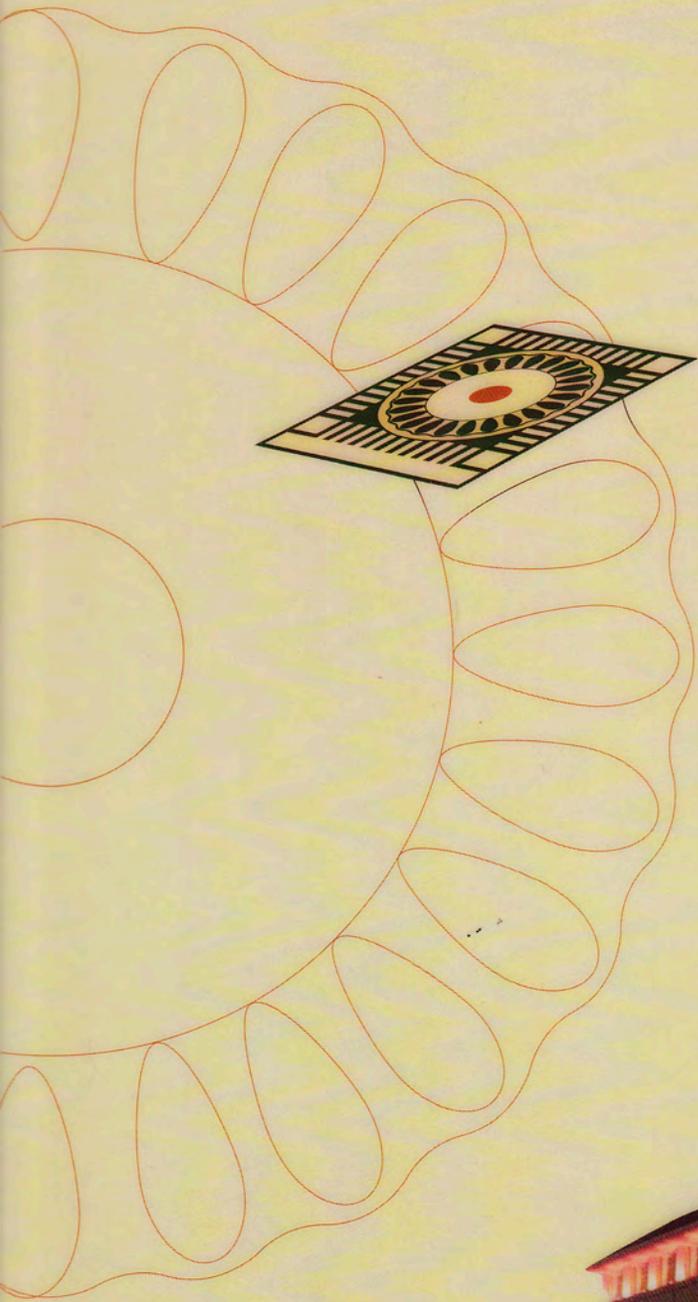


CITY OF

HAYWARD

CALIFORNIA



**Comprehensive Annual
Financial Report**
for Fiscal Year Ended
June 30, 2014



HEART OF THE BAY

CITY OF HAYWARD, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014

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, 2014

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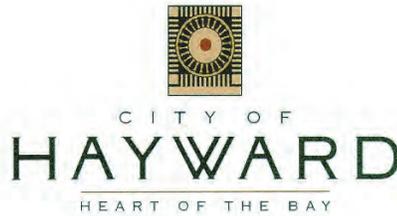
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March 2014

Honorable Mayor, Members of the City Council, and Residents 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, 2014. 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, 2014 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, 2014, 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 151,574, 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 the 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 49,000 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 hospitals¹, 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

¹ While this is true through most of FY 2014, it should be noted that one hospital, Kaiser Permanente, left Hayward in late Spring 2014, leaving Hayward with only one major hospital.

Recreational District (HARD), headquartered in the City. This partnership includes two public golf courses under operational lease to HARD. After school homework and tutoring programs and literacy classes are provided through the City Library system and are located in the Library 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/). 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/) and Hayward Unified School District (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 well-established and growing business community that represents a balance of retail, industrial, and emerging technologies. In fiscal year 2014, 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 now experiencing stabilization of revenues, although not all revenues have returned to pre-recessionary levels.

During the June 3, 2014 municipal election, the voters of the City of Hayward passed a ballot measure (Measure C) to increase the City’s Transaction and Use (Sales) Tax by half a percent for twenty years. This half cent increase became effective October 1, 2014, bringing Hayward’s Sales and Use Tax to 9.5%. This is a general tax that is considered discretionary in nature. Staff estimates that the new sales tax will generate approximately \$10 million annually in locally controlled revenue that can be allocated by the City Council and will remain in place for a period of twenty years. These revenues will be reported in next year’s financial report.

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 the unemployment rate in Alameda County as of December 2014 was 5%, which is down from 6.2% in 2013 and 8.62% in 2012. In addition, Hayward has seen an increase in its

assessed valuation in 2014 of almost 8% and the median residential home value is about \$580,000 in November 2014 versus \$395,000 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 decreases in business-to-business, construction, and other retail sectors. Fiscal Year 2014 saw a continued rebound of these revenues, with sales tax revenues experiencing an 8.7% increase over fiscal year 2013 revenues. This growth has brought the level of sales tax revenues back to pre-recession 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 2014 was \$15.76 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. In addition, the State's continued policy to push services down to the local level without reallocating revenue to support the service delivery is a continued challenge. Finally, the Court-ordered realignment/early release program to alleviate over-crowding in the State's prisons, places a dramatic demand on local law enforcement resources.

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 locally-controlled economic development and affordable housing purposes. The City continues to navigate the complicated and convoluted 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 fund expenditures in order to address and resolve 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 \$4-\$5 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 and increased employee benefit costs – 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 initiatives:

Overarching Priorities:	SAFE
	CLEAN
	GREEN
Supporting Priorities:	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 through the City’s Capital Improvement Program, which for FY 2014 was budgeted at \$101 million in all funds, and over the Ten-Year Planning Cycle, the Capital Improvement Program totals \$323 million in project allocations. These projects will improve the economic base of the City as well as improve the safety and reliability of City infrastructure for residents, businesses, and visitors.

Neighborhood Services/Cleanliness

Neighborhood Partnership Program: The City continues to maintain strong connections to residents and businesses throughout the community. Staff and Council conduct regular Neighborhood Partnership meetings in many Hayward neighborhoods, as well as continue to partner with the City’s Keep Hayward Clean and Green Task Force and many proactive neighborhoods to clean up and maintain the community and to prevent and abate graffiti.

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 League of California Cities for this program, has 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 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 2014, 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.

21st Century Library and Community Learning Center: This project, which is expected to cost \$59.8 million, focused on the final design phase during FY 2014. 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. Construction will commence in FY 2015/2016 as a result of the June 2014 approval by the Hayward voters of a ½ cent local sales tax increase.

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 \$10.6 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. Design work was completed during FY 2014 and construction will commence during the early part of FY 2015.

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 well underway in FY 2014. The new co-generation system will double the efficiency and energy output of the WPCF, and in combination with solar power, will allow the plant to utilize clean, renewable energy resources for almost all of its power needs. Given that the total overall energy produced at the WPCF will exceed the energy needed to operate the facility, a new PG&E tariff, known as the Renewable Energy Self Generation Bill Credit Transfer (RES-BCT), will allow the City to transfer excess energy through the PG&E transmission system to other City 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 substantially completed in FY 2014. The Master Plans evaluate current demand and anticipated development to City utilities can meet the needs of future users, and guide the planning and implementation of system improvements.

Recycled Water: The City initiated an environmental assessment of a recycled water distribution system to deliver recycled water to suitable sites within close proximity to the Water Pollution Control Facility. This project would enable the City to distribute 300,000 gallons per day of tertiary treated wastewater for irrigation and industrial use, and reduce the City's reliance on potable water for these purposes.

Advanced Metering Infrastructure (AMI): AMI technology would provide remote water meter reading capabilities. This system also enables water customers to better manage their water use through access to frequent real-time meter reads. AMI would provide the City with tools for improved customer service and proactive leak detection. In FY 2014, the City initiated a feasibility study and pilot program to test three AMI systems. The pilot will run through most of FY 2015.

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 and litigation by the community and housing advocates. The City, in conjunction with Caltrans, recently completed the sale of almost all residential units, moving these parcels back onto the Property Tax rolls; and assuring that many long-term tenants of these properties had the necessary assistance to purchase their home if they desired. The City and Caltrans will now work together to dispose of the remaining undeveloped or under-developed parcels.

880/92 Reliever Route Project: All necessary design work was completed during FY 2014 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 was completed in FY 2014 on this \$4.7 million, 5,000 square foot building, which will provide a single location for 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 \$30 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. In FY 2014, the market rate portion of the project was sold to a new developer and construction on this element is anticipated to begin in late FY 2015. Construction on the affordable project began in early FY 2015. Construction of the approximately 350 total new housing units will be complete by FY 2017.

Organizational Health and Fiscal Stability

Enterprise Resource Planning (ERP) System: For the past three years, the City has been engaged in designing and implementing a comprehensive ERP system that includes a new core financial system as well as new systems for procurement, business license, permitting, utility billing, work orders, payroll, and human resources management. This multi-year project saw the majority of the system implementation in FY 2014. This effort has modernized the City's fiscal systems and provides for increased internal controls, improved reporting, and elimination of many inefficient paper-driven processes.

