u>
Total Assets	<u>3,164,508</u>	<u>28,348,325</u>	<u>31,512,833</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	12,571	32,946	45,517
Accrued liabilities	1,000	95	1,095
Unearned revenue			
Refundable deposits		95,266	95,266
Compensated absences - due within one year	45,104	40,932	86,036
	<u>58,675</u>	<u>169,239</u>	<u>227,914</u>
Total Current Liabilities			
	<u>58,675</u>	<u>169,239</u>	<u>227,914</u>
Noncurrent Liabilities:			
Long-term interfund payables - due in more than one year		1,905,000	1,905,000
Compensated absences	14,261	12,941	27,202
	<u>14,261</u>	<u>1,917,941</u>	<u>1,932,202</u>
Total Noncurrent Liabilities			
	<u>14,261</u>	<u>1,917,941</u>	<u>1,932,202</u>
Total Liabilities	<u>72,936</u>	<u>2,087,180</u>	<u>2,160,116</u>
NET POSITION:			
Net investments in capital assets	2,462	15,000,365	15,002,827
Unrestricted	3,089,110	11,260,780	14,349,890
	<u>3,091,572</u>	<u>\$26,261,145</u>	<u>\$29,352,717</u>
Total Net Position			
	<u>\$3,091,572</u>	<u>\$26,261,145</u>	<u>\$29,352,717</u>

CITY OF HAYWARD  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Stormwater</u>	<u>Airport</u>	<u>Total</u>
Charges for services	\$2,821,546	\$2,907,485	\$5,729,031
Miscellaneous	107	56,486	56,593
Total Operating Revenues	<u>2,821,653</u>	<u>2,963,971</u>	<u>5,785,624</u>
OPERATING EXPENSES:			
Salaries and related expenses	1,640,199	1,225,414	2,865,613
Materials, supplies and services	729,879	761,298	1,491,177
Repairs and maintenance	31,786	181,525	213,311
Depreciation	274	1,083,871	1,084,145
Total Operating Expenses	<u>2,402,138</u>	<u>3,252,108</u>	<u>5,654,246</u>
Operating Income (Loss)	<u>419,515</u>	<u>(288,137)</u>	<u>131,378</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	4,098	18,289	22,387
Intergovernmental		88,916	88,916
Net Nonoperating Revenues (Expenses)	<u>4,098</u>	<u>107,205</u>	<u>111,303</u>
Income (Loss) Before Contributions and Transfers	<u>423,613</u>	<u>(180,932)</u>	<u>242,681</u>
TRANSFERS			
Transfers (out)	<u>(124,900)</u>	<u>(206,749)</u>	<u>(331,649)</u>
Net Transfers	<u>(124,900)</u>	<u>(206,749)</u>	<u>(331,649)</u>
CHANGE IN NET POSITION	298,713	(387,681)	(88,968)
BEGINNING NET POSITION	<u>2,792,859</u>	<u>26,648,826</u>	<u>29,441,685</u>
ENDING NET POSITION	<u>\$3,091,572</u>	<u>\$26,261,145</u>	<u>\$29,352,717</u>

CITY OF HAYWARD  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Stormwater</u>	<u>Airport</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$2,790,814	\$2,846,008	\$5,636,822
Payments to suppliers	(781,384)	(996,467)	(1,777,851)
Payments to employees	<u>(1,689,538)</u>	<u>(1,251,314)</u>	<u>(2,940,852)</u>
Net Cash Flows From Operating Activities	<u>319,892</u>	<u>598,227</u>	<u>918,119</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Non operating revenues		88,916	88,916
Interfund payments		(100,000)	(100,000)
Transfers (out)	<u>(124,900)</u>	<u>(206,749)</u>	<u>(331,649)</u>
Net Cash Flows From Noncapital and Related Financing Activities	<u>(124,900)</u>	<u>(217,833)</u>	<u>(342,733)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets		<u>(951,548)</u>	<u>(951,548)</u>
Net Cash Flows From Capital and Related Financing Activities		<u>(951,548)</u>	<u>(951,548)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	<u>6,186</u>	<u>28,276</u>	<u>34,462</u>
Net Cash Flows From Investing Activities	<u>6,186</u>	<u>28,276</u>	<u>34,462</u>
NET CASH FLOWS	201,178	(542,878)	(341,700)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,845,174</u>	<u>13,687,676</u>	<u>16,532,850</u>
CASH AND EQUIVALENTS AT END OF PERIOD	<u>\$3,046,352</u>	<u>\$13,144,798</u>	<u>\$16,191,150</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$419,515	(\$288,137)	\$131,378
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	274	1,083,871	1,084,145
Change in assets and liabilities:			
Receivables, net	(30,839)	(96,528)	(127,367)
Other assets		11,600	11,600
Due from other governments		(20,381)	(20,381)
Accounts payable and other accrued expenses	(19,719)	(65,244)	(84,963)
Refundable deposits		484	484
Deferred revenue		(1,538)	(1,538)
Compensated absences	<u>(49,339)</u>	<u>(25,900)</u>	<u>(75,239)</u>
Net Cash Flows From Operating Activities	<u>\$319,892</u>	<u>\$598,227</u>	<u>\$918,119</u>
Non cash transactions:			
Retirement of capital assets, net		<u>\$82,755</u>	

## INTERNAL SERVICE FUNDS

Internal service funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

*Workers' Compensation Insurance Fund* - Accounts for workers' compensation reimbursable costs.

*General Liability Fund* - Accounts for risk management expenses and self-insurance costs.

*Facilities Management Fund* – Accounts for operation, maintenance and replacement of City Hall and other city-owned buildings.

*Fleet Management Fund* – Accounts for operation, maintenance and replacement of vehicles.

*Technology Services Fund* – Accounts for operation, maintenance and replacement of Technology infrastructure and resources.

*Employee Benefits Fund* – Accounts for funding related to Other Post Employment Benefits (OPEB) and payments for the retiree medical stipends.

CITY OF HAYWARD  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF NET POSITION  
JUNE 30, 2013

	Workers' Compensation Insurance	General Liability	Facilities Management	Fleet Management
<b>ASSETS:</b>				
Current Assets:				
Cash and investments	\$4,906,003	\$2,831,043	\$623,309	\$3,018,517
Cash and investments with fiscal agents			82,342	352,691
Accounts receivable, net	156,675		1,136	22,259
Interest receivable				
Loans receivable				
Deposits, parts, supplies and other		1,005,405		21,418
<b>Total Current Assets</b>	<b>5,062,678</b>	<b>3,836,448</b>	<b>706,787</b>	<b>3,414,885</b>
Noncurrent Assets:				
Land			372,748	
Construction in progress				
Depreciable capital assets, net			2,092,189	9,551,762
<b>Total Noncurrent Assets</b>			<b>2,464,937</b>	<b>9,551,762</b>
<b>Total Assets</b>	<b>5,062,678</b>	<b>3,836,448</b>	<b>3,171,724</b>	<b>12,966,647</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	46,807	250,000	143,167	317,072
Accrued liabilities	9,330,935	1,095,081		232
Unearned revenue				
Due to other funds				
Refundable deposits			500	
Compensated absences	4,773	12,181	75,397	68,319
Long term debt - due within one year			102,980	724,687
<b>Total Current Liabilities</b>	<b>9,382,515</b>	<b>1,357,262</b>	<b>322,044</b>	<b>1,110,310</b>
Noncurrent Liabilities:				
Long-term interfund payables				500,000
Compensated absences	1,507	3,846	23,810	21,575
Long term debt			1,393,350	2,483,761
<b>Total Noncurrent Liabilities</b>	<b>1,507</b>	<b>3,846</b>	<b>1,417,160</b>	<b>3,005,336</b>
<b>Total Liabilities</b>	<b>9,384,022</b>	<b>1,361,108</b>	<b>1,739,204</b>	<b>4,115,646</b>
<b>NET POSITION:</b>				
Net investments in capital assets			1,050,949	6,696,005
Unrestricted	(4,321,344)	2,475,340	381,571	2,154,996
<b>Total Net Position</b>	<b>(\$4,321,344)</b>	<b>\$2,475,340</b>	<b>\$1,432,520</b>	<b>\$8,851,001</b>

Technology Services	Employee Benefits	Total
\$924,858	\$821,663	\$13,125,393
66,546		435,033
		246,616
		1,026,823
991,404	821,663	14,833,865
		372,748
3,114,664		3,114,664
836,469		12,480,420
3,951,133		15,967,832
4,942,537	821,663	30,801,697
65,609		822,655
1,155		10,427,403
		500
135,221		295,891
249,336		1,077,003
451,321		12,623,452
1,125,000		1,625,000
42,702		93,440
454,267		4,331,378
1,621,969		6,049,818
2,073,290		18,673,270
3,247,530		10,994,484
(378,283)	821,663	1,133,943
\$2,869,247	\$821,663	\$12,128,427

CITY OF HAYWARD  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

	Workers' Compensation Insurance	General Liability	Facilities Management	Fleet Management
<b>OPERATING REVENUES</b>				
Charges for services	\$5,897,258	\$213	\$3,462,744	\$4,797,312
Other			82,954	31,702
<b>Total Operating Revenues</b>	<b>5,897,258</b>	<b>213</b>	<b>3,545,698</b>	<b>4,829,014</b>
<b>OPERATING EXPENSES</b>				
Salaries and related expenses	273,955	430,204	1,119,320	1,044,284
Materials, supplies and services	793,543	1,446,888	1,260,884	1,129,843
Repairs and maintenance			712,408	689,507
Self-funded insurance expense	7,338,165	558,873		
Depreciation			62,286	1,250,497
<b>Total Operating Expenses</b>	<b>8,405,663</b>	<b>2,435,965</b>	<b>3,154,898</b>	<b>4,114,131</b>
<b>Operating Income (Loss)</b>	<b>(2,508,405)</b>	<b>(2,435,752)</b>	<b>390,800</b>	<b>714,883</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	4,902	2,840	(80)	3,748
Interest (expense)			(43,438)	
<b>Total Nonoperating Revenues (Expenses)</b>	<b>4,902</b>	<b>2,840</b>	<b>(43,518)</b>	<b>3,748</b>
<b>Income (Loss) Before Transfers</b>	<b>(2,503,503)</b>	<b>(2,432,912)</b>	<b>347,282</b>	<b>718,631</b>
<b>CONTRIBUTIONS AND TRANSFERS</b>				
Transfers in	310,000	3,270,707		858,733
Transfers (out)	(158,715)	(327,546)	(139,870)	(182,931)
<b>Net Contributions and Transfers</b>	<b>151,285</b>	<b>2,943,161</b>	<b>(139,870)</b>	<b>675,802</b>
<b>CHANGE IN NET POSITION</b>	<b>(2,352,218)</b>	<b>510,249</b>	<b>207,412</b>	<b>1,394,433</b>
<b>BEGINNING NET POSITION</b>	<b>(1,969,126)</b>	<b>1,965,091</b>	<b>1,225,108</b>	<b>7,456,568</b>
<b>ENDING NET POSITION</b>	<b>(\$4,321,344)</b>	<b>\$2,475,340</b>	<b>\$1,432,520</b>	<b>\$8,851,001</b>

Technology Services	Employee Benefits	Total
\$4,309,682	\$2,631,526	\$21,098,735
20,440		135,096
<u>4,330,122</u>	<u>2,631,526</u>	<u>21,233,831</u>
2,123,270		4,991,033
2,742,870	2,495,925	9,869,953
696,593		2,098,508
		7,897,038
<u>177,583</u>		<u>1,490,366</u>
<u>5,740,316</u>	<u>2,495,925</u>	<u>26,346,898</u>
<u>(1,410,194)</u>	<u>135,601</u>	<u>(5,113,067)</u>
(647)	811	11,574
		(43,438)
<u>(647)</u>	<u>811</u>	<u>(31,864)</u>
<u>(1,410,841)</u>	<u>136,412</u>	<u>(5,144,931)</u>
832,000		5,271,440
<u>(187,880)</u>		<u>(996,942)</u>
<u>644,120</u>		<u>4,274,498</u>
(766,721)	136,412	(870,433)
<u>3,635,968</u>	<u>685,251</u>	<u>12,998,860</u>
<u>\$2,869,247</u>	<u>\$821,663</u>	<u>\$12,128,427</u>

CITY OF HAYWARD  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013

	Workers' Compensation Insurance	General Liability	Facilities Management	Fleet Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$5,818,239	\$213	\$3,550,498	\$4,835,594
Payments to suppliers	1,718,963	(1,959,887)	(1,124,960)	(1,683,901)
Payments to employees	(277,647)	(431,717)	(1,143,505)	(1,055,702)
Claims paid	(5,145,551)	(558,873)		
	<u>2,114,004</u>	<u>(2,950,264)</u>	<u>1,282,033</u>	<u>2,095,991</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payments to other funds				(142,857)
Transfers in	310,000	3,270,707		858,733
Transfers out	(158,715)	(327,546)	(139,870)	(182,931)
	<u>151,285</u>	<u>2,943,161</u>	<u>(139,870)</u>	<u>532,945</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets			(587,721)	(1,725,730)
Proceeds from debt				
Principal payments on capital debt			(340,822)	(180,650)
Interest paid on capital debt			(43,438)	
			<u>(971,981)</u>	<u>(1,906,380)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	6,740	4,776	180	5,161
Investment proceeds			(9)	230,998
	<u>6,740</u>	<u>4,776</u>	<u>171</u>	<u>236,159</u>
Net increase (decrease) in cash and cash equivalents	2,272,029	(2,327)	170,353	958,715
Cash and cash equivalents at beginning of period	2,633,974	2,833,370	452,956	2,059,802
Cash and cash equivalents at end of period	<u>\$4,906,003</u>	<u>\$2,831,043</u>	<u>\$623,309</u>	<u>\$3,018,517</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	(\$2,508,405)	(\$2,435,752)	\$390,800	\$714,883
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation			62,286	1,250,497
Change in assets and liabilities:				
Receivables, net	(79,019)		4,800	6,580
Other assets		(1,005,405)	887,152	35,320
Accounts and other payables	34,831	225,741	(8,077)	122,774
Compensated absences	(3,692)	(1,513)	(24,185)	(11,418)
Other accrued expenses	4,670,289	266,665	(30,743)	(22,645)
Cash Flows from Operating Activities	<u>\$2,114,004</u>	<u>(\$2,950,264)</u>	<u>\$1,282,033</u>	<u>\$2,095,991</u>

Technology Services	Employee Benefits	Total
\$4,326,367	\$2,631,526	\$21,162,437
(3,550,792)	(2,490,193)	(9,090,770)
(2,233,773)		(5,142,344)
		(5,704,424)
<u>(1,458,198)</u>	<u>141,333</u>	<u>1,224,899</u>
(375,000)		(517,857)
832,000		5,271,440
(187,880)		(996,942)
<u>269,120</u>		<u>3,756,641</u>
(11,009)		(2,324,460)
520,000		520,000
(791,064)		(1,312,536)
		(43,438)
<u>(282,073)</u>		<u>(3,160,434)</u>
754	1,283	18,894
<u>759,602</u>		<u>990,591</u>
<u>760,356</u>	<u>1,283</u>	<u>1,009,485</u>
(710,795)	142,616	2,830,591
<u>1,635,653</u>	<u>679,047</u>	<u>10,294,802</u>
<u>\$924,858</u>	<u>\$821,663</u>	<u>\$13,125,393</u>
(\$1,410,194)	\$135,601	(\$5,113,067)
177,583		1,490,366
(3,755)		(71,394)
9,664		(73,269)
(62,035)	5,732	318,966
(110,503)		(151,311)
(58,958)		4,824,608
<u>(\$1,458,198)</u>	<u>\$141,333</u>	<u>\$1,224,899</u>

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## **AGENCY FUNDS**

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and non-public organizations. These funds include the following:

*Local Improvement Districts Fund* - Accounts for debt service activities for LIDs #14, #15, #16, #17 and Community Facilities District #1. The City has no commitment for the repayment of these Districts' debt.

*South Hayward JPA Parking District* – Account for related revenues and expenditures related to the Joint Powers Authority agreement between the City and Bay Area Rapid Transit (BART) for the purpose of providing parking access around the South Hayward BART station.

*Other Agency Funds* – Accounts for activities of Hayward Coalition for Youth and the Hayward Friends of the Library Fund.

CITY OF HAYWARD  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<u>Local Improvement Districts</u>				
ASSETS:				
Cash and investments	\$1,716,762	\$1,810,534	\$1,716,762	\$1,810,534
Cash and investments with fiscal agents	2,488,006	659,214	2,488,006	659,214
Accounts receivable		6,463		6,463
Due from other governments	1,368,846	1,241,682	1,368,846	1,241,682
Interest receivable	1,197		1,197	
Total Assets	<u>\$5,574,811</u>	<u>\$3,717,893</u>	<u>\$5,574,811</u>	<u>\$3,717,893</u>
LIABILITIES:				
Accounts payable	\$1,764	\$1,416	\$1,764	\$1,416
Due to bondholders	5,573,047	3,716,477	5,573,047	3,716,477
Total Liabilities	<u>\$5,574,811</u>	<u>\$3,717,893</u>	<u>\$5,574,811</u>	<u>\$3,717,893</u>
<u>South Hayward Bart Parking District JPA</u>				
ASSETS:				
Cash and investments		\$123,919		\$123,919
Total Assets		<u>\$123,919</u>		<u>\$123,919</u>
LIABILITIES:				
Due to bondholders		\$123,919		\$123,919
Total Liabilities		<u>\$123,919</u>		<u>\$123,919</u>
<u>Other Agency Funds</u>				
ASSETS:				
Cash and investments	\$19,391	\$181,586	\$19,391	\$181,586
Interest receivable	13		13	
Total Assets	<u>\$19,404</u>	<u>\$181,586</u>	<u>\$19,404</u>	<u>\$181,586</u>
LIABILITIES:				
Accounts payable	\$507		\$507	
Refundable deposits	18,897	\$181,586	18,897	\$181,586
Total Liabilities	<u>\$19,404</u>	<u>\$181,586</u>	<u>\$19,404</u>	<u>\$181,586</u>
<u>Total</u>				
ASSETS:				
Cash and investments	\$1,736,153	\$2,116,039	\$1,736,153	\$2,116,039
Cash and investments with fiscal agents	2,488,006	659,214	2,488,006	659,214
Accounts receivable		6,463		6,463
Due from other governments	1,368,846	1,241,682	1,368,846	1,241,682
Interest receivable	1,210		1,210	
Total Assets	<u>\$5,594,215</u>	<u>\$4,023,398</u>	<u>\$5,594,215</u>	<u>\$4,023,398</u>
LIABILITIES:				
Accounts payable	\$2,271	\$1,416	\$2,271	\$1,416
Due to bondholders	5,573,047	3,840,396	5,573,047	3,840,396
Refundable deposits	18,897	181,586	18,897	181,586
Total Liabilities	<u>\$5,594,215</u>	<u>\$4,023,398</u>	<u>\$5,594,215</u>	<u>\$4,023,398</u>

## STATISTICAL SECTION

The statistical section of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information. This section provides a history of the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### ***Financial Trends***

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

### ***Revenue Capacity***

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

### ***Debt Capacity***

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Revenue Bond Coverage Wastewater Revenue Bonds
5. Bonded Debt Pledged Revenue Coverage, Tax Allocation Bonds

### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

***Operating Information***

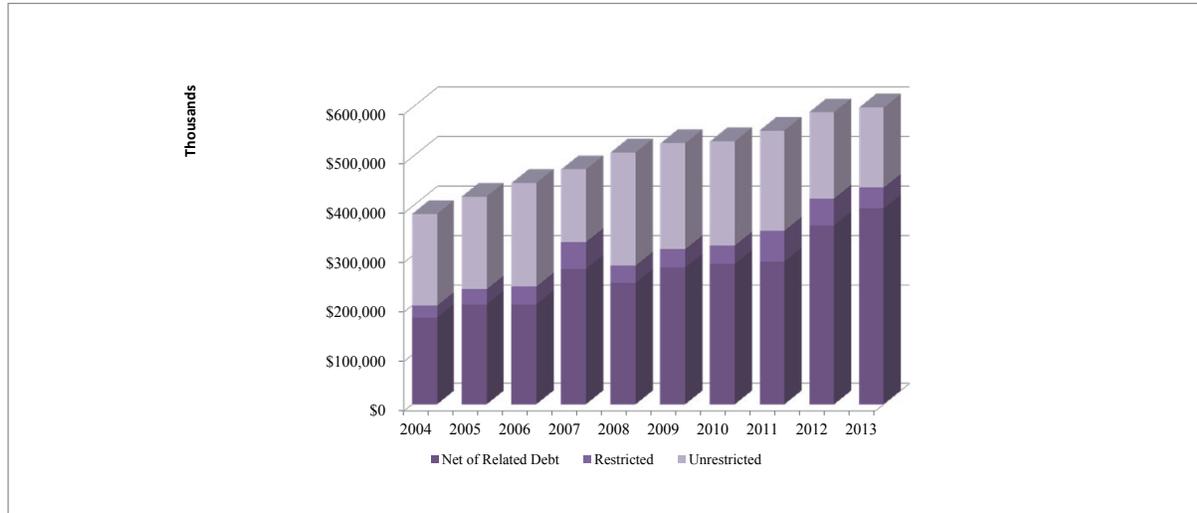
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

***Sources***

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**CITY OF HAYWARD**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$87,010,579	\$105,543,242	100,174,478	\$165,674,448	\$144,536,663	\$175,603,110	\$175,603,110	\$177,018,316	\$249,020,221	\$279,525,198
Restricted	19,969,088	26,607,973	31,759,679	50,176,114	35,212,631	37,145,242	37,145,242	62,458,594	54,205,450	42,224,510
Unrestricted	97,124,330	91,426,581	100,340,730	33,506,242	94,984,265	74,605,502	74,605,502	67,919,935	35,822,808	33,214,883
<b>Total governmental activities net assets</b>	<b>\$204,103,997</b>	<b>\$223,577,796</b>	<b>\$232,274,887</b>	<b>\$249,356,804</b>	<b>\$274,733,559</b>	<b>\$287,353,854</b>	<b>\$287,353,854</b>	<b>\$307,396,845</b>	<b>\$339,048,479</b>	<b>\$354,964,591</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$88,717,547	\$96,826,953	\$102,076,570	\$108,163,977	\$100,748,593	\$100,949,049	\$108,371,577	\$111,809,831	\$112,987,363	\$116,593,166
Restricted	3,633,608	3,740,371	4,066,211	3,934,308	0	0	0	0	0	0
Unrestricted	88,951,145	96,273,748	109,237,767	113,683,272	134,111,663	139,593,608	136,133,467	134,720,060	139,002,268	140,296,857
<b>Total business-type activities net assets</b>	<b>\$181,302,300</b>	<b>\$196,841,072</b>	<b>\$215,380,548</b>	<b>\$225,781,557</b>	<b>\$234,860,256</b>	<b>\$240,542,657</b>	<b>\$244,505,044</b>	<b>\$246,529,891</b>	<b>\$251,989,631</b>	<b>\$256,890,023</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$175,728,126	\$202,370,195	\$202,251,048	\$273,838,425	\$245,285,256	\$276,552,159	\$283,974,687	\$288,828,147	\$362,007,584	\$396,118,364
Restricted	23,602,696	30,348,344	35,825,890	54,110,422	35,212,631	37,145,242	37,145,242	62,458,594	54,205,450	42,224,510
Unrestricted	186,075,475	187,700,329	209,578,497	147,189,514	229,095,928	214,199,110	210,738,969	202,639,995	174,825,076	173,511,740
<b>Total primary government net assets</b>	<b>\$385,406,297</b>	<b>\$420,418,868</b>	<b>\$447,655,435</b>	<b>\$475,138,361</b>	<b>\$509,593,815</b>	<b>\$527,896,511</b>	<b>\$531,858,898</b>	<b>\$553,926,736</b>	<b>\$591,038,110</b>	<b>\$611,854,614</b>

\* Due to revised accounting principles, cash held with fiscal agents for capital projects of business-type activities is included as invested in capital assets.