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

The City maintains excellent ratings on all of its debt issuances. In June 2014, Fitch reviewed the City's \$24.5 million 2007 refunding of its certificates of participation (COPs) for the Civic Center building and other capital improvement projects and affirmed the rating as 'AA' for the COPs, with an implied general obligation rating of 'AA+' with a stable outlook. 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 Improvement Program annually, that includes planned capital projects in the areas of transportation, 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 2014, the City had total debt outstanding of \$84.3 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 comes into compliance with the provisions of GASB 54 (fund balance reporting and fund type definitions), some of the current reserve designations may change. For FY 2014, 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 2014, the unassigned fund balance of the General Fund was \$25 million, while the total fund balance was \$34.8 million (includes non-cash outstanding receivables of over \$9.3 million). The unassigned fund balance represents 19% of total General Fund expenditures of \$131.35 million (including Transfers Out). It should be noted that due to claw-back requirements pursuant to the former Redevelopment Agency dissolution, the City re-paid \$2.2 million from General Fund fund balance

to the Successor Agency for disallowed loan payments. The City hopes to seek payment from the Successor Agency for this loan receivable beginning in FY 2018.

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, 2013. This was the twenty-seventh 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 Dustin Claussen, Deputy Director of Finance and Thanh Nguyen, Senior Accountant, and the entire Accounting Division staff.

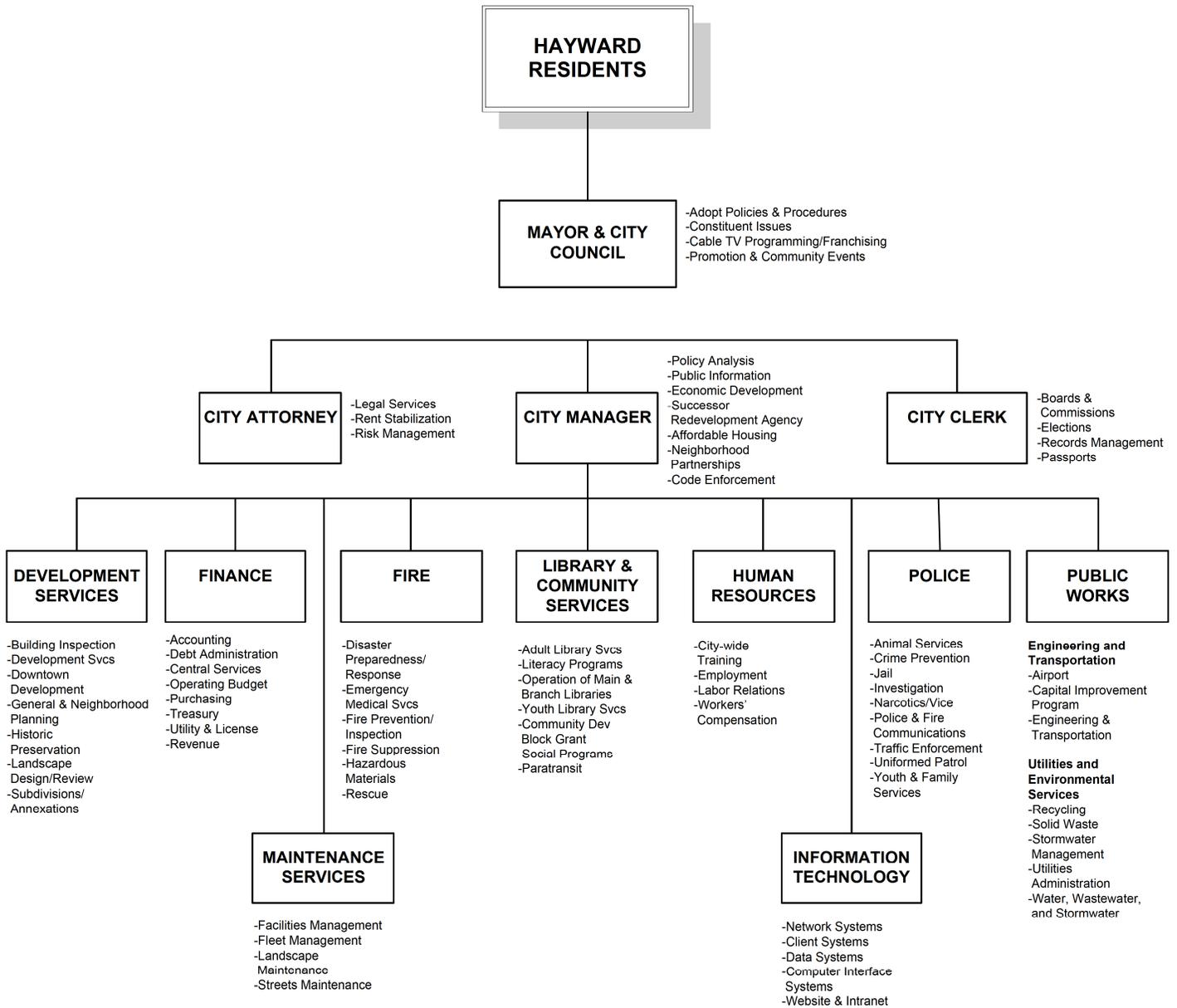
I also wish to recognize the commitment of the City Manager, the Mayor, and the City Council to the high standards embodied in this Report and express appreciation to them and each City department for their cooperation and support in conducting the fiscal operations of the City.

Respectfully Submitted,



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.



Barbara Halliday
Mayor
Term Expires 2018



Al Mendall
Council Member
Term Expires 2016



Greg Jones
Council Member
Term Expires 2016



Marvin Peixoto
Council Member
Term Expires 2018



Sara Lamnin
Council Member
Term Expires 2018



Francisco Zermeño
Council Member
Term Expires 2016



Elisa Márquez
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	Nina Morris Collins
Information Technology	Mark Guenther
Library & Community Services	Sean Reinhart
Maintenance Services	Todd Rullman (acting)
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, 2013

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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof 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

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2014 that affected the format and nomenclature of the financial statements:

Statement 65 – *Items Previously Report as Assets and Liabilities*. See Note 1 to the financial statements for relevant disclosures.

As discussed in Note 9, the City restated the Beginning Fund Balances as of July 1, 2013 for the Measure F Special Revenue Fund due to a portion of the expenditure charges in the prior year was disallowed. As a result, Beginning Fund Balance of the Fund was increased by \$86,239, and the Beginning Net Position of the Government-Wide Statements was increased by the same amount.

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, and budgetary comparison information for the General Fund, and Major Special Revenue Funds be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, are 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

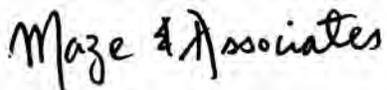
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes 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 March 19, 2015, 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.



Pleasant Hill, California
March 19, 2015

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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, 2014. 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 \$636.9 million (*total net position*). Of this amount, \$186.5 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 \$25.0 million over fiscal year 2013. Governmental activities, including the General Fund, increased by \$9.7 million due to increases in program revenues in economic development, planning/building and maintenance services; as well as decreases in public works and transportation expenses related to the Route 238 Corridor improvements. Business-type activities such as Sewer, Water, and Airport Funds, increased by \$15.3 million largely due to water activities.
- ❑ As of June 30, 2014, the City's governmental funds reported combined fund balances of \$76.0 million, an increase of \$4.5 million from the prior year largely due to an increase in revenues in the Housing Authority of \$2.4 million and a decrease of expenditures of \$2.1 million.
- ❑ At the end of fiscal year 2014, total fund balance for the General Fund was \$34.8 million, a decrease of \$0.5 million over fiscal year 2013. The total fund balance is comprised of \$9.3 million in non-spendable (illiquid reserves) and \$25.1 million spendable (cash) fund balance. The cash fund balance was designated for contingencies, economic uncertainty, emergencies, and liquidity by the City Council, and represents 19.1% of total expenses including Transfers Out. The \$9.3 million in non-spendable reserve is a long-term loan receivable (General Fund loan to the former Redevelopment Agency (RDA)). In fiscal year 2011, \$2.2 million was transferred from the former RDA Successor Agency as a payment on the loan. As such, the fiscal year 2013 financial statements reflected a loan receivable balance of \$7 million. Pursuant to a determination by the State Department of Finance, this payment was reversed in fiscal year 2014. The fiscal year 2014 Governmental Balance Sheet now reflects a \$2.2 million increase in Nonspendable fund balance in the General Fund and a \$3.1 million decrease in Unassigned (spendable) fund balance (\$2.2 million in loan reversal and \$546,741 in use of General Fund reserve).
- ❑ Fiscal year 2014 ended with net decrease to the General Fund Reserve of \$546,741. The City utilized General Fund Reserves to balance the fiscal year 2014 budget due to operating revenues not fully covering operating expenses. Pursuant to City Council policy, fiscal year 2014 reflects an increase of \$1 million in funding toward unfunded liability components of the Annual Required Contribution to the City's Retiree Medical Trust Fund.
- ❑ As of June 30, 2014, the City's enterprise funds (Sewer, Water, and Airport) reported a combined net position of \$272.3 million, an increase of \$15.4 million from the previous year, largely related to water costs.

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 position 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 28-30) 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 twenty two 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 eighteen 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 statements for the General Fund, and the Federal Grants Special Revenue Fund, Housing Authority Capital Project Fund, and the Route 238 Corridor Improvement Capital Project Fund are located in the Required Supplemental Information section starting on page 91 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 32-34) 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 36-37) 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 39-90) 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 96 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 \$636.9 million at the close of the current fiscal year, an increase over the prior year of \$25 million.

Table 1 – City of Hayward Statement of Net Position (*in millions*)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$134.2	\$138.5	\$146.7	\$146.5	\$280.9	\$285.0
Capital assets	320.1	310.0	181.6	174.9	501.7	484.9
Total assets	454.3	448.5	328.3	321.4	782.6	769.9
Liabilities						
Long term liabilities outstanding	29.4	29.8	48.4	53.7	77.8	83.5
Other liabilities	60.3	63.8	7.6	10.8	67.9	74.6
Total liabilities	89.7	93.6	56.0	64.5	145.7	158.1
Net position:						
Net investments in capital assets	290.1	279.5	128.9	116.6	419.0	396.1
Restricted	31.4	42.3	0.0	0.0	31.4	42.3
Unrestricted	43.1	33.2	143.4	140.3	186.5	173.5
Total net position	\$364.6	\$355.0	\$272.3	\$256.9	\$636.9	\$611.9

The largest portion of the fiscal year 2014 City’s net position, \$419.0 million or 65.8%, 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, \$31.4 million or 4.9%, represent resources that are subject to external restrictions on how they may be used. Almost all of this restricted net position is related to City’s special revenue and capital projects funds. The remaining balance of unrestricted net position, \$186.5 million or 29.3%, 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 \$9.7 million.