**CITY OF HAYWARD**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Expenses</b>					
Governmental Activities:					
General Government	\$12,177,247	\$13,654,224	\$14,609,331	\$14,937,511	\$15,432,428
Public Safety	64,331,055	67,222,703	70,477,309	73,909,494	83,609,438
Public Works and Transportation	13,800,927	17,390,733	14,323,266	19,796,435	6,896,062
Library and Neighborhood Services					9,654,552
Redevelopment					4,685,202
Planning and Building					5,524,642
Maintenance Services					7,202,019
Community Development	11,900,314	7,984,954	8,865,415	8,016,005	
Culture and Leisure	3,477,318	3,596,431	3,672,910	3,785,273	
Nondepartmental	652,406	1,433,854	1,874,955	1,379,106	
Interest on Long Term Debt	3,605,614	5,505,758	4,377,655	5,006,826	6,060,020
Total Governmental Activities Expenses	<u>109,944,881</u>	<u>116,788,657</u>	<u>118,200,841</u>	<u>126,830,650</u>	<u>139,064,363</u>
Business-Type Activities:					
Sewer	12,039,604	12,392,848	13,266,648	13,349,209	15,250,146
Water	22,242,953	22,701,995	30,543,073	24,582,923	25,585,042
Airport	2,760,572	2,299,811	2,628,720	2,442,805	2,644,168
Centennial Hall Maintenance and Operation	572,039	655,943	638,060	678,612	678,964
Stormwater	1,877,223	1,898,390	1,926,372	1,909,447	2,049,493
Total Business-Type Activities Expenses	<u>39,492,391</u>	<u>39,948,987</u>	<u>49,002,873</u>	<u>42,962,996</u>	<u>46,207,813</u>
Total Primary Government Expenses	<u>\$149,437,272</u>	<u>\$156,737,644</u>	<u>\$167,203,714</u>	<u>\$169,793,646</u>	<u>\$185,272,176</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services:					
General Government	\$833,861	\$953,629	\$898,607	\$949,015	\$817,256
Public Safety	3,892,046	4,254,278	4,366,551	5,075,945	5,123,501
Public Works and Transportation	5,095,192	6,582,192	5,442,263	7,279,079	1,092,482
Library and Neighborhood Services					106,920
Redevelopment					103,864
Planning and Building					6,242,967
Maintenance Services					149,268
Community Development	537,193	936,424	439,991	525,981	
Culture and Leisure	90,359	109,454	112,009	96,406	
Nondepartmental		115,163			
Operating Grants and Contributions	13,148,844	17,200,534	14,349,003	18,296,402	15,332,573
Capital Grants and Contributions	9,182,567	14,963,874	3,800,451	2,596,202	2,856,295
Total Government Activities Program Revenues	<u>32,780,062</u>	<u>45,115,548</u>	<u>29,408,875</u>	<u>34,819,030</u>	<u>31,825,126</u>

\* Due to City of Hayward Departmental reorganization, Community Development, and Culture and Leisure Departments no longer exist.

Source: City of Hayward Comprehensive Annual Financial Report

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$12,844,106	\$12,526,820	\$9,728,751	\$9,417,144	\$11,162,908
89,391,667	91,936,447	97,783,089	96,991,346	100,470,925
5,097,319	6,614,756	12,061,251	12,400,798	13,689,585
9,448,832	8,873,963	8,826,270	7,645,958	7,490,405
2,814,162	4,337,389	7,755,610	2,078,030	1,285,830
6,383,986	5,930,519	5,878,086	5,642,610	6,102,300
3,899,394	4,612,144	4,028,800	4,030,146	3,896,951
4,175,089	4,073,192	4,486,345	3,685,703	2,056,984
<u>134,054,555</u>	<u>138,905,230</u>	<u>150,548,202</u>	<u>141,891,735</u>	<u>146,155,888</u>
15,783,768	18,276,551	19,395,928	17,977,438	19,127,813
27,602,545	28,336,545	29,807,045	36,010,696	38,837,206
3,568,997	3,008,282	3,124,022	3,271,942	3,252,108
782,509	313,299			
<u>1,908,290</u>	<u>2,227,090</u>	<u>2,326,729</u>	<u>2,235,721</u>	<u>2,402,138</u>
<u>49,646,109</u>	<u>52,161,767</u>	<u>54,653,724</u>	<u>59,495,797</u>	<u>63,619,265</u>
<u>\$183,700,664</u>	<u>\$191,066,997</u>	<u>\$205,201,926</u>	<u>\$201,387,532</u>	<u>\$209,775,153</u>
\$379,561	\$190,261	\$1,019,505	\$2,162,950	\$2,505,144
8,016,352	9,128,483	8,608,854	8,139,780	3,308,573
507,944	555,541	744,992	4,382,791	3,780,364
111,630	98,968	90,947	110,465	95,682
166,223	79,484	121,677	77,251	
6,780,653	5,074,620	5,022,960	4,312,438	3,541,420
29,190	37,098	269,786	399,721	710,653
14,294,205	17,196,527	12,904,598	25,163,445	6,998,650
<u>22,570,080</u>	<u>18,885,041</u>	<u>30,675,031</u>	<u>32,561,709</u>	<u>26,479,205</u>
<u>52,855,838</u>	<u>51,246,023</u>	<u>59,458,350</u>	<u>77,310,550</u>	<u>47,419,691</u>

**CITY OF HAYWARD**  
**Changes in Net Position**  
**(continued)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Business-Type Activities:</b>					
Charges for Services:					
Sewer	14,534,334	14,418,438	13,803,163	15,981,344	16,507,956
Water	27,448,531	29,781,593	32,666,971	23,287,599	24,550,837
Airport	2,565,353	2,567,609	2,863,279	3,179,495	2,049,105
Centennial Hall Maintenance & Operation	293,508	325,606	335,079	331,503	293,948
Stormwater	1,847,674	1,875,879	1,892,761	1,899,910	2,710,813
Operating Grants and Contributions	1,474,610	2,002,317	2,486,029	4,315,427	4,771,353
Capital Grants and Contributions	211,414	4,558,307	3,399,012	400,343	1,728,487
Total Business-Type Activities Program Revenue	<u>48,375,424</u>	<u>55,529,749</u>	<u>57,446,294</u>	<u>49,395,621</u>	<u>52,612,499</u>
Total Primary Government Program Revenues	<u>\$81,155,486</u>	<u>\$100,645,297</u>	<u>\$86,855,169</u>	<u>\$84,214,651</u>	<u>\$84,437,625</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	(\$77,164,819)	(\$71,673,109)	(\$88,791,966)	(\$92,011,620)	(\$107,239,237)
Business-Type Activities	<u>8,883,033</u>	<u>15,580,762</u>	<u>8,443,421</u>	<u>6,432,625</u>	<u>6,404,686</u>
Total Primary Government Net Expense	<u>(\$68,281,786)</u>	<u>(\$56,092,347)</u>	<u>(\$80,348,545)</u>	<u>(\$85,578,995)</u>	<u>(\$100,834,551)</u>
Total Primary Government Net Expense from prior page	<u>(\$68,281,786)</u>	<u>(\$56,092,347)</u>	<u>(\$80,348,545)</u>	<u>(\$85,578,995)</u>	<u>(\$100,834,551)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental Activities:</b>					
Taxes:					
Property Taxes	\$19,577,399	\$18,979,828	\$21,644,158	\$24,652,905	\$38,464,255
Incremental Property Tax	6,138,632	7,035,684	9,154,816	11,465,642	10,729,476
Special Assessments	547,431	435,625	487,740	919,634	
Sales Taxes	25,412,984	27,155,334	26,685,813	28,857,677	28,512,340
Utility Users Tax					
Real Property Transfer Tax	6,868,993	9,726,317	9,707,512	7,119,746	5,077,214
Franchise Tax	4,025,269	4,573,497	4,772,210	4,766,970	6,166,499
Business Tax	2,048,226	2,244,517	2,331,639	2,481,365	2,480,696
Excise Tax	1,593,025	1,682,266	1,942,949	1,918,155	1,931,187
Other Taxes	4,646,800	4,377,074	4,739,437	5,079,403	4,933,567
Motor Vehicle in lieu	6,445,650	9,336,645	12,886,423	10,821,864	671,084
Investment Earnings	1,098,659	1,378,102	1,976,795	3,135,049	3,638,001
Gain (Loss) from disposal of capital assets					53,845
Miscellaneous	897,242	1,980,050	704,136	6,906,996	2,889,548
Transfers	1,907,456	2,241,969	455,429	2,220,192	2,829,378
Extraordinary Item (refer to CAFR Footnote 19)					
Total Governmental Activities General Revenues and Transfers	<u>81,207,766</u>	<u>91,146,908</u>	<u>97,489,057</u>	<u>110,345,598</u>	<u>108,377,090</u>
<b>Business-Type Activities:</b>					
Investment Earnings	1,586,986	2,199,979	2,702,484	6,078,001	5,245,152
Gain (Loss) from disposal of capital assets			7,849,000	110,575	251,354
Miscellaneous					437,661
Transfers	<u>(1,907,456)</u>	<u>(2,241,969)</u>	<u>(455,429)</u>	<u>(2,220,192)</u>	<u>(2,829,378)</u>
Total Business-Type Activities General Revenues and Transfers	<u>(320,470)</u>	<u>(41,990)</u>	<u>10,096,055</u>	<u>3,968,384</u>	<u>3,104,789</u>
Total Primary Government General Revenues and Transfers	<u>\$80,887,296</u>	<u>\$91,104,918</u>	<u>\$107,585,112</u>	<u>\$114,313,982</u>	<u>\$111,481,879</u>
<b>Change in Net Assets</b>					
Governmental Activities	\$4,042,947	\$19,473,799	\$8,697,091	\$18,333,978	\$1,137,853
Business-Type Activities	<u>8,562,563</u>	<u>15,538,772</u>	<u>18,539,476</u>	<u>10,401,009</u>	<u>9,509,475</u>
Total Primary Government	<u>\$12,605,510</u>	<u>\$35,012,571</u>	<u>\$27,236,567</u>	<u>\$28,734,987</u>	<u>\$10,647,328</u>

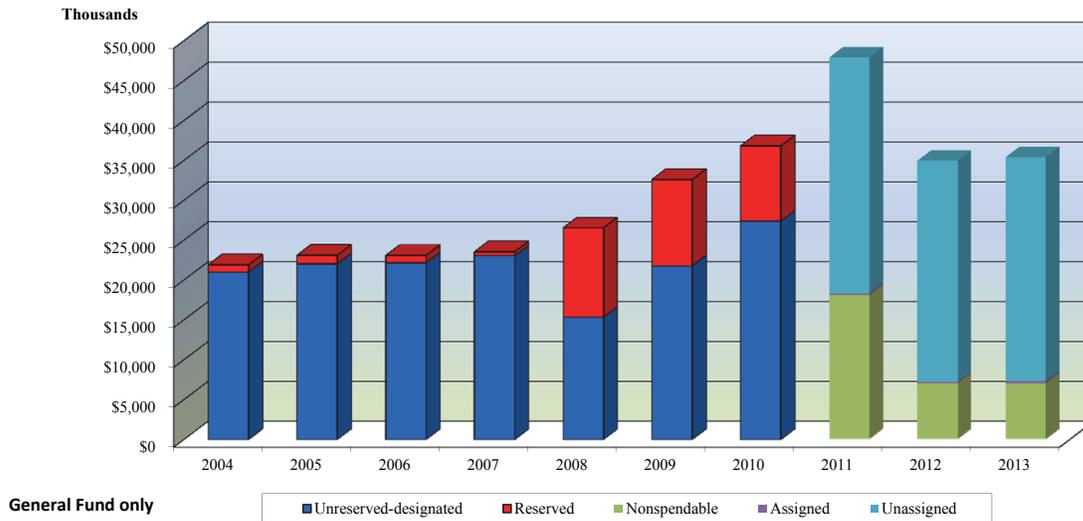
\* Due to City of Hayward Departmental reorganization, Community Development, and Culture and Leisure Departments no longer exist.

Source: City of Hayward Comprehensive Annual Financial Report

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
18,861,871	19,186,749	20,338,593	22,333,628	22,136,846
29,246,643	28,143,863	31,684,462	38,463,759	43,128,089
2,843,185	2,783,068	2,790,998	2,917,614	2,963,971
288,869	42,954			
2,791,915	2,700,531	2,724,244	2,738,050	2,821,653
			119,629	88,916
<u>167,026</u>	<u>2,411,519</u>	<u>1,246,130</u>		
<u>54,199,509</u>	<u>55,268,684</u>	<u>58,784,427</u>	<u>66,572,680</u>	<u>71,139,475</u>
<u>\$107,055,347</u>	<u>\$106,514,707</u>	<u>\$118,242,777</u>	<u>\$143,883,230</u>	<u>\$118,559,166</u>
<u>(\$81,198,717)</u>	<u>(\$87,659,207)</u>	<u>(\$91,089,852)</u>	<u>(\$64,581,185)</u>	<u>(\$98,736,197)</u>
<u>4,553,400</u>	<u>3,106,917</u>	<u>4,130,703</u>	<u>7,076,883</u>	<u>7,520,210</u>
<u>(\$76,645,317)</u>	<u>(\$84,552,290)</u>	<u>(\$86,959,149)</u>	<u>(\$57,504,302)</u>	<u>(\$91,215,987)</u>
<u>(\$76,645,317)</u>	<u>(\$84,552,290)</u>	<u>(\$86,959,149)</u>	<u>(\$57,504,302)</u>	<u>(\$91,215,987)</u>
\$40,699,344	\$37,292,466	\$35,725,966	\$35,715,527	\$39,297,973
10,657,184	4,520,035	10,351,054	4,721,491	
		714,017	817,210	
25,630,173	23,508,544	25,491,533	26,346,354	29,197,989
	10,927,290	14,699,792	14,796,979	14,939,639
3,852,507	3,796,719	3,821,387	4,777,989	4,595,640
5,831,272	8,316,848	9,091,479	9,891,601	9,687,980
2,502,991	2,337,106	2,389,657	2,483,442	2,548,248
1,858,267	1,857,223	1,699,438	1,742,210	1,868,695
4,958,591	1,938,591	1,683,087	944,268	5,820,346
522,508	457,126	694,933	75,744	78,484
2,132,768	819,649	434,426	369,203	534,927
2,362,950			(9,687)	
2,289,663	2,834,841	1,505,212	685,054	3,192,697
3,277,254	1,673,064	2,141,488	2,167,125	2,889,691
			(9,342,122)	
<u>106,575,472</u>	<u>100,279,502</u>	<u>110,443,469</u>	<u>96,182,388</u>	<u>114,652,309</u>
3,720,221	1,694,085	841,733	549,982	269,873
686,034	834,449			
<u>(3,277,254)</u>	<u>(1,673,064)</u>	<u>(2,141,488)</u>	<u>(2,167,125)</u>	<u>(2,889,691)</u>
1,129,001	855,470	(1,299,755)	(1,617,143)	(2,619,818)
<u>\$107,704,473</u>	<u>\$101,134,972</u>	<u>\$109,143,714</u>	<u>\$94,565,245</u>	<u>\$112,032,491</u>
\$25,376,755	\$12,620,295	\$19,353,617	\$31,601,203	\$15,916,112
5,682,401	3,962,387	2,830,948	5,459,740	4,900,392
<u>\$31,059,156</u>	<u>\$16,582,682</u>	<u>\$22,184,565</u>	<u>\$37,060,943</u>	<u>\$20,816,504</u>

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**CITY OF HAYWARD**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Fund</b>										
Reserved	\$913,353	\$1,063,439	\$925,067	\$502,204	\$11,213,927	\$10,827,978	\$9,434,579			
Unreserved-designated	20,983,427	22,021,325	22,142,634	23,022,362	15,317,927	21,758,830	27,367,200			
Nonspendable								\$18,079,779 (b)	\$7,047,042	\$7,028,303
Assigned								256,170 (b)	133,571	256,170
Unassigned								29,550,120 (b)	27,763,993	28,115,304
<b>Total General Fund (a)</b>	<u>\$21,896,780</u>	<u>\$23,084,764</u>	<u>\$23,067,701</u>	<u>\$23,524,566</u>	<u>\$26,531,854</u>	<u>\$32,586,808</u>	<u>\$36,801,779</u>	<u>\$47,886,069</u>	<u>\$34,944,606</u>	<u>\$35,399,777</u>
<b>All Other Governmental Funds</b>										
Reserved	\$53,422,372	\$49,019,982	\$62,656,549	\$55,418,227	\$4,154,570	\$19,356,635	\$12,853,145			
Unreserved-designated										
Unreserved, reported in:										
Debt Service funds	11,488	11,488			4,308,979	4,206,222	4,171,034			
Special revenue funds	12,410,301	15,497,821	16,667,600	16,985,069	18,065,349	15,211,686	16,022,583			
Capital project funds	24,301,396	25,391,873	25,573,270	24,096,411	40,928,952	21,442,946	14,181,758			
Undesignated funds										
Nonspendable								\$68 (b)	\$68	\$0
Restricted								36,094,240 (b)	48,807,530	22,811,952
Assigned								5,568,584 (b)	7,460,751	2,646,543
Unassigned								(5,102,162) (b)	77,273	(724,802)
<b>Total all other governmental funds</b>	<u>\$90,145,557</u>	<u>\$89,921,164</u>	<u>#####</u>	<u>\$96,499,707</u>	<u>\$67,457,850</u>	<u>\$60,217,489</u>	<u>\$47,228,520</u>	<u>\$36,560,730</u>	<u>\$56,345,622</u>	<u>\$24,733,693</u>

(a) The change in total fund balance for the General Fund and All Other Governmental Funds is explained in Management's Discussion and Analysis. The detail of Reserved and Designated Fund balance is explained in Note 9 of the financial statement footnotes.

(b) Starting Fiscal Year ending June 30, 2011, the City's fund balances are classified in accordance with GASB54 which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned and Unassigned.

**CITY OF HAYWARD**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Years Ended June 30,				
	2004	2005	2006	2007	2008
<b>Revenues</b>					
Property Taxes	\$19,577,399	\$18,859,966	\$21,446,064	\$24,687,960	\$39,135,339
Property Tax Increment	6,138,632	7,035,685	9,154,816	11,465,642	12,082,986
Special Assessments	547,431	555,487	685,832	884,579	1,051,269
Sales Taxes	25,412,984	27,155,333	26,685,812	28,857,677	29,233,148
Utility Users Taxes					
Other Taxes	19,182,313	22,603,671	23,493,746	21,365,639	22,941,172
Licenses, permits	3,501,299	3,198,850	3,058,982	4,024,802	4,712,325
Fines and forfeitures	989,574	1,807,424	1,369,873	1,150,614	985,858
Use of money and property	1,231,361	3,059,783	3,663,298	5,969,155	5,517,114
Intergovernmental revenues	26,655,486	26,328,946	26,099,613	27,904,422	10,914,969
Fees and charges for services	4,352,191	4,385,916	5,059,499	6,760,792	6,244,187
Reimbursement from Developer				5,000,000	1,813,604
Other	4,799,061	7,092,766	7,418,334	4,823,715	3,782,765
<b>Total Revenues</b>	<b>112,387,731</b>	<b>122,083,827</b>	<b>128,135,869</b>	<b>142,894,997</b>	<b>138,414,736</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government	8,985,611	10,083,636	10,595,772	10,729,759	11,639,480
Public safety	62,511,746	63,399,896	67,486,231	71,172,116	79,941,250
Public works and transportation	11,310,705	11,728,493	12,282,568	13,037,745	6,186,587
Library and Community Services	7,046,871	10,378,197	6,880,898	7,533,647	8,511,524
Redevelopment	3,386,153	3,421,821	3,520,852	3,628,763	6,039,172
Planning and building					6,454,120
Maintenance services					7,160,250
Community development					(a)
Culture and leisure					(a)
Nondepartmental	652,406	1,433,854	1,874,955	1,379,106	
Capital outlay	16,310,072	17,942,515	17,426,130	37,397,788	32,072,854
<b>Debt service:</b>					
Principal repayment	5,809,203	1,338,715	2,059,939	2,221,503	3,026,920
Interest and fiscal charges	3,499,130	3,890,878	4,824,827	4,792,626	5,186,476
Pass-through payments					
<b>Total Expenditures</b>	<b>119,511,897</b>	<b>123,618,005</b>	<b>126,952,172</b>	<b>151,893,053</b>	<b>166,218,633</b>
Excess (deficiency) of revenues over (under) expenditures	(7,124,166)	(1,534,178)	1,183,697	(8,998,056)	(27,803,897)
<b>Other Financing Sources (Uses)</b>					
Gain on Sale		2,500,000			
Transfer of land held for resale to cap assets		(3,443,016)			
Proceeds from sale of capital asset					31,820,000
Payment to refunded bond escrow agent					(31,184,483)
Proceeds of repayment agreement					
Proceeds from long term debt	44,790,000	2,250,000	12,291,602	257,512	1,342,011
Contributions from assessment district					
Operating transfers in	17,676,689	10,616,069	15,198,496	13,790,988	21,111,234
Operating transfers out	(16,499,746)	(9,425,284)	(13,714,603)	(12,991,291)	(19,687,595)
<b>Total other financing sources (uses)</b>	<b>45,966,943</b>	<b>2,497,769</b>	<b>13,775,495</b>	<b>1,057,209</b>	<b>3,401,167</b>
Extraordinary Item (Refer to CAFR Footnote 19)					
<b>Net Change in fund balances</b>	<b>\$38,842,777</b>	<b>\$963,591</b>	<b>\$14,959,192</b>	<b>(\$7,940,847)</b>	<b>(\$24,402,730)</b>
Debt service as a percentage of noncapital expenditures	9.9%	5.2%	6.7%	6.5%	6.5%

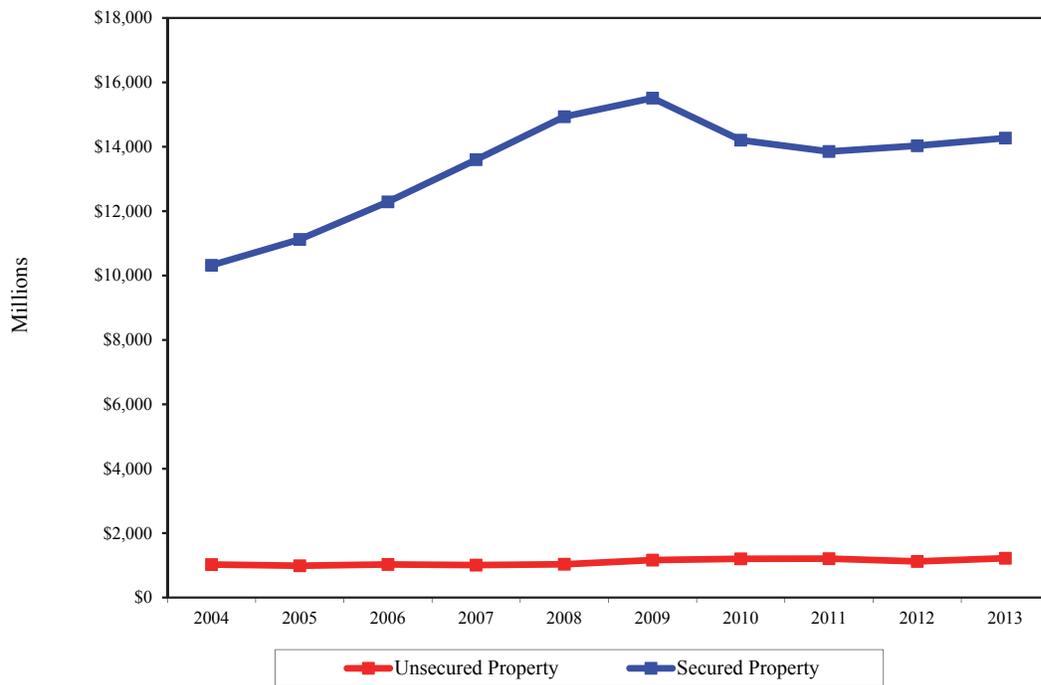
NOTE:

(a) The City reorganized its departments. As a result, Community Development and Culture and Leisure departments no longer exist.