Table 2 – City of Hayward Statement of Activities and Change in Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues						
Charges for services	\$19.9	\$13.9	\$78.7	\$71.0	\$98.6	\$84.9
Operating contributions and grants	7.6	7.0	-	0.1	7.6	7.1
Capital contributions and grants	9.1	26.5	-	-	9.1	26.5
	36.6	47.4	78.7	71.1	115.3	118.5
General revenues						
Property tax	39.5	39.3	-	-	39.5	39.3
Sales tax	31.0	29.2	-	-	31.0	29.2
Utility user tax	15.8	15.0	-	-	15.8	15.0
Real property transfer tax	4.9	4.6	-	-	4.9	4.6
Franchise fees	9.5	9.7	-	-	9.5	9.7
Other taxes	11.1	10.3	-	-	11.1	10.3
Investment earnings	0.4	0.5	0.7	0.3	1.1	0.8
Miscellaneous	3.5	3.2	-	-	3.5	3.2
General revenues subtotal	115.7	111.8	0.7	0.3	116.4	112.1
Total Revenues	152.3	159.2	79.4	71.4	231.7	230.6
Expenses by activity						
General Government	12.1	11.2	-	-	12.1	11.2
Public safety	102.5	100.5	-	-	102.5	100.5
Public works and transportation	8.9	13.7	-	-	8.9	13.7
Library and neighborhood services	8.1	7.5	-	-	8.1	7.5
Economic development	1.4	1.3	-	-	1.4	1.3
Planning and building	6.3	6.1	-	-	6.3	6.1
Maintenance services	4.8	3.9	-	-	4.8	3.9
Interest on long term debt	1.1	2.0	-	-	1.1	2.0
Sewer	-	-	17.4	19.1	17.4	19.1
Water	-	-	38.3	38.8	38.3	38.8
Airport	-	-	3.4	3.3	3.4	3.3
Stormwater	-	-	2.4	2.4	2.4	2.4
Total expenses	145.2	146.2	61.5	63.6	206.7	209.8
Increase (decrease) before transfers	7.1	13.0	17.9	7.8	25.0	20.8
Transfers	2.5	2.9	(2.5)	(2.9)	-	-
Change in Net Position	9.6	15.9	15.4	4.9	25.0	20.8
Beginning Net Position (July 1)	355.0	339.1	256.9	252.0	611.9	591.1
Ending Net Position (June 30)	\$364.6	\$355.0	\$272.3	\$256.9	\$636.9	\$611.9

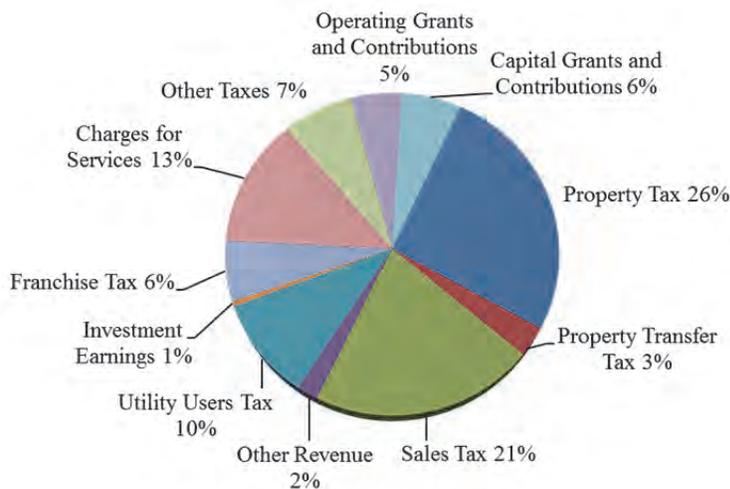
Governmental Activities Revenues

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 \$6.9 million, largely attributed to a reduction of \$10.8 million in program revenues, driven by reductions in capital contributions and grants (project conclusion, e.g. Route 238 Connector Project). These decreases are offset by a net increase in general revenues of \$3.9 million mainly due to an increase in Sales Tax and Other Taxes.

- ❑ Sales Tax increased by \$1.8 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 \$0.8 million over the prior year primarily due to an improved economy, with modest growth in Business License Tax and Transient Occupancy Tax.
- ❑ Utility Users Tax increased by \$0.8 million over the prior year due to increased utility receipts by providers in the City.

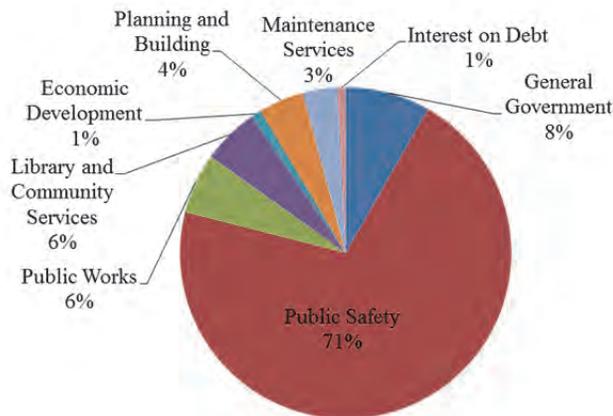
Chart 1 – Revenues by Source – Governmental Activities fiscal year 2014



Governmental Activities Expenses

The governmental expenses decreased by \$1.0 million to \$145.2 million, largely attributed to a decrease in Public Works and Transportation expense due to completion of 238 Corridor Project. It should be noted that the continued rising cost of employee benefits slightly offsets noted decreases. Chart 2 summarizes governmental expenses by category.

Chart 2 – Expenses by Function – Governmental Activities fiscal year 2014



Business-Type Activities. The net position of business-type activities was \$272.3 million at June 30, 2014, an increase of \$15.4 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 \$78.7 million, while program expenses totaled \$61.5 million. Investment earnings totaled \$0.6 million.

As the *Revenues by Source* chart indicates, charges for utility services account for 99.2% 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

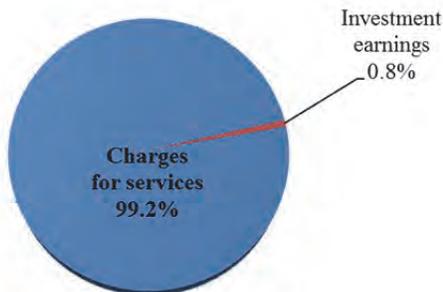
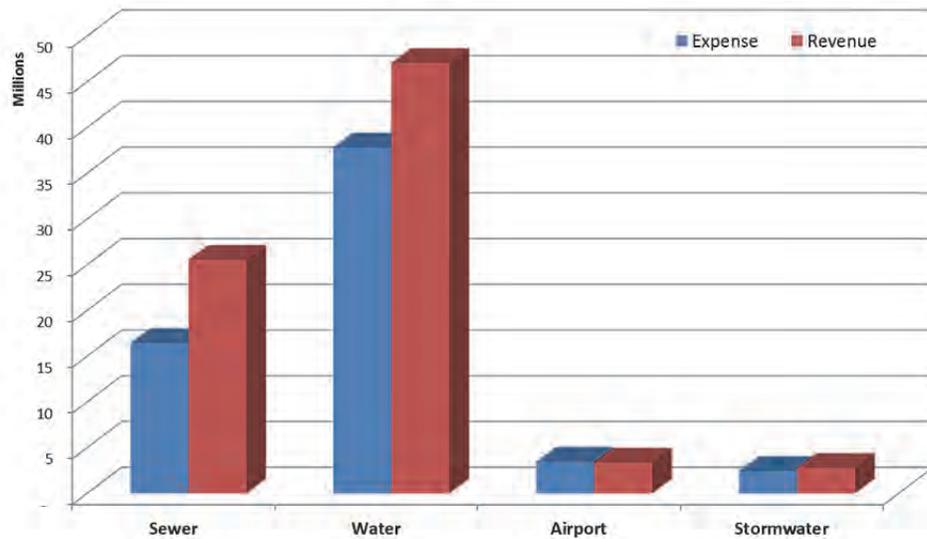


Chart 4 – Expenses and Program Revenues – Business-type Activities



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

Both Water and Sewer Funds increased their net position by \$7.7 million. Given future capital expenses to be borne by these funds and anticipated cost increases attributed to California’s drought conditions, this is an appropriate level of revenue growth. The Airport Fund experienced a decrease in net position of \$314,831 due to an increase in operating expenses over the prior year. Stormwater Funds increased their net position by \$255,271.

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 2014, the City’s governmental funds reported combined ending fund balances of \$76.0 million, an increase of \$4.5 million compared with the prior year – almost entirely due to the expense of capital funds. Approximately 67.5% of the fund balance or \$51.3 million represents Non-Spendable, Restricted, and Assigned fund balances; and 32.5% or \$24.7 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 \$303,616 in Route 238 Corridor Improvement Capital Projects Fund.

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 78.0% 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 2014, the unassigned fund balance of the General Fund was \$25.1 million, while the total fund balance was \$34.8 million. This is a decrease from the prior fiscal year of \$3,062,761 and is a result of the need to use \$546,741 of the fund balance to balance the fiscal year 2014 budget and the requirement by the Department of Finance to reverse loan payments to the General Fund totaling \$2.2 million from the RDA-Successor Agency (increase to Nonspendable loan receivables, decrease to Spendable, Unassigned cash). 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 19.1% of total General Fund expenditures of \$131.3 million (including Transfers Out). The unassigned fund balance has been designated for the following purposes pursuant to the fiscal year 2014 Adopted Budget:

\$5.0 million for contingencies
 \$5.0 million for economic uncertainty
 \$10.0 million for emergencies
\$5.1 million for liquidity
 \$25.1 million

General Fund Budgetary Highlights. Fiscal year 2014 ended with a Net Change in Fund Balance of negative \$546,741(GAAP Basis).

Table 3 – fiscal year 2014 General Fund Budget Summary *(in thousands)*

	A	B	C	Variance	Variance
	2014	2014	2014	(C-B)	%
<i>(reflected in thousands)</i>	Adopted	Adjusted	Actual		
Revenues	121,059	125,700	127,327	1,627	1.3%
Expenditures	117,800	119,036	118,222	(814)	-0.7%
Transfers In/(Out)	(6,939)	(6,939)	(9,652)	(2,713)	39.1%
Net Change in Fund Balance	(3,680)	(275)	(547)	(272)	
(Budget Basis)					

The net change in fund balance between fiscal year 2014 actuals and the Adjusted Budget is negative \$0.5 million, and is largely attributed to operating transfers. Of the \$1.6 million in revenue variance from the Adjusted Budget, \$1.04 million is one-time revenue. The \$0.8 million in decreased expenditures from the Adjusted Budget is the result of savings in non-personnel costs.

This fund balance summary on page 91 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. These adjustments represent the GAAP Basis Fund balance and form a Net Change in Fund Balance of \$546,741.

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.

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 in fiscal year 2014 is negative \$0.3 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 2014, the unrestricted net position of the Sewer and Water Funds amounted to \$68.6, \$62.4 million, respectively. Sewer net position increased by \$7.7 million and Water net position increased 7.7 million. Revenues from the sale of water increased by almost \$2.3 million due to an increase in water rates of 7.2% and a slight increase in consumption over the prior year.

Wholesale water rates have increased more than 64% over the last five fiscal years from the San Francisco Public Utilities Commission (SFPUC) increasing water purchase costs in 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.

Fiduciary Funds. The Successor Agency to the Redevelopment Agency Private Purpose Trust Fund provides information about the City's former Redevelopment Agency. In fiscal year 2014 the funds net position decreased by \$18.9 million. The main causes for this change were a \$5.9 million payment to Alameda County at the completion of its Due Diligence Review, a \$2.3 million dollar loss on sale of land held, a \$6.7 million payment to Alameda County distributing other former Redevelopment funds and \$1.4 million in current period disbursements for loan agreements entered into by the Redevelopment Agency.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2014, the City’s investments in capital assets for its governmental and business-type activities are \$501.8 million (net of accumulated depreciation) as presented below in Table 4. 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 3%, mainly attributable to the Route 238 Corridor Improvements Project and Sewer Co-Generation system (Construction in Progress).

Table 4 – City of Hayward Capital Assets (in millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$9.4	\$9.4	\$4.8	\$4.8	\$14.2	\$14.2
Construction in progress	107.8	102.6	27.3	12.7	135.1	115.3
Buildings	27.0	28.1	9.9	10.4	36.9	38.5
Improvements other than buildings	9.5	3.0			9.5	3.0
Machinery and equipment	14.1	14.3	16.1	17.0	30.2	31.3
Street infrastructure	152.4	152.6			152.4	152.6
Sewer infrastructure			80.4	84.4	80.4	84.4
Water infrastructure			31.7	33.3	31.7	33.3
Airport infrastructure			11.4	12.3	11.4	12.3
Total	\$320.2	\$310.0	\$181.6	\$174.9	\$501.8	\$484.9

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 2014, the City had total bonded debt outstanding of \$84.3 million as presented in Table 5. This represents a reduction over the prior year of \$5.0 million due to debt service payments. Of this amount, \$22.9 million represents certificates of participation debt for Civic Center Project (City Hall); \$3.2 million represents certificates of participation for sewer and water system improvements; \$9.1 million represents lease revenue bonds for capital improvements; \$5.7 million represents capital leases for a solar power generator, fleet vehicles, computer, and telephone equipment; \$40.9 million represents State Water Board financing for a water pollution control facility; \$2.5 million loan represents loan from State Energy Resources Conservation and Development Commission.

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

	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
Certificates of Participation	\$22.9	\$24.5	\$3.2	\$11.9	\$26.1	\$36.4
Promissory Note		0.1				0.1
Lease Revenue Bonds	0.5	0.6	8.6	2.7	9.1	3.3
Capital Lease Obligations	5.7	5.8			5.7	5.8
State Water Resources Control Board Loan			40.9	43.7	40.9	43.7
State Energy Resources Conservation and Development Commission	2.5				2.5	
Total Long-Term Debt	\$31.6	\$31.0	\$52.7	\$58.3	\$84.3	\$89.3

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, 2014, a total of \$8.2 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 . 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, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments (Note 2)	\$76,892,480	\$117,943,610	\$194,836,090
Cash and investments with fiscal agents (Note 2)	2,591,030	473,576	3,064,606
Accounts receivable, net	2,075,597	8,932,643	11,008,240
Due from other governments	7,811,870	10,680	7,822,550
Interest receivable	114,927		114,927
Internal balances (Note 4)	(293,114)	293,114	
Loans receivable (Note 3)	23,391,607		23,391,607
Long-term loans to the Private Purpose Trust Fund (Note 19E)	13,112,958	1,872,952	14,985,910
Land held for resale (Note 1)	5,176,270		5,176,270
Deposits, parts, supplies and other	3,263,214	5,914,025	9,177,239
Investment in East Bay Dischargers Authority (Note 16)		11,259,295	11,259,295
Capital assets (Note 5):			
Land	9,413,427	4,757,492	14,170,919
Construction in progress	107,831,766	27,344,054	135,175,820
Depreciable capital assets, net	202,946,868	149,475,538	352,422,406
Total assets	454,328,900	328,276,979	782,605,879
LIABILITIES:			
Accounts payable	5,465,488	901,350	6,366,838
Accrued interest	387,810	598,498	986,308
Accrued liabilities	16,309,169	64,200	16,373,369
Unearned revenue	3,729,780	122,933	3,852,713
Refundable deposits	4,110,823	699,837	4,810,660
Compensated absences (Note 1):			
Due within one year	5,502,734	707,807	6,210,541
Due in more than one year	907,393	112,108	1,019,501
Accrued reclamation costs (Note 10):			
Due in more than one year		125,000	125,000
Net OPEB obligation (Note 14)	21,680,703		21,680,703
Long-term debt (Note 6):			
Due within one year	3,102,608	4,500,655	7,603,263
Due in more than one year	28,496,078	48,206,592	76,702,670
Total liabilities	89,692,586	56,038,980	145,731,566
NET POSITION (Note 9):			
Net investments in capital assets	290,077,936	128,869,837	418,947,773
Restricted for:			
Public safety	383,079		383,079
Public works and transportation	5,286,596		5,286,596
Planning and building	12,457,989		12,457,989
Economic development activities	13,254,535		13,254,535
Total restricted net position	31,382,199		31,382,199
Unrestricted	43,176,179	143,368,162	186,544,341
Total net position	\$364,636,314	\$272,237,999	\$636,874,313

See accompanying notes to basic financial statements

CITY OF HAYWARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General government	\$11,989,512	\$3,348,209	\$2,638,598	
Public safety	102,494,679	3,332,950	4,996,201	
Public works and transportation	8,851,489	4,121,654		\$9,066,354
Library and community services	8,073,175	85,256		
Economic development	1,432,514	2,749,344		
Planning and building	6,293,037	5,026,469		
Maintenance services	4,790,594	1,243,660		
Interest on long-term debt	1,131,490			
Total Governmental Activities	145,056,490	19,907,542	7,634,799	9,066,354
BUSINESS-TYPE ACTIVITIES:				
Sewer	17,443,979	25,527,904		
Water	38,252,368	47,045,822		
Airport	3,443,655	3,365,514		
Stormwater	2,419,567	2,777,228		
Total Business-type Activities	61,559,569	78,716,468		
Total	\$206,616,059	\$98,624,010	\$7,634,799	\$9,066,354
GENERAL REVENUES:				
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 Position

Governmental Activities	Business-type Activities	Total
(\$6,002,705)		(\$6,002,705)
(94,165,528)		(94,165,528)
4,336,519		4,336,519
(7,987,919)		(7,987,919)
1,316,830		1,316,830
(1,266,568)		(1,266,568)
(3,546,934)		(3,546,934)
(1,131,490)		(1,131,490)
(108,447,795)		(108,447,795)
	\$8,083,925	8,083,925
	8,793,454	8,793,454
	(78,141)	(78,141)
	357,661	357,661
	17,156,899	17,156,899
(108,447,795)	17,156,899	(91,290,896)
39,456,863		39,456,863
31,019,079		31,019,079
15,761,544		15,761,544
4,878,857		4,878,857
9,488,631		9,488,631
2,649,279		2,649,279
1,694,229		1,694,229
6,748,616		6,748,616
64,954		64,954
424,910	650,066	1,074,976
3,473,567		3,473,567
2,458,989	(2,458,989)	
118,119,518	(1,808,923)	116,310,595
9,671,723	15,347,976	25,019,699
354,964,591	256,890,023	611,854,614
\$364,636,314	\$272,237,999	\$636,874,313

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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 2014. 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, 2014