**Fiscal Years Ended June 30,**

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$41,221,852	\$37,292,466	\$35,725,967	\$35,715,527	\$39,180,750
12,630,213	10,180,653	10,351,054	4,721,491	
741,098	610,058	714,015	817,210	891,037
26,341,473		25,491,532	26,346,354	29,197,989
	10,927,290	14,699,792	14,796,979	14,939,639
21,419,990	20,996,991	18,729,085	20,748,138	20,630,166
4,650,694	3,084,964	3,259,291	3,177,816	3,605,753
1,657,789	2,042,460	2,756,632	2,951,068	2,938,106
3,239,537	1,471,396	1,153,359	1,098,574	756,670
32,634,889	25,004,880	36,952,595	55,173,561	28,617,999
8,428,414	8,807,886	9,262,348	8,851,474	8,377,718
381,868	484,205	1,064,680	344,375	109,677
1,781,740	2,559,991	7,787,702	6,565,952	1,934,141
<u>155,129,557</u>	<u>123,463,240</u>	<u>167,948,052</u>	<u>181,308,519</u>	<u>151,179,645</u>
10,421,821	8,564,302	7,930,669	8,034,218	9,841,308
79,537,953	82,051,155	88,980,339	90,190,936	90,696,723
9,558,688	6,152,137	9,225,588	10,994,660	10,498,047
8,771,317	7,986,000	7,884,539	6,926,851	6,531,206
4,810,371	5,986,083	5,622,527	4,396,669	1,847,619
6,095,525	5,558,437	5,562,298	5,346,481	5,806,741
3,723,200	4,384,873	3,783,213	3,827,181	3,685,853
29,560,203	15,712,302	28,216,666	30,601,040	36,797,417
3,094,025	2,940,621	3,071,058	1,751,366	1,854,870
4,046,129	3,966,495	4,584,267	3,355,010	2,040,992
	5,660,618	2,151,873	1,546	
<u>159,619,232</u>	<u>148,963,023</u>	<u>167,013,037</u>	<u>165,425,958</u>	<u>169,600,776</u>
<u>(4,489,675)</u>	<u>(25,499,783)</u>	<u>935,015</u>	<u>15,882,561</u>	<u>(18,421,131)</u>
2,301,320		17,961		
		200,000		
22,583,520	26,352,391	35,397,325	14,518,727	11,304,955
<u>(21,476,956)</u>	<u>(33,068,855)</u>	<u>(36,133,801)</u>	<u>(15,548,463)</u>	<u>(12,689,762)</u>
<u>3,407,884</u>	<u>(6,716,464)</u>	<u>(518,515)</u>	<u>(1,029,736)</u>	<u>(1,384,807)</u>
			<u>(8,009,396)</u>	
<u>(\$1,081,791)</u>	<u>(\$32,216,247)</u>	<u>\$416,500</u>	<u>\$6,843,429</u>	<u>(\$19,805,938)</u>
5.8%	5.7%	5.9%	3.9%	3.0%

**CITY OF HAYWARD  
 ASSESSED AND ESTIMATED ACTUAL  
 VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS**



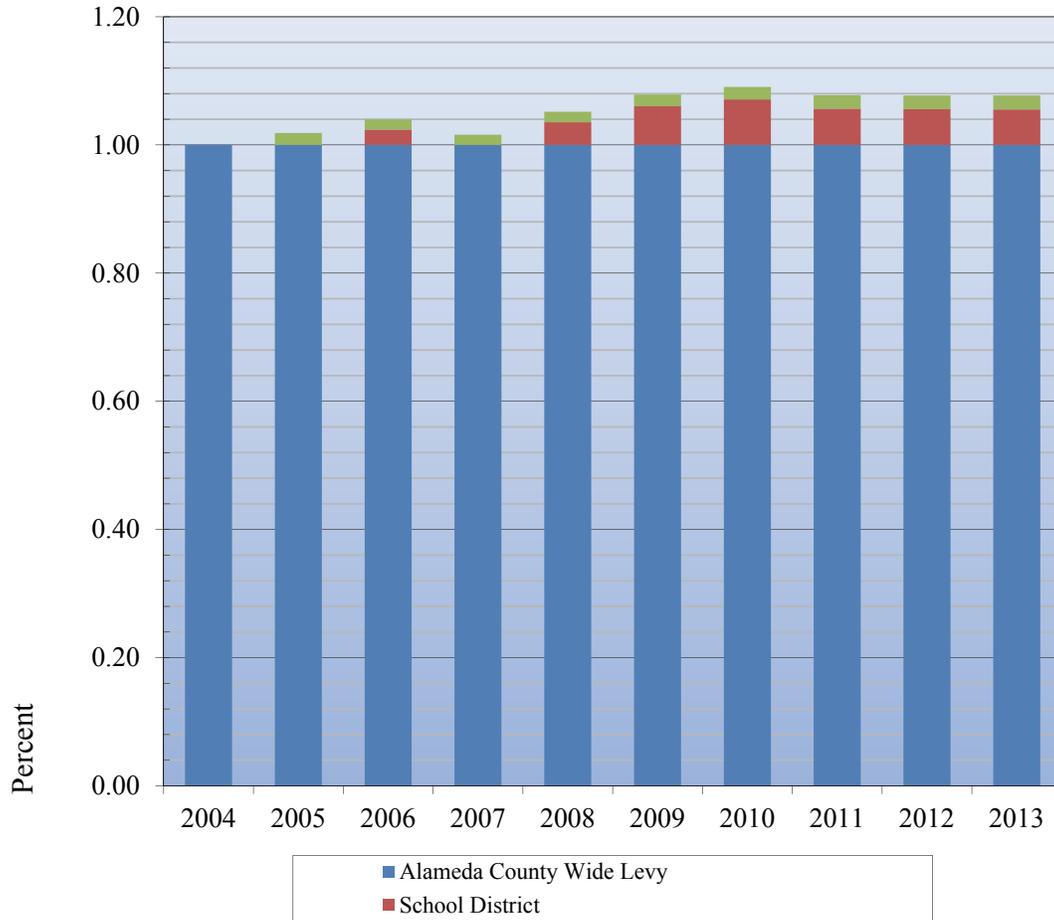
<b>Fiscal Year</b>	<b>Total Secured Property</b>	<b>Total Unsecured Property</b>	<b>Total Assessed ( c )</b>	<b>Estimated Full Market ( a )</b>	<b>Direct Tax Rate ( b )</b>
2004	10,319,487,654	1,024,667,076	11,344,154,730	11,344,154,730	1%
2005	11,122,042,996	986,816,539	12,108,859,535	12,108,859,535	1%
2006	12,288,165,552	1,027,365,069	13,315,530,621	13,315,530,621	1%
2007	13,597,846,461	1,007,627,707	14,605,474,168	14,605,474,168	1%
2008	14,934,382,599	1,032,847,525	15,967,230,124	15,967,230,124	1%
2009	15,511,405,943	1,162,782,433	16,674,188,376	16,674,188,376	1%
2010	14,205,256,130	1,202,570,890	15,407,827,020	15,407,827,020	1%
2011	13,852,339,086	1,206,621,783	15,058,960,869	15,058,960,869	1%
2012	14,031,375,627	1,119,664,498	15,151,040,125	15,151,040,125	1%
2013	14,269,516,867	1,219,715,968	15,489,232,835	15,489,232,835	1%

NOTE:

- ( a ) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- ( b ) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.
- ( c ) Total assessed represents gross amount of the total assessed valuation of the taxable property.

Source: Alameda County Auditor Controller Office Certificate of Assessed Valuations

**CITY OF HAYWARD  
PROPERTY TAX RATES  
ALL OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Alameda County Wide Levy</u>	<u>City of Hayward</u>	<u>Hayward Unified School District</u>	<u>Chabot-Las Positas Community College District</u>	<u>Bay Area Rapid Transit (BART)</u>	<u>East Bay Regional Park</u>	<u>Total</u>
2004	1.0000	0.0018	0.0000	0.0000	0.0000	\$0.0057	1.0075
2005	1.0000	0.0018	0.0000	0.0186	0.0000	0.0057	1.0261
2006	1.0000	0.0018	0.0239	0.0158	0.0048	0.0057	1.0520
2007	1.0000	0.0018	0.0000	0.0159	0.0050	0.0085	1.0312
2008	1.0000	0.0018	0.0354	0.0164	0.0076	0.0080	1.0692
2009	1.0000	0.0018	0.0603	0.0183	0.0090	0.0100	1.0994
2010	1.0000	0.0018	0.0710	0.0195	0.0057	0.0108	1.1088
2011	1.0000	0.0018	0.0566	0.0211	0.0031	0.0084	1.0910
2012	1.0000	0.0018	0.0557	0.0214	0.0041	0.0071	1.0901
2013	1.0000	0.0018	0.0553	0.0219	0.0043	0.0051	1.0884

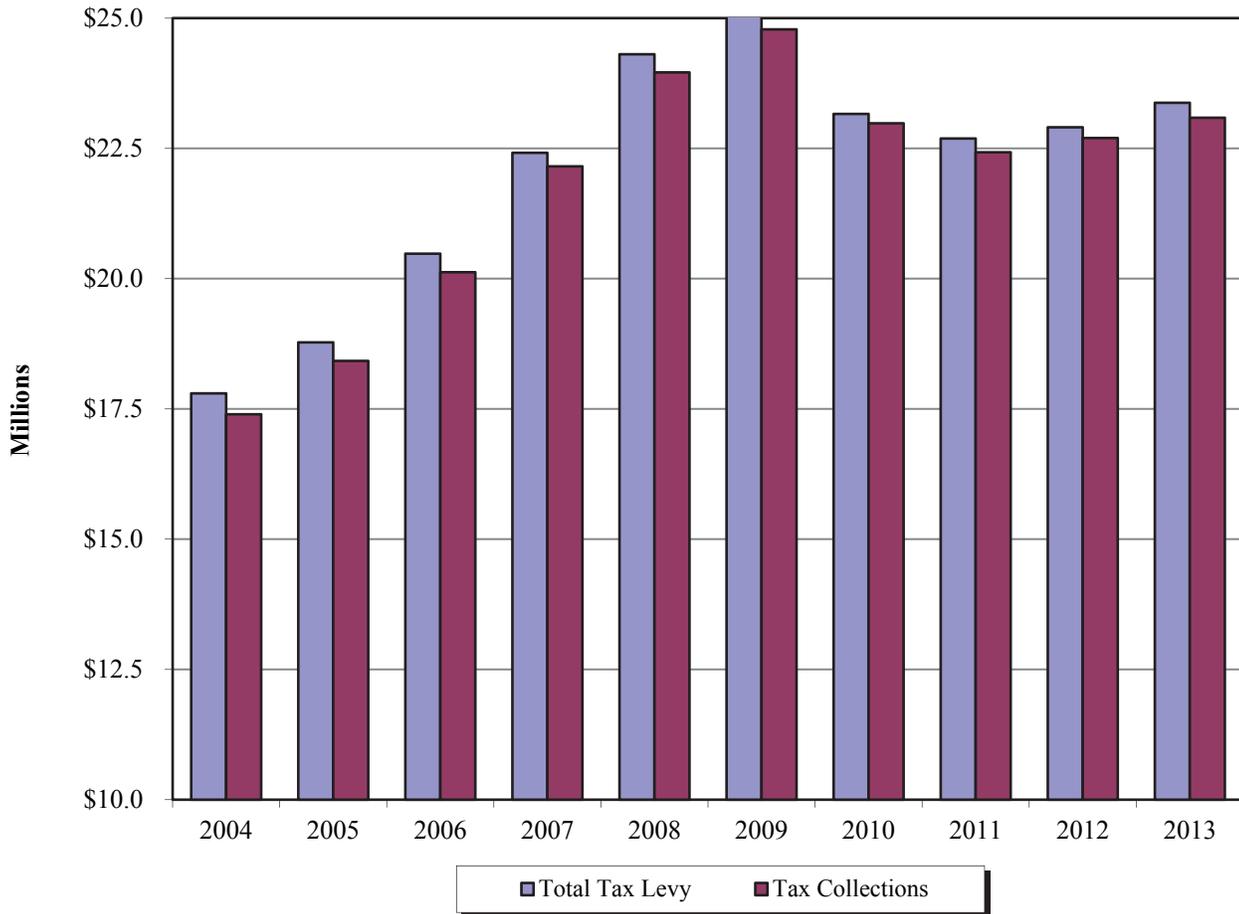
Source: Alameda County Assessor's Office

**City of Hayward**  
**Principal Property Tax Payers**  
**Current Year and Ten Years Ago**

<u>Employer</u>	<u>FY 2013</u>			<u>FY 2004</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Northern Cal Industrial Portfolio	191,348,900	1	1.2%			
Southland Mall LP	147,009,347	2	0.9%	103,454,075	3	0.9%
Bottling Group LLC	129,310,845	3	0.8%	56,314,989	8	0.5%
Berkeley Farm Inc.	107,277,093	4	0.7%	133,702,167	2	1.2%
Hayward Point Eden I Ltd. Prt.	95,083,722	5	0.6%	64,022,223	6	0.6%
SCI Limited Partnership	92,534,400	6	0.6%	73,871,933	4	0.7%
Hayward Industrial Park Assoc.	90,404,215	7	0.6%			
Impax Laboratories	75,697,018	8	0.5%			
Essex Wimbledon Woods Apartm	57,973,033	9	0.4%	48,961,370	9	0.4%
Target Corporation	57,019,413	10	0.4%			
SPK Industrial Portfolio LLC				151,743,602	1	1.3%
Acacia Credit Fund 7 LLC				69,223,014	5	0.6%
Calwest Industrial Properties LLC				56,767,345	7	0.5%
GE Credit Auto Auctions Inc.				19,166,464	10	0.2%
<b>Subtotal</b>	<b>1,043,657,986</b>		<b>6.7%</b>	<b>777,227,182</b>		<b>6.9%</b>

Total Assessed Valuation:  
Fiscal Year 2012/2013 15,489,232,835  
Fiscal Year 2003/2004 11,344,154,730

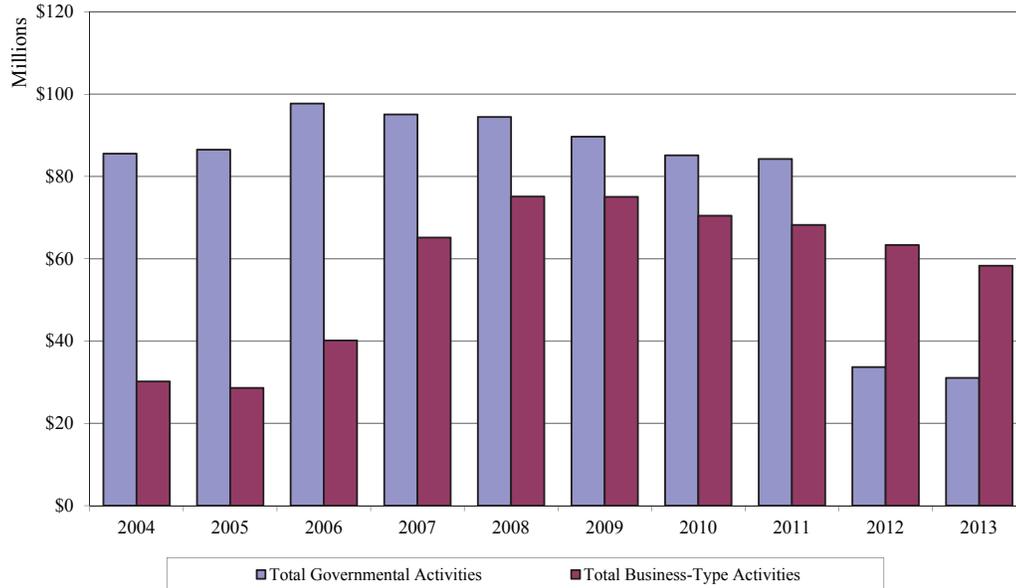
**CITY OF HAYWARD  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**



<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>
2004	17,798,479	16,847,330	94.66%	549,264	17,396,594	97.74%
2005	18,777,530	17,834,790	94.98%	585,811	18,420,601	98.10%
2006	20,479,673	19,465,790	95.05%	657,640	20,123,430	98.26%
2007	22,414,567	21,022,743	93.79%	1,133,169	22,155,912	98.85%
2008	24,307,591	22,564,833	92.83%	1,393,980	23,958,813	98.57%
2009	25,157,590	23,387,921	92.97%	1,396,493	24,784,414	98.52%
2010	23,161,547	21,849,101	94.33%	1,132,552	22,981,653	99.22%
2011	22,689,887	21,518,638	94.84%	907,086	22,425,724	98.84%
2012	22,905,414	21,746,406	94.94%	952,781	22,699,187	99.10%
2013	23,375,741	22,340,018	95.57%	748,912	23,088,930	98.77%

Source: Alameda County Assessor Office

**CITY OF HAYWARD  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**



**Governmental Activities**

Fiscal Year	Tax Allocation Bonds	Certificates of Participation	Revenue Bonds	Capital Lease Obligations	Total
2004	44,790,000	35,125,000	4,935,070	692,271	85,542,341
2005	44,790,000	34,160,000	4,334,710	3,218,896	86,503,606
2006	55,995,000	33,150,000	3,711,230	4,857,110	97,713,340
2007	55,385,000	32,095,000	3,068,590	4,506,396	95,054,986
2008	54,175,000	31,820,000	2,367,210	6,085,299	94,447,509
2009	52,905,000	30,430,000	1,785,520	4,536,751	89,657,271
2010	51,570,000	29,045,000	1,449,610	3,058,792	85,123,402
2011	50,170,000	27,605,000	1,101,010	5,367,484	84,243,494
2012	0 (a)	26,095,000	740,240	6,846,579	33,681,819
2013	0 (a)	24,525,000	575,000	5,943,842	31,043,842

**Business-Type Activities**

Fiscal Year	Water Revenue Bonds	Sewer Revenue Bonds	Total	Total Government	Government Debt Per Capita (b)
2004	16,154,965	14,019,965	30,174,930	115,717,271	800.08
2005	15,417,645	13,192,645	28,610,290	115,113,896	788.31
2006	14,646,885	25,490,235	40,137,120	137,850,460	941.61
2007	13,853,205	51,289,612	65,142,817	160,197,803	1,083.55
2008	12,502,790	62,618,065	75,120,855	169,568,364	1,136.48
2009	12,147,240	62,885,113	75,032,353	164,689,624	1,091.54
2010	11,232,695	59,227,319	70,460,014	155,583,416	1,016.19
2011	10,276,995	57,944,117	68,221,112	152,464,606	1,045.43
2012	9,277,380	54,047,154	63,324,534	97,006,353	659.40
2013	8,225,000	50,073,263	58,298,263	89,342,105	600.59

Note : Debt amounts exclude any premiums, discounts, or other amortization amounts.

(a) Tax Allocation Bonds are reported under Redevelopment Successor Agency as Fiduciary Fund as Redevelopment Agency was dissolved on January 31, 2012 as per ABx1 26 and AB1484.

(b) Per Capita based on City population; refer to Demographic and Statistics Schedule for population data.

Source: City of Hayward  
State of California, Department of Finance (population)  
U.S. Dept of Commerce, Bureau of the Census (income)

**CITY OF HAYWARD  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

2012-13 Assessed Valuation:	\$ 15,005,532,863
Redevelopment Incremental Valuation:	<u>(1,073,785,322)</u>
Adjusted Assessed Valuation:	\$ 16,079,318,185

	Total Debt 6/30/2013	% Applicable (1)	City's Share of Debt 6/30/2013	
<b><u>DIRECT DEBT:</u></b>				
City of Hayward General Fund Obligations	\$ 26,480,000	100%	\$ 26,480,000	
Subtotal Gross Direct Debt				\$ 26,480,000
Less: City of Hayward Public Financing Authority Lease Revenue Bonds (100% supported)				<u>(550,000)</u>
<b>Total Net Direct Debt</b>				<b>\$ 25,930,000</b>

**OVERLAPPING DEBT:**

<b>Overlapping Tax and Assessment Debt:</b>				
Bay Area Rapid Transit District	\$ 410,690,000	2.985%	\$ 12,259,097	
Chabot-Las Positas Community College District	438,355,959	17.437%	76,436,129	
Castro Valley Unified School District	93,660,000	0.184%	172,334	
Hayward Unified School District	196,044,877	85.190%	167,010,631	
New Haven Unified School District	191,827,486	15.443%	29,623,919	
Pleasanton Unified School District	64,674,429	0.035%	22,636	
San Lorenzo Unified School District	105,515,000	16.861%	17,790,884	
Washington Township Healthcare District	59,975,000	2.259%	1,354,835	
East Bay Regional Park District	135,565,000	4.614%	6,254,969	
City of Hayward Community Facilities District No. 1	7,255,000	100.000%	7,255,000	
City of Hayward 1915 Act Bonds	1,565,000	100.000%	1,565,000	
Subtotal Overlapping Tax and Assessment Debt				\$ 319,745,434

Ratios to 2012-13 Assessed Valuation:  
Subtotal Overlapping Tax and Asses 2.13%

**OVERLAPPING GENERAL FUND DEBT:**

Alameda County General Fund Obligations	638,960,500	7.590%	\$ 48,497,064	
Alameda County Pension Obligations	109,277,602	7.590%	8,294,170	
Alameda-Contra Costa Transit District Certificates of Participation	31,380,000	8.866%	2,782,151	
Hayward Unified School District Certificates of Participation	15,565,000	85.190%	13,259,824	
San Lorenzo Unified School District Certificates of Participation	19,730,000	16.861%	3,326,675	
Castro Valley and Pleasanton Unified School District Certificates of Participation	23,655,000	0.184% & 0.035%	17,436	
Subtotal Overlapping General Fund Debt				\$ 76,177,320