	General	Special Revenue Fund Federal Grants	Capital Projects Funds Housing Authority	Route 238 Corridor Improvement
ASSETS:				
Cash and investments (Note 2)	\$20,954,960	\$383,524	\$5,971,349	\$2,880,848
Cash and investments with fiscal agents (Note 2)				1,275,653
Accounts receivable, net	816,079			122,839
Due from other governments	4,798,757	182,769		
Interest receivable	1,991			
Due from other funds (Note 4)	4,869,226		727,344	
Loans receivable (Note 3)		10,516,127	9,712,989	
Long-term loans to the Private Purpose Trust Fund (Note 19E)	9,236,442		3,876,516	
Land held for resale (Note 1)			707,539	4,468,731
Deposits, parts, supplies and other	18,712			
Total Assets	\$40,696,167	\$11,082,420	\$20,995,737	\$8,748,071
LIABILITIES:				
Accounts payable	\$1,919,238	\$62,292	\$261	\$23,117
Accrued liabilities	2,797,986	1,675	130	247
Due to other funds (Note 4)				4,077,078
Unearned revenue				3,675,592
Refundable deposits	1,212,146			1,275,653
Total Liabilities	5,929,370	63,967	391	9,051,687
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - grants receivable				
Unavailable revenue - loans receivable		10,516,127	9,712,989	
Total Deferred Inflows of Resources		10,516,127	9,712,989	
FUND BALANCES (Note 9):				
Nonspendable	9,255,154			
Restricted				
Public safety				
Public works and transportation				
Planning and building		502,326		
Economic development			11,282,357	
Debt service				
Assigned	459,100			
Unassigned	25,052,543			(303,616)
Total Fund Balances (Deficit)	34,766,797	502,326	11,282,357	(303,616)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$40,696,167	\$11,082,420	\$20,995,737	\$8,748,071

See accompanying notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
\$28,454,845	\$58,645,526
61,171	1,336,824
811,291	1,750,209
2,830,344	7,811,870
112,936	114,927
	5,596,570
3,162,491	23,391,607
	13,112,958
	5,176,270
<u>2,239,097</u>	<u>2,257,809</u>
<u><u>\$37,672,175</u></u>	<u><u>\$119,194,570</u></u>
\$1,592,355	\$3,597,263
20,139	2,820,177
705,463	4,782,541
52,058	3,727,650
<u>1,622,525</u>	<u>4,110,324</u>
<u>3,992,540</u>	<u>19,037,955</u>
806,140	806,140
<u>3,136,535</u>	<u>23,365,651</u>
<u>3,942,675</u>	<u>24,171,791</u>
2,239,029	11,494,183
383,079	383,079
5,286,596	5,286,596
11,955,663	12,457,989
1,972,178	13,254,535
230,355	230,355
7,670,060	8,129,160
	24,748,927
<u>29,736,960</u>	<u>75,984,824</u>
<u><u>\$37,672,175</u></u>	<u><u>\$119,194,570</u></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, 2014

Total Fund Balances reported on the governmental funds balance sheet \$75,984,824

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	104,717,102
Depreciable capital assets, net	190,263,136

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	19,501,160
Accounts receivable	325,388
Deposits, parts, supplies and other	1,005,405
Land	372,748
Construction in progress	3,114,664
Depreciable capital assets, net	12,683,732
Accounts payable	(1,868,225)
Accrued liabilities	(13,488,992)
Unearned revenue	(2,130)
Refundable deposits	(499)
Long-term interfund payables	(1,107,143)
Compensated absences	(378,777)
Long-term debt	(5,699,806)

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	24,171,791
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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:

Long-term debt	(25,898,880)
Interest payable	(387,810)
Compensated absences	(6,031,350)
Net OPEB Obligation	(21,680,703)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$364,636,314
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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, 2014

	General	Special	Capital	
		Revenue Fund	Projects Funds	
		Federal Grants	Housing Authority	Route 238 Corridor Improvement
REVENUES:				
Property taxes	\$38,971,067			
Sales taxes	31,019,079			
Utility users tax	15,761,544			
Other taxes	21,130,900			
Licenses and permits	4,078,392			
Fines and forfeitures	2,227,806			
Special assessments				
Investment income	119,882	\$5,891	\$68,080	
Rental income	168,410			\$183,796
Intergovernmental	6,770,695	1,737,721	2,749,344	4,547,247
Fees and charges for services	6,388,389	4,000	95	768,568
School District reimbursement				
Other revenue	690,402		181,204	9,865
Total Revenues	127,326,566	1,747,612	2,998,723	5,509,476
EXPENDITURES:				
Current:				
General government	10,403,333	22,264		
Public safety	91,603,529			
Public works and transportation	1,608,762	1,347,730	39,123	
Library and community services	4,727,575			
Economic development		990,889	84,683	
Planning and building	5,967,469			
Maintenance services	3,762,976			
Capital outlay				7,009,346
Debt service:				
Principal				
Interest and fiscal charges	147,822		1,998	
Total Expenditures	118,221,466	2,360,883	125,804	7,009,346
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,105,100	(613,271)	2,872,919	(1,499,870)
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt (Note 6)				
Transfers in (Note 4)	3,390,299		738,672	
Transfers (out) (Note 4)	(13,042,140)	(239,000)	(40,531)	(1,088,672)
Total Other Financing Sources (Uses)	(9,651,841)	(239,000)	698,141	(1,088,672)
NET CHANGE IN FUND BALANCES	(546,741)	(852,271)	3,571,060	(2,588,542)
BEGINNING FUND BALANCES, AS ADJUSTED (Note 9)	35,313,538	1,354,597	7,711,297	2,284,926
ENDING FUND BALANCES	\$34,766,797	\$502,326	\$11,282,357	(\$303,616)

See accompanying notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
	\$38,971,067
	31,019,079
	15,761,544
\$179,870	21,310,770
	4,078,392
57,680	2,285,486
972,339	972,339
89,033	282,886
	352,206
18,034,475	33,839,482
1,011,552	8,172,604
252,910	252,910
1,520,909	2,402,380
22,118,768	159,701,145
125,781	10,551,378
248,320	91,851,849
768,952	3,764,567
2,276,962	7,004,537
942,215	2,017,787
13,639	5,981,108
828,419	4,591,395
15,578,315	22,587,661
2,216,033	2,216,033
943,718	1,093,538
23,942,354	151,659,853
(1,823,586)	8,041,292
2,488,880	2,488,880
12,217,324	16,346,295
(7,965,591)	(22,375,934)
6,740,613	(3,540,759)
4,917,027	4,500,533
24,819,933	71,484,291
\$29,736,960	\$75,984,824

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, 2014

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 \$4,500,533

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 22,587,661

Non-capitalized capital outlay expenditures were reclassified to various governmental activities (5,124,180)

Depreciation expense is deducted from fund balance

(Depreciation expense is net of internal service fund depreciation of \$1,882,058 which has already been allocated to service funds.) (7,470,999)

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.

Proceeds from long-term debt issuance (2,488,880)

Repayment of debt principal is added back to fund balance 2,216,033

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 (6,941,759)

Receipt of loans receivable principal (509,668)

New loans made 2,392,423

Compensated absences 1,161,021

Net OPEB Obligation (3,008,881)

Interest payable 29,321

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 2,329,098

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$9,671,723

See accompanying notes to basic financial statements

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 2014.

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, 2014

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	Non-Major Funds	Totals	
ASSETS:					
Current Assets:					
Cash and investments (Note 2)	\$48,274,308	\$54,731,598	\$14,937,704	\$117,943,610	\$18,246,954
Cash and investments with fiscal agents (Note 2)	2	473,574		473,576	1,254,206
Accounts receivable, net	4,009,525	4,820,609	102,509	8,932,643	325,388
Due from other governments		524	10,156	10,680	
Deposits, parts, supplies and other	24,633	981,340		1,005,973	1,005,405
Total Current Assets	52,308,468	61,007,645	15,050,369	128,366,482	20,831,953
Noncurrent Assets:					
Long-term interfund receivables (Note 4)	1,107,143	1,800,000		2,907,143	
Long-term loans to the Private Purpose Trust Fund (Note 19E)	831,877	1,041,075		1,872,952	
Deposits, parts, supplies and other	4,767,402	110,507	30,143	4,908,052	
Investment in East Bay Dischargers Authority (Note 16)	11,259,295			11,259,295	
Capital assets (Note 5):					
Land	1,830,143	2,683,047	244,302	4,757,492	372,748
Construction in progress	15,610,303	6,049,208	5,684,543	27,344,054	3,114,664
Depreciable capital assets, net	93,252,523	43,795,939	12,427,076	149,475,538	12,683,732
Total Noncurrent Assets	128,658,686	55,479,776	18,386,064	202,524,526	16,171,144
Total Assets	180,967,154	116,487,421	33,436,433	330,891,008	37,003,097
LIABILITIES:					
Current Liabilities:					
Accounts payable	799,067	78,858	23,425	901,350	1,868,225
Accrued interest	516,413	82,085		598,498	
Accrued liabilities	15,892	39,482	8,826	64,200	13,488,992
Unearned revenue		122,933		122,933	2,130
Due to other funds (Note 4)		180,572	633,457	814,029	
Refundable deposits		604,296	95,541	699,837	499
Compensated absences - due within one year (Note 1)	227,626	383,303	96,878	707,807	325,748
Accrued reclamation costs (Note 10)	125,000			125,000	
Long-term debt - due within one year (Note 6)	3,985,655	399,175	115,825	4,500,655	1,094,446
Total Current Liabilities	5,669,653	1,890,704	973,952	8,534,309	16,780,040
Noncurrent Liabilities:					
Long-term interfund payables (Note 4)			1,800,000	1,800,000	1,107,143
Compensated absences (Note 1)	37,055	59,282	15,771	112,108	53,029
Long-term debt - due in more than one year (Note 6)	42,151,592	4,701,447	1,353,553	48,206,592	4,605,360
Total Noncurrent Liabilities	42,188,647	4,760,729	3,169,324	50,118,700	5,765,532
Total Liabilities	47,858,300	6,651,433	4,143,276	58,653,009	22,545,572
NET POSITION (Note 9):					
Net investments in capital assets	64,555,722	47,427,572	16,886,543	128,869,837	10,471,338
Restricted for debt service					1,254,206
Unrestricted	68,553,132	62,408,416	12,406,614	143,368,162	2,731,981
Total Net Position	\$133,108,854	\$109,835,988	\$29,293,157	\$272,237,999	\$14,457,525