**OVERLAPPING TAX INCREMENT DEBT(Successor Agencies):** 77,480,000 4.243% & 100.000% \$ 48,317,206  
\$ 48,317,206

<b>Total Overlapping Debt</b>	<b>\$ 444,239,960</b>
<b>Grand Total Net Direct and Overlapping Debt</b>	<b>\$ 470,169,960</b>
<b>Gross Combined Total Direct and Overlapping Debt</b>	<b>\$ 470,719,960</b>

**Ratios to 2012-13 Assessed Valuation:**

Subtotal Gross Direct and Overlapping Tax and Assessment Debt 3.14%

**NOTE:**

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

**CITY OF HAYWARD  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
Last Ten Fiscal Years**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	<u><u>\$16,942,220,272</u></u>
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BONDED DEBT LIMIT (15.% OF ASSESSED VALUE)	<u>\$2,541,333,041</u>
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$31,043,842
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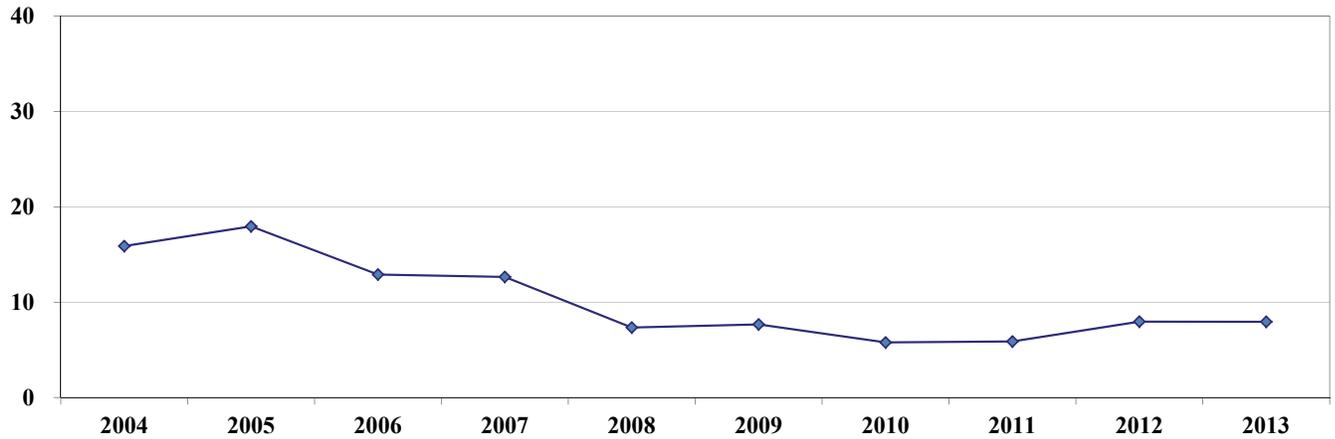
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	<u>31,043,842</u>
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Amount of debt subject to limit	<u>0</u>
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LEGAL BONDED DEBT MARGIN	<u><u>\$2,541,333,041</u></u>
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Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2004	1,816,328,930	0	1,816,328,930	0.00%
2005	1,997,329,593	0	1,997,329,593	0.00%
2006	2,190,821,125	0	2,190,821,125	0.00%
2007	2,395,084,519	0	2,395,084,519	0.00%
2008	2,501,128,256	0	2,501,128,256	0.00%
2009	2,311,174,053	0	2,311,174,053	0.00%
2010	2,258,844,130	0	2,258,844,130	0.00%
2011	2,272,656,019	0	2,272,656,019	0.00%
2012	2,323,384,925	0	2,323,384,925	0.00%
2013	2,541,333,041	0	2,541,333,041	0.00%

**CITY OF HAYWARD  
REVENUE BOND COVERAGE  
WASTEWATER REVENUE BONDS  
LAST TEN FISCAL YEARS**

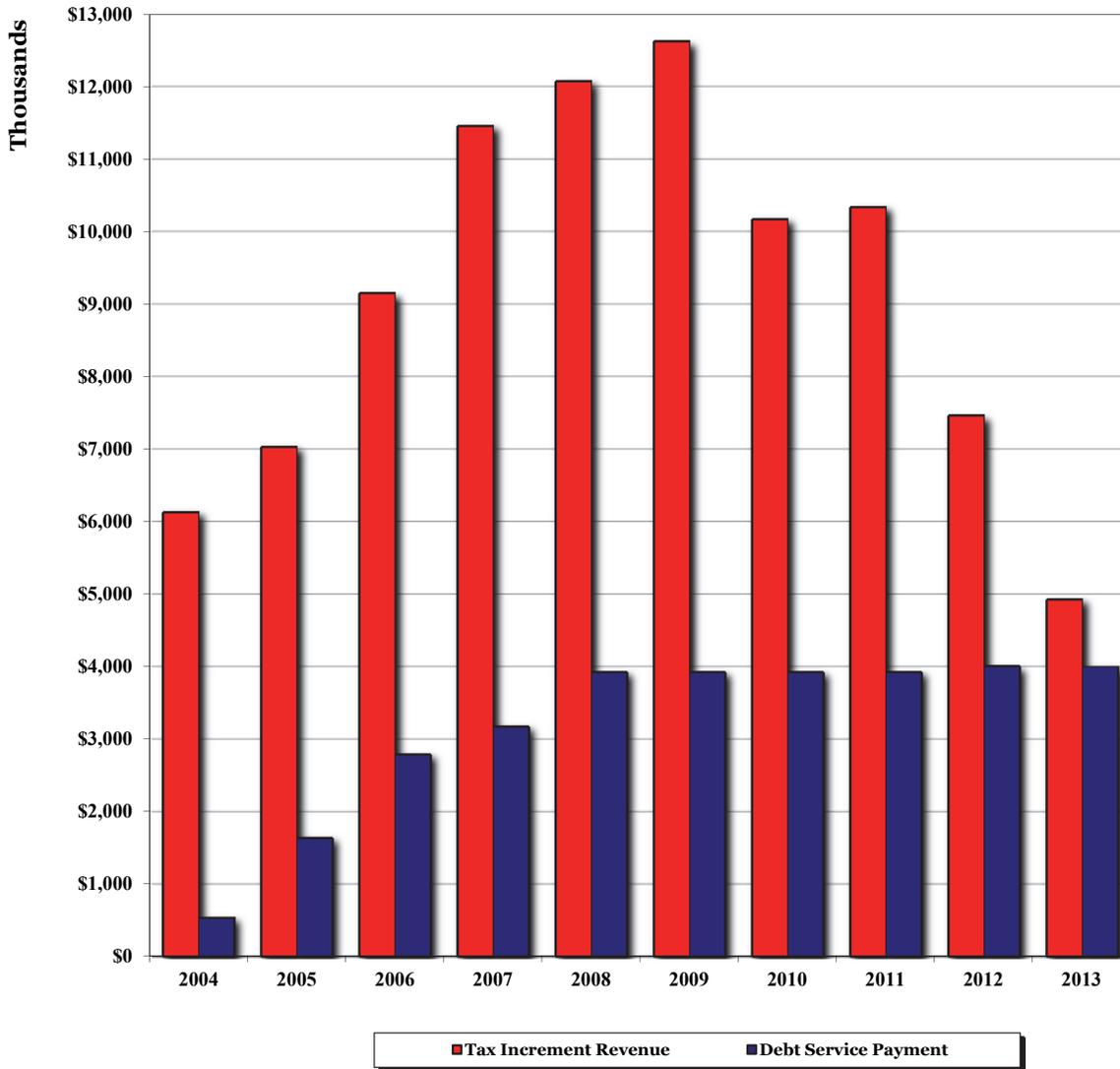


◆ Ratio Coverage

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Ratio Coverage
				Principal	Interest	Total	
2004	45,157,589	28,749,172	16,408,417	560,000	474,167	1,034,167	15.87
2005	48,501,867	29,848,059	18,653,808	575,000	464,851	1,039,851	17.94
2006	40,424,483	27,212,260	13,212,223	595,000	429,960	1,024,960	12.89
2007	49,256,682	32,133,601	17,123,081	700,000	654,199	1,354,199	12.64
2008	50,796,313	34,331,143	16,465,170	1,630,000	615,493	2,245,493	7.33
2009	52,045,189	36,734,951	15,310,238	1,275,000	723,400	1,998,400	7.66
2010	49,514,021	37,952,868	11,561,153	1,325,000	676,988	2,001,988	5.77
2011	52,765,158	41,042,710	11,722,448	1,370,000	628,288	1,998,288	5.87
2012	61,287,200	45,366,632	15,920,568	1,425,000	577,688	2,002,688	7.95
2013	65,512,421	49,506,563	16,005,858	1,490,000	527,831	2,017,831	7.93

Notes: (1) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue  
(2) Includes all Wastewater Operating Expenses less Depreciation and Interest

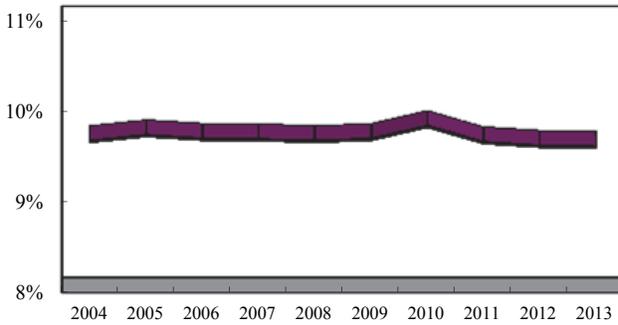
**CITY OF HAYWARD  
 BONDED DEBT PLEDGED REVENUE COVERAGE  
 TAX ALLOCATION BONDS  
 LAST TEN FISCAL YEARS**



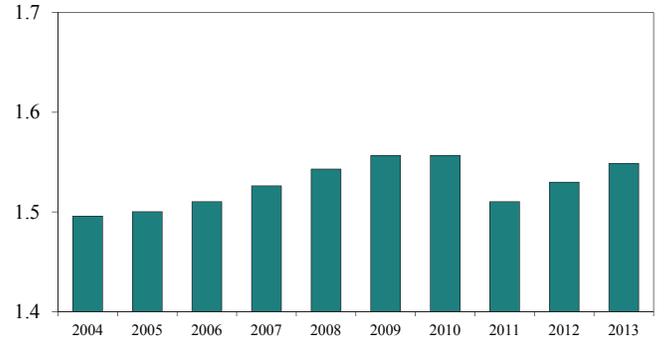
Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2004	6,138,632	305,000	239,876	544,876	11.27
2005	7,035,685	0	1,643,576	1,643,576	4.28
2006	9,154,816	595,000	2,199,581	2,794,581	3.28
2007	11,465,642	610,000	2,571,716	3,181,716	3.60
2008	12,082,986	1,210,000	2,722,771	3,932,771	3.07
2009	12,630,212	1,270,000	2,662,272	3,932,272	3.21
2010	10,180,653	1,335,000	2,598,772	3,933,772	2.59
2011	10,351,054	1,400,000	2,532,021	3,932,021	2.63
2012	7,465,404	1,540,000	2,469,022	4,009,022	1.86
2013	4,934,694	1,605,000	2,400,322	4,005,322	1.23