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, 2014

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	Non-Major Funds	Totals	
OPERATING REVENUES:					
Charges for services	\$24,510,929	\$7,403,306	\$6,101,857	\$38,016,092	\$22,125,251
Sale of water		39,177,268		39,177,268	
Miscellaneous	1,016,975	465,248	40,885	1,523,108	1,013,208
Total Operating Revenues	<u>25,527,904</u>	<u>47,045,822</u>	<u>6,142,742</u>	<u>78,716,468</u>	<u>23,138,459</u>
OPERATING EXPENSES:					
Salaries and related expenses	5,794,606	5,683,278	2,947,820	14,425,704	5,367,773
Materials, supplies and services	5,137,506	7,632,860	1,599,798	14,370,164	9,583,886
Repairs and maintenance	797,664	1,141,218	212,384	2,151,266	2,224,191
Water purchases		21,193,728		21,193,728	
Self-funded insurance expense					10,192,315
Depreciation (Note 5)	4,696,352	2,163,939	1,103,220	7,963,511	1,882,058
Total Operating Expenses	<u>16,426,128</u>	<u>37,815,023</u>	<u>5,863,222</u>	<u>60,104,373</u>	<u>29,250,223</u>
Operating Income (Loss)	<u>9,101,776</u>	<u>9,230,799</u>	<u>279,520</u>	<u>18,612,095</u>	<u>(6,111,764)</u>
NONOPERATING REVENUES (EXPENSES):					
Investment income	270,946	291,616	87,504	650,066	19,506
Interest (expense)	(855,180)	(437,345)		(1,292,525)	(67,272)
Loss from equity investment	(162,671)			(162,671)	
Net Nonoperating Revenues (Expenses)	<u>(746,905)</u>	<u>(145,729)</u>	<u>87,504</u>	<u>(805,130)</u>	<u>(47,766)</u>
Income (Loss) Before Contributions and Transfers	<u>8,354,871</u>	<u>9,085,070</u>	<u>367,024</u>	<u>17,806,965</u>	<u>(6,159,530)</u>
TRANSFERS					
Transfers in (Note 4)	185,000	105,000		290,000	9,460,796
Transfers (out) (Note 4)	(875,129)	(1,447,276)	(426,584)	(2,748,989)	(972,168)
Net Transfers	<u>(690,129)</u>	<u>(1,342,276)</u>	<u>(426,584)</u>	<u>(2,458,989)</u>	<u>8,488,628</u>
CHANGE IN NET POSITION	7,664,742	7,742,794	(59,560)	15,347,976	2,329,098
BEGINNING 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>
ENDING NET POSITION	<u>\$133,108,854</u>	<u>\$109,835,988</u>	<u>\$29,293,157</u>	<u>\$272,237,999</u>	<u>\$14,457,525</u>

See accompanying notes to basic financial statements

CITY OF HAYWARD
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	Non-Major Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$25,627,053	\$51,553,235	\$6,186,808	\$83,367,096	\$23,059,687
Payments to suppliers	(5,402,423)	(32,221,874)	(1,694,286)	(39,318,583)	(7,677,371)
Payments to employees	(5,911,801)	(5,753,229)	(2,948,409)	(14,613,439)	(5,378,327)
Claims paid					(10,192,315)
Net Cash Flows From Operating Activities	14,312,829	13,578,132	1,544,113	29,435,074	(188,326)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:					
Interfund receipts	517,857	285,572	528,457	1,331,886	
Interfund payments					(517,857)
Long-term loans made to the Private Purpose Trust Fund (Note 19)	(831,877)	(1,041,075)		(1,872,952)	
Transfers in	185,000	105,000		290,000	9,460,796
Transfers (out)	(875,129)	(1,447,276)	(426,584)	(2,748,989)	(972,168)
Net Cash Flows From Noncapital and Related Financing Activities	(1,004,149)	(2,097,779)	101,873	(3,000,055)	7,970,771
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(9,802,753)	(390,099)	(4,456,314)	(14,649,166)	(2,085,370)
Issuance of long-term debt		5,692,314	1,552,686	7,245,000	1,359,000
Principal payments on capital debt	(3,936,016)	(8,816,692)	(83,308)	(12,836,016)	(1,067,575)
Interest paid	(855,180)	(465,376)		(1,320,556)	(67,272)
Net Cash Flows From Capital and Related Financing Activities	(14,593,949)	(3,979,853)	(2,986,936)	(21,560,738)	(1,861,217)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	270,945	1,378,438	87,504	1,736,887	19,506
Investment purchases					(819,173)
Net Cash Flows From Investing Activities	270,945	1,378,438	87,504	1,736,887	(799,667)
NET CASH FLOWS	(1,014,324)	8,878,938	(1,253,446)	6,611,168	5,121,561
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	49,288,632	45,852,660	16,191,150	111,332,442	13,125,393
CASH AND EQUIVALENTS AT END OF PERIOD	\$48,274,308	\$54,731,598	\$14,937,704	\$117,943,610	\$18,246,954
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$9,101,776	\$9,230,799	\$279,520	\$18,612,095	(\$6,111,764)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	4,696,352	2,163,939	1,103,220	7,963,511	1,882,058
Change in assets and liabilities:					
Receivables, net	99,149	4,493,914	13,185	4,606,248	(78,772)
Due from other governments		(524)	30,606	30,082	
Parts and supplies		196,331		196,331	
Other assets	630,714	69,186	132,257	832,157	21,418
Accounts payable and other accrued expenses	(97,967)	(2,519,061)	(14,361)	(2,631,389)	4,109,288
Compensated absences	(117,195)	(69,951)	(589)	(187,735)	(10,554)
Refundable deposits		52,996	275	53,271	
Unearned revenue		(39,497)		(39,497)	
Net Cash Flows From Operating Activities	\$14,312,829	\$13,578,132	\$1,544,113	\$29,435,074	(188,326)

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, 2014

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
CURRENT ASSETS:		
Cash and investments (Note 2)	\$2,854,348	\$2,852,636
Cash and investments with fiscal agents (Note 2)	4,009,448	353,837
Accounts receivable, net	468,516	7,222
Due from other governments		1,242,857
	<u>7,332,312</u>	<u>4,456,552</u>
NONCURRENT ASSETS:		
Loans receivable (Note 19)	28,186,113	
Land held for resale	3,695,031	
Capital assets (Note 19):		
Land	5,277,955	
depreciable capital assets, net	12,814,412	
	<u>49,973,511</u>	
Total Current Assets		
	<u>\$57,305,823</u>	<u>\$4,456,552</u>
CURRENT LIABILITIES:		
Accounts payable	\$1,116,068	\$790
Refundable deposits	128,000	823,974
Due to bondholders and others		3,631,788
Unearned revenue	3,167,831	
Long-term debt - due in less than one year (Note 19)	1,750,000	
	<u>6,161,899</u>	<u>4,456,552</u>
NONCURRENT LIABILITIES (Note 19):		
Long-term loans payables - due in more than one year	14,985,910	
Long-term debt - due in more than one year	43,595,000	
	<u>58,580,910</u>	
Total Current Liabilities		
	<u>64,742,809</u>	<u>\$4,456,552</u>
NET POSITION HELD IN TRUST FOR PRIVATE PURPOSES:	<u><u>(\$7,436,986)</u></u>	

See accompanying notes to basic financial statements

CITY OF HAYWARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust Fund
ADDITIONS	
Property tax increment	\$4,317,292
Investment income	47,722
Rental income	50,000
Intergovernmental	548,364
Other revenue	633,873
Total additions	5,597,251
DEDUCTIONS	
Maintenance services	4,208,528
Payment to Alameda County due to Due Diligence Review	5,856,546
Depreciation expense	377,372
Interest and fiscal charges	2,335,995
Loss on sale of land held	2,339,325
Miscellaneous expense	2,749,344
Total deductions	17,867,110
Net change in net position before special item	(12,269,859)
SPECIAL ITEMS	
Payment of other former Redevelopment funds to Alameda County (Note 19D)	(6,692,356)
Net change in position	(18,962,215)
Net position - beginning	11,525,229
Net position - ending	(\$7,436,986)

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, 2014

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, 2014

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, 3rd 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, 2014

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, 2014

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, 2014

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, 2014

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, except for the Donations Special Revenue Fund. 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 principles (“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.
- The sole Special Revenue fund the City does not budget for is the Donation Special Revenue Fund. The City is unable to forecast the amount of donations received in a given year, and the amount of donations it will spend in the fiscal year.

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, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land held for Resale of \$5,176,270 at June 30, 2014 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, 2014:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning Balance	\$7,581,702	\$1,007,650	\$8,589,352
Additions	5,336,892	682,138	6,019,030
Payments	<u>(6,508,467)</u>	<u>(869,873)</u>	<u>(7,378,340)</u>
Ending Balance	<u>\$6,410,127</u>	<u>\$819,915</u>	<u>\$7,230,042</u>
Current Portion	<u>\$5,502,734</u>	<u>\$707,807</u>	<u>\$6,210,541</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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.

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 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, 2014

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, 2014, the City held \$1,643,278 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, 2014 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 Position

Cash and investments available for operations	\$194,854,056
Cash and investments with fiscal agents	3,064,606

Private Purpose Trust Fund

Cash and investments available for operations	2,854,348
Cash and investments with fiscal agents	4,009,448

Agency Funds

Cash and investments available for operations	2,852,636
Cash and investments with fiscal agents	353,837
Total Cash and Investments	<u><u>\$207,988,931</u></u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$2,700
Cash in bank	17,460,332
Investments	190,525,899
Total Cash and Investments	<u><u>\$207,988,931</u></u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

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	Prime	40%	5%
Commercial Paper	270 days	Prime	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%
Alameda County Investment Pool	None	None	10%	10%
California Local Agency Investment Fund	None	None	\$50m per account	N/A
Collateralized Certificates of Deposit	5 years	None	25%	20%
Municipal Bonds	5 years	A	20%	5%

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, 2014

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
		None to two
Investment Agreements	No Limit	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	\$7,628,450	\$27,302,233	\$23,322,474	\$58,253,157
U.S. Agency Securities	7,999,677	12,122,348	2,206,907	22,328,932
Money Market Mutual Fund	4,424,458			4,424,458
California Local Agency Investment Fund	104,186,683			104,186,683
Corporate Bonds		687,146	645,523	1,332,669
Total Investments	<u>\$124,239,268</u>	<u>\$40,111,727</u>	<u>\$26,174,904</u>	190,525,899
Cash in Banks				17,460,332
Cash on Hand				2,700
Total Cash				<u>17,463,032</u>
Total Cash and Investments				<u>\$207,988,931</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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, 2014, these investments have an average maturity of 232 days.

Money market funds are available for withdrawal on demand and at June 30, 2014, have an average maturity of 30 days.

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, 2014 for each investment type as provided by Standard and Poor's investment rating system:

Investment Type	AAA	AAAm	AA1	AA3	A1	Not Rated	Total
U.S. Treasury	\$58,253,157						\$58,253,157
U.S. Agency Securities	22,328,932						22,328,932
Money Market Mutual Fund		\$4,424,458					4,424,458
California Local Agency Investment Fund						\$104,186,683	104,186,683
Corporate Bonds			\$452,480	\$645,523	\$234,666		1,332,669
Total Investments	\$80,582,089	\$4,424,458	\$452,480	\$645,523	\$234,666	\$104,186,683	\$190,525,899

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, 2014, the following investments were subjected to custodial credit risk:

Major Fund	Issuer	Investment Type	Reported Amount
General Fund	Federal National Mortgage Association	Federal Agency Securities	\$10,563,735

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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 11th 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, 2014 the principal balances outstanding for the Federal Grants Fund and Housing Mortgage Bonds Fund 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, 2014

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, 2014 were as follows:

FROM FUND:	TO FUND:	AMOUNT:
General Fund	Non-Major Governmental Funds	\$6,967,324 A
	Internal Service Funds	6,074,816 C
Federal Grants Fund	General Fund	239,000 E
Housing Authority Fund	General Fund	40,531 E
Route 238 Corridor Improvement Fund	Housing Authority Fund	738,672 B
	Non-Major Governmental Funds	350,000 B
Non-Major Governmental Funds	General Fund	829,745 E
	Non-Major Governmental Funds	4,900,000 E
	Internal Service Funds	2,235,846 C
Sewer	General Fund	418,725 D
	Internal Service Funds	456,404 C
Water	General Fund	824,700 D
	Sewer Fund	185,000 B
	Internal Service Funds	437,576 C
Non-Major Enterprise Funds	General Fund	204,544 D
	Water Fund	105,000 B
	Internal Service Funds	117,040 C
Internal Service Funds	General Fund	833,054 D
	Internal Service Funds	139,114 C
		<u>\$26,097,091</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, 2014

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, 2014 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
	Water Fund	180,572
	Non-major Governmental Funds	705,463
	Non-major Enterprise Funds	633,457
Housing Authority Fund	Route 238 Corridor Improvement Fund	<u>727,344</u>
		<u>\$5,596,570</u>

Long-Term Interfund Advances - At June 30, 2014, 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	\$1,107,143	
Water	1,800,000	
Airport		\$1,800,000
Internal Service Funds		<u>1,107,143</u>
Total	<u>\$2,907,143</u>	<u>\$2,907,143</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, 2014 the outstanding loan balance is \$1,800,000.

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, 2014 the outstanding loan balance was \$750,000.

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, 2014 the outstanding loan balance was \$357,143.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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 1st of the year following acquisition. The City has assigned the useful lives listed below to capital assets.

Buildings and improvements	10 - 50 years
Improvements other than Buildings	15 years
Machinery and equipment	7 - 50 years
Streets	25 - 40 years
Traffic Signals	20 years
Medians	25 - 40 years
Conduits	45 - 70 years
Drains	100 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, 2014

5. CAPITAL ASSETS (Continued)

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

	Balance June 30, 2013	Additions	Transfers	Balance June 30, 2014
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$9,413,427			\$9,413,427
Construction in progress	102,581,415	\$17,463,481	(\$12,213,130)	107,831,766
Total capital assets not being depreciated	111,994,842	17,463,481	(12,213,130)	117,245,193
Capital assets being depreciated:				
Buildings and improvements	50,005,620			50,005,620
Improvements other than buildings	7,719,880		6,806,089	14,525,969
Machinery and equipment	41,519,090	2,085,370		43,604,460
Streets	200,688,723		5,407,041	206,095,764
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	315,449,822	2,085,370	12,213,130	329,748,322
Less accumulated depreciation for:				
Buildings and improvements	21,892,249	1,141,238		23,033,487
Improvements other than buildings	4,702,958	311,970		5,014,928
Machinery and equipment	27,278,407	2,261,691		29,540,098
Streets	54,581,354	5,027,145		59,608,499
Traffic signals	4,718,162	308,896		5,027,058
Medians	1,625,570	149,507		1,775,077
Conduits	1,219,258	6,907		1,226,165
Drains	1,430,439	145,703		1,576,142
Total accumulated depreciation	117,448,397	9,353,057		126,801,454
Net depreciable assets	198,001,425	(7,267,687)	12,213,130	202,946,868
Governmental activity capital assets, net	\$309,996,267	\$10,195,794		\$320,192,061

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

5. CAPITAL ASSETS (Continued)

	Balance June 30, 2013	Additions	Balance June 30, 2014
<i>Business-type activities:</i>			
Capital assets not being depreciated:			
Land	\$4,757,492		\$4,757,492
Construction in progress	12,694,888	\$14,649,166	27,344,054
Total capital assets not being depreciated	17,452,380	14,649,166	32,101,546
Capital assets being depreciated:			
Buildings and improvements	27,589,544		27,589,544
Improvements other than buildings			
Machinery and equipment	28,239,341		28,239,341
Sewer pipelines and infrastructure	121,425,940		121,425,940
Water pipelines and infrastructure	61,917,566		61,917,566
Airport hangars, tarmacs and other infrastructure assets	26,050,276		26,050,276
Total capital assets being depreciated	265,222,667		265,222,667
Less accumulated depreciation for:			
Buildings and improvements	17,194,847	548,777	17,743,624
Improvements other than buildings			
Machinery and equipment	11,204,974	894,525	12,099,499
Sewer pipelines and infrastructure	37,041,160	3,893,478	40,934,638
Water pipelines and infrastructure	28,550,287	1,674,979	30,225,266
Airport hangars, tarmacs and other infrastructure assets	13,792,350	951,752	14,744,102
Total accumulated depreciation	107,783,618	7,963,511	115,747,129
Net depreciable assets	157,439,049	(7,963,511)	149,475,538
Business-type activity capital assets, net	\$174,891,429	\$6,685,655	\$181,577,084

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

5. CAPITAL ASSETS (Continued)

Governmental capital assets construction in progress was composed of the following at June 30, 2014:

Governmental Funds:

	Project Budget	Expended to June 30, 2014	Encumbered	Committed
Improvement other than buildings	\$6,279,076	\$770,128	\$472,473	\$5,036,475
Machinery and equipment	1,270,284	4,144,148	84,128	(2,957,992)
Streets	131,006,429	102,917,490	2,649,596	25,439,343
Total	<u>\$138,555,789</u>	<u>\$107,831,766</u>	<u>\$3,206,197</u>	<u>\$27,517,826</u>

A summary of enterprise fund construction in progress at June 30, 2014 follows:

Enterprise Funds:

	Project Budget	Expended to June 30, 2014	Encumbered	Committed
Sewer Enterprise Fund	\$24,085,687	\$15,610,303	\$1,233,570	\$7,241,814
Water Enterprise Fund	6,697,368	6,049,208	76,022	572,138
Airport Enterprise Fund	7,749,531	5,684,543	484,859	1,580,129
Total	<u>\$38,532,586</u>	<u>\$27,344,054</u>	<u>\$1,794,451</u>	<u>\$9,394,081</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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

5. CAPITAL ASSETS (Continued)

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	\$675,758
Public Safety	5,135,736
Public Works and Transportation	699,766
Library and Community Services	382,884
Economic Development	65,727
Planning and Building	311,929
Maintenance Services	199,199
Internal Service Funds	<u>1,882,058</u>
	<u><u>\$9,353,057</u></u>

Business-Type Activities

Sewer Fund	\$4,696,352
Water Fund	2,163,939
Stormwater Fund	278
Airport Fund	<u>1,102,942</u>
	<u><u>\$7,963,511</u></u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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, 2013	Additions	Retirements	Outstanding at June 30, 2014	Current Portion
Governmental Activity Debt:						
Certificates of Participation						
2007 Refunding COP (a) 4.0-4.5%, due 8/1/26	\$31,820,000	\$24,525,000		\$1,630,000	\$22,895,000	\$1,700,000
Promissory Note						
Fire Suppression Equipment (a), 3%, due on 7/31/13	200,000	100,000		100,000		
Lease Revenue Bonds						
ABAG Series 2001-2 (a), 3.0-5.0%, due 12/01/20	3,589,835	575,000		60,000	515,000	65,000
Capital Lease Obligations, for acquisition of:						
Boys and Girls Club (a), 4.660%, due 09/20/16	1,215,000	426,033		426,033		
Loan Payable						
Energy Efficiency Loan (a), 1%, due 12/22/23	2,488,880		\$2,488,880		2,488,880	243,162
Subtotal		<u>25,626,033</u>	<u>2,488,880</u>	<u>2,216,033</u>	<u>25,898,880</u>	<u>2,008,162</u>
Internal Service Fund Long-Term Debt (b)						
Capital Leases - Equipment						
Solar Power Generator Equipment, 6%, due 03/01/30	1,035,000	830,000		35,000	795,000	35,000
Energy Upgrades and Solar Project , 3%, due 06/22/2024	887,152	666,330		67,980	598,350	78,043
Capital Leases - Fleet						
Police Vehicles 1.827%, due 10/22/14	316,420	138,079		91,633	46,446	46,446
Fire Engines 3.240%, due 10/22/20	1,906,413	1,551,951		185,960	1,365,991	192,035
Maintenance Vehicles 2.88%, due on 10/22/17	765,366	544,831		115,089	429,742	118,427
Police Vehicles Replacement 2.05%, due on 11/10/2015	815,000	517,139		203,697	313,442	207,894
Police Vehicles 1.3%, due on 11/15/2016	520,000	456,448		128,308	328,140	129,981
Police Vehicles 2.46%, due on 1/17/18	535,000		535,000		535,000	64,049
Fire Engines 3.05%, due 1/17/24	824,000		824,000		824,000	71,636
Capital Leases - Technology						
Computer Mainframe 2.98%, due on 4/1/14	314,734	95,339		95,339		
VOIP System, 4.24-4.44%, due 10/15/10	1,293,767	6,576		6,576		
Computer hardware	755,100	611,116		147,421	463,695	150,935
Total capital lease obligations		<u>5,417,809</u>	<u>1,359,000</u>	<u>1,077,003</u>	<u>5,699,806</u>	<u>1,094,446</u>
Subtotal		<u>5,417,809</u>	<u>1,359,000</u>	<u>1,077,003</u>	<u>5,699,806</u>	<u>1,094,446</u>
Total Governmental Activity Debt		<u>\$31,043,842</u>	<u>\$3,847,880</u>	<u>\$3,293,036</u>	<u>\$31,598,686</u>	<u>\$3,102,608</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