Source: City of Hayward Annual Financial Statements

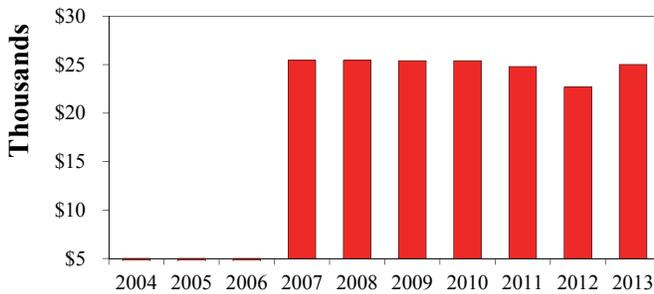
## CITY OF HAYWARD DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS



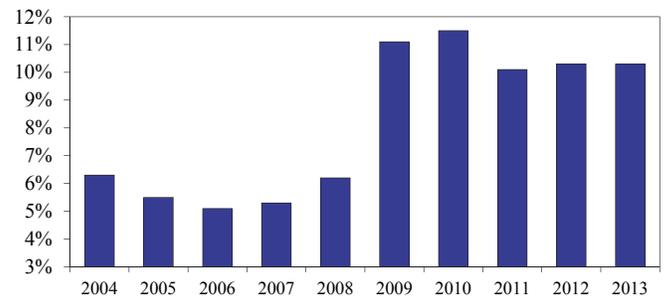
■ City Population as a % of County Population



■ Alameda Co. Population



■ Per Capita Income



■ Unemployment Rate (%)

Fiscal Year	City Population	Per Capita Income	City Unemployment Rate	Alameda Co. Population	City Population % of County
2004	144,633	n/a	6.3%	1,495,775	9.67%
2005	146,027	n/a	5.5%	1,500,228	9.73%
2006	146,398	n/a	5.1%	1,510,303	9.69%
2007	147,845	25,439	5.3%	1,526,148	9.69%
2008	149,205	25,439	6.2%	1,543,000	9.67%
2009	150,878	25,407	11.1%	1,556,657	9.69%
2010	153,104	25,407	11.5%	1,556,657	9.84%
2011	145,839	24,803	10.1%	1,510,271	9.66%
2012	147,113	22,681	10.3%	1,529,875	9.62%
2013	148,756	25,019	10.3%	1,548,681	9.61%

Source: California State Dept of Finance  
U.S. Census Bureau

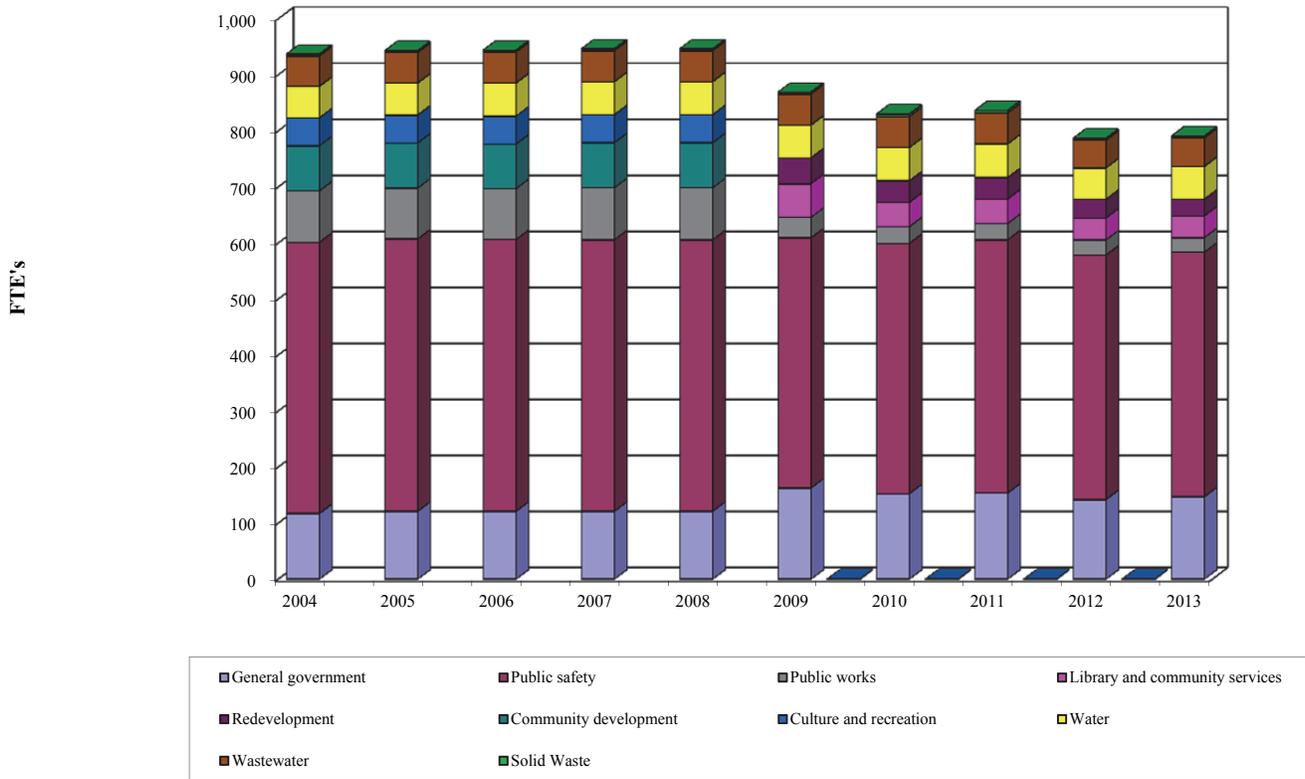
**City of Hayward**  
**Principal Employers**  
**Current Year and Seven Years Ago**

<u>Employer</u>	FY 2013			FY 2006 *		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Kaiser Permanente Medical Center	2500	1	1.7%	2200	1	1.5%
California University East Bay	2207	2	1.5%	1600	3	1.1%
Hayward Unified School District	2200	3	1.5%	2100	2	1.4%
Alameda County	1200	4	0.8%			
City of Hayward	800	5	0.5%	943	5	0.6%
Gillig Corporation	700	6	0.5%	474	10	0.3%
St. Rose Hospital	700	6	0.5%	660	8	0.4%
Pentagon Technologies	650	8	0.4%			
Berkeley Farms LLC	600	9	0.4%	640	9	0.4%
IMPAX Laboratories Inc	594	10	0.4%			
Mervyn's **				1300	4	0.9%
SBC				940	6	0.6%
Chabot College				763	7	0.5%
<b>Subtotal</b>	<b>12151</b>		<b>8.2%</b>	<b>11620</b>		<b>7.9%</b>
Total City Population Using Census Data	<u>148,756</u>			<u>147,210</u>		

\* Prior to FY2006 data not available

\*\* Mervyns filed for bankruptcy in November 2008

**CITY OF HAYWARD**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Function</b>										
General government	117.00	121.00	121.00	121.00	121.00	162.50	152.50	153.50	142.00	146.90
Public safety	484.20	486.20	485.20	484.70	484.70	446.70	446.70	452.20	436.50	436.50
Public works	91.75	90.75	90.75	92.75	92.75	36.50	29.75	29.00	27.00	26.10
Library and community services						59.85	43.45	43.45	39.10	38.55
Redevelopment						46.50	38.50	38.50	33.25	30.00
Community development	80.50	80.50	79.50	80.50	80.50		*	*	*	*
Culture and recreation	49.85	49.85	49.85	49.85	49.85		*	*	*	*
Water	56.00	57.00	59.00	59.00	59.00	58.25	59.25	60.00	56.00	58.40
Wastewater	54.50	54.50	55.50	55.50	55.50	55.50	55.50	55.50	49.50	51.00
Solid Waste	3.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00	3.00	3.00
<b>Total</b>	<b>936.80</b>	<b>942.80</b>	<b>943.80</b>	<b>946.30</b>	<b>946.30</b>	<b>868.80</b>	<b>829.65</b>	<b>836.15</b>	<b>786.35</b>	<b>790.45</b>

Source: City of Hayward Adopted Operating Budget

\*Due to City of Hayward department reorganization; Community Development and Culture and Leisure departments no longer exist.

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**CITY OF HAYWARD**  
**Operating Indicators by Function/Program**  
**Last Three Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year Ended June 30,</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Public safety:</b>			
Fire alarms	14,427	14,618	17,080
Police: (Uniform Crime Reporting Statistics)			
Property crime calls	3,753	4,204	4,867
Violent crime calls	1,435	1,241	1,176
Arson calls	55	29	21
<b>Public works</b>			
Pavement Condition Index (PCI)*	70	70	69
*Industry measure of street condition with 100 ideal score			
Annual pavement improvement projects	12	12	10
Airport operations count/flights	88,053	87,327	100,138
Airport reported based aircraft	448	423	430
<b>Library and Community Services</b>			
Social Services Projects Funded	25	25	19
Facilities Projects Funded	7	7	4
Economic Development Projects Funded	3	3	1
New Housing/Rehab Projects Funded	2	1	1
Public Services Projects Funded	13	13	9
<b>Planning</b>			
Active Subdivisions	48	34	33
Active Parcel Maps	17	17	17
Building Permits	3,702	3,393	3,576
Residential Rental Inspections	2,177	1,765	919
<b>Library and neighborhood services</b>			
Library Materials in Collection	167,164	169,788	165,975
Library Circulation (Items checked out)	1,277,359	1,279,297	1,087,852
Community Preservation Cases	4,065	3,239	2,786
<b>Water</b>			
Water service connections	32,805	33,037	33,200
Water main breaks	22	17	21
Average daily consumption (thousands of gallons)	17,027	15,600	15,480
<b>Wastewater</b>			
Sewer service connections	31,238	31,500	31,700
Average daily treatment (thousands of gallons)	12,500	11,300	11,400
<b>Solid Waste</b>			
Landfilled waste recycled and diversion rate*	<b>71%</b>	<b>70%-75%</b>	<b>70%-75%</b>
*Diversion rate beginning in calendar year 2000 and each year thereafter.			

Source: City of Hayward

**CITY OF HAYWARD**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year Ended June 30,</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Public safety:</b>				
Fire stations (a)	9	9	9	9
Number of firefighters and officers (b)	115	119	118	120
Police stations	1	1	1	1
Number of police officers (c)	196	188	192	186
<b>Public works</b>				
Miles of streets	258	258	258	258
Street lights	7,000	7,300	7,300	7,300
Traffic Signals	105	106	107	107
Airport	1	1	1	1
<b>Library and neighborhood services</b>				
City Libraries	2	2	2	2
<b>Water</b>				
Number of consumers	130,000	140,000	140,000	140,000
Average daily consumption (gallons)	19,647,860	18,500,000	18,300,000	18,200,000
Miles of water mains	325	325	325	340
Storage capacity (gallons)	25,250,000	28,100,000	28,100,000	28,100,000
<b>Wastewater</b>				
Miles of sewers	325	325	325	340
Number of treatment plants	1	1	1	1
Treatment capacity (gallons)	16,500,000	16,500,000	16,500,000	16,500,000

(a) Includes Fairview Fire District Station under contract

(b) represents actual hired firefighters and officers which may be different than budgeted number of positions

(c) represents actual hired police officers which may be different than budgeted number of positions

Sources: City of Hayward Capital Asset Schedule

**Fiscal Year Ended June 30,**

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
9	9	9	9	9	9
121	116	121	121	118	115
1	1	1	1	1	1
186	181	198	207	197	189
260	260	260	266	266	266
7,700	7,700	8,000	8,143	8,143	8,143
108	108	108	133	134	135
1	1	1	1	1	1
2	2	2	2	2	2
140,000	140,000	140,000	140,000	140,000	140,000
19,300,000	18,600,000	17,400,000	17,400,000	15,600,000	15,500,000
340	350	350	350	350	370
28,100,000	28,100,000	28,100,000	29,300,000	29,350,000	29,350,000
340	320	320	320	320	320
1	1	1	1	1	1
16,500,000	16,500,000	16,500,000	18,500,000	18,500,000	18,500,000

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