6. LONG-TERM DEBT (Continued)

Type of Obligation	Authorized and Issued	Balance June 30, 2013	Additions	Retirements	Outstanding at June 30, 2014	Current Portion
Business-type Activity Debt:						
<i>Enterprise Long Term Debt</i>						
Revenue Bonds						
Hayward Public Financing Authority, Series 1996 (c), 3.0-5.2%, due 6/1/14	\$6,440,000	\$550,000		\$550,000		
2013 Water Revenue Refunding Loan (c), 2.76%, due 5/1/25	7,245,000		\$7,245,000	675,000	\$6,570,000	\$515,000
Energy Efficiency Loan (c), 3%, due 6/22/25	2,450,000	2,181,142		153,515	2,027,627	158,154
Total Revenue Bonds		<u>2,731,142</u>	<u>7,245,000</u>	<u>1,378,515</u>	<u>8,597,627</u>	<u>673,154</u>
Certificates of Participation						
For acquisition of:						
2001 Water System Improvement Project (c), 2.0-4.75%, due 10/1/26	5,030,000	1,905,000		1,905,000		
2004 Water System Improvement Project (c), 2.0-4.375%, due 10/1/24	6,845,000	5,770,000		5,770,000		
2007 Sewer (d) 3.5-4.0%, due 2/1/18	9,880,000	4,250,000		1,055,000	3,195,000	1,100,000
Total certificates of participation		<u>11,925,000</u>		<u>8,730,000</u>	<u>3,195,000</u>	<u>1,100,000</u>
State Water Resource Control Board Loan						
0%, due 9/30/28 (d)		43,642,121		2,727,501	40,914,620	2,727,501
Total State Water Loan		<u>43,642,121</u>		<u>2,727,501</u>	<u>40,914,620</u>	<u>2,727,501</u>
Total Business-type Activity Debt		<u>\$58,298,263</u>	<u>\$7,245,000</u>	<u>\$12,836,016</u>	<u>\$52,707,247</u>	<u>\$4,500,655</u>

Debt service payments are generally made from the following sources:

- (a) Revenues recorded in the General Fund.
- (b) Operating revenues recorded in the Internal Service Funds.
- (c) Operating Revenues from the Water Enterprise Fund and Airport 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, 2014

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. As of June 30, 2014, the balance of the promissory notes has been repaid.

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. As of June 30, 2014, the portions of bonds repayable from the Equipment Management Internal Service Funds, the Sewer Enterprise Fund and the Water Enterprise Fund were paid off. The remaining balance payable from governmental funds is \$515,000.

D. Loan Payable

In fiscal year 2014, the City issued a \$2,488,880 loan for the Energy Conservation Assistance Program, funded by the California Infrastructure and Economic Development Bank. The loan will finance an Energy Savings Project that consists of streetlight retrofitting. The loan bears interest at 1% and payments are to be made bi-annually on June 22 and December 22 of each year until 2023.

E. 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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

6. LONG-TERM DEBT (Continued)

F. 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.

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 was scheduled to occur in June 2014. However, before repayment occurred, these bonds were defeased by the 2013 Water Revenue Refunding Bond. See Note 6G.

G. 2013 Water Revenue Refunding Loan

The City issued Water Revenue Refunding Bonds of \$7,245,000 on August 13, 2013, to defease the City's outstanding Public Financing Authority 1996 Revenue Bonds, and to refund 2001 Water System Improvement Project Certificates of Participation and 2004 Water System Improvement Project 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. The 2013 Water Revenue Refunding Bonds are secured by a pledge of net revenues of the water system. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by \$1,402,559 and resulted in an economic gain of \$650,000. The Bonds bear interest at a rate per annum at 2.67%. 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.

The pledge of future Water Fund Revenues ends upon repayment of the \$6.57 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2025. For fiscal year 2014, Water Fund Revenues including operating revenues, non-operating interest earnings and transfers in amounted to \$47.4 million and operating costs including operating expenses, but not interest, depreciation or amortizations amounted to \$37.8 million. Net Revenues available for debt service amounted to \$9.6 million which represented coverage of 14.2 over the \$675,000 in debt service.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

6. LONG-TERM DEBT (Continued)

H. 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.

I. 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. These certificates were fully refunded by the 2013 Water Revenue Refunding Bonds in fiscal year 2014. See Note 6G.

J. 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. These certificates were fully refunded by the 2013 Water Revenue Refunding Bonds in fiscal year 2014. See Note 6G.

K. 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.

L. 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, 2014, the City's gross repayment obligation totaled \$40,914,620 and has a corresponding prepayment of interest expense for \$5,507,786. The repayments of the loan are due annually on September 30, commencing September 30, 2009.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

6. LONG-TERM DEBT (Continued)

M. Debt Service Requirements

At June 30, 2014, 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		
2015	\$2,008,162	\$980,357	\$1,094,446	\$160,317	\$4,500,656	\$981,974
2016	2,094,380	896,452	965,968	133,722	4,565,288	888,209
2017	2,161,987	818,420	814,457	110,002	3,905,356	791,383
2018	2,249,563	737,353	545,749	89,671	3,945,429	718,527
2019	1,802,166	663,447	494,407	74,236	3,485,655	643,180
2020 - 2024	9,677,622	2,254,302	1,414,779	187,650	17,772,251	2,334,090
2025 - 2029	5,905,000	403,912	300,000	60,250	14,532,613	917,230
2030			70,000	2,625		
Totals	<u>\$25,898,880</u>	<u>\$6,754,243</u>	<u>\$5,699,806</u>	<u>\$818,473</u>	<u>\$52,707,248</u>	<u>\$7,274,593</u>

N. Defeased Bonds

As of June 30, 2014, outstanding balances for defeased debt were \$21,025,000 for 1996 Civic Center Certificates of Participation, \$1,925,000 for 1997 Road and Seismic Retrofit Refunding Certificates of Participation, \$1,645,000 for 1996 Sewer System Improvement Certificates of Participation, \$2,075,000 for the 1998 Sewer System Improvement Certificates of Participation, \$1,800,000 for the 2001 Water System Improvement Project Certificates of Participation and \$3,595,000 for the 2004 Water System Improvement Project Certificates of Participation.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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, 2014 was \$850,000.

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, 2014 was \$240,000.

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. In October 2013, the Community Facilities District No. 1, Eden Shores was refunded by the Special Tax Refunding Bonds, Series 2013, in the original principal amount of \$7,076,294. Outstanding debt for the 2013 Bonds at June 30, 2014 was \$7,076,294.

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, 2014

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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

9. NET POSITION AND FUND BALANCES (Continued)

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.

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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

9. NET POSITION AND FUND BALANCES (Continued)

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.

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:

	Balance at June 30, 2014
Nonspendables:	
Items not in spendable form:	
Long-term loans to the Private Purpose	\$9,236,442
Deposits, parts, supplies and other:	
Prepaid expenses	18,712
Total Nonspendable Fund Balances	9,255,154
 Assigned:	
Capital projects	459,100
 Unassigned:	
Designations:	
Contingencies	5,000,000
Economic Uncertainty	5,000,000
Emergencies	10,000,000
Liquidity	5,052,543
Total Unassigned Fund Balances	25,052,543
Total Fund Balances	\$34,766,797

- **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, 2014

9. NET POSITION AND FUND BALANCES (Continued)

- **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.

- **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 2014, the minimum balance per the City's policy is \$10 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.

- **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.

- **Long-Term Receivables:** This amount represents a loan receivable from the Successor Agency. In fiscal year 2014, as a result of the State Controller's Office Asset Transfer Review, a loan repayment made in March 2011 of \$2.22 million by the Successor Agency to the City was found to be unallowable, due to the transaction's course. This transaction reduced cash in the general fund by the same amount. The balance reflects the \$2.22 million payment that was returned to the Successor Agency.

Deficit Fund Balances – As of June 30, 2014, the following funds had deficits:

The Route 238 Corridor Improvement Capital Project Fund reported a deficit of \$303,616, which is expected to be eliminated with future tax revenue.

The Workers' Compensation Insurance Internal Service Fund reflects assets totaling of \$6,367,946 (including cash balance of \$6,118,709); however in accordance with GASB statement number 10, the booking of accrued liabilities totaling \$11,656,996 result in a negative net position of \$5,289,050.

Beginning Balance Restatement – Subsequent to the issuance of the Measure F Program audited financial statements on December 10, 2013, the City determined \$576,226 of Measure F Program expenditures that were incurred in fiscal year 2012-13 were not reported in the Measure F Program audited financial statements. As a result, the City recorded the expenditures in the Measure F Fund and reported the adjusted balance in the City's audited financial statement issued on February 18, 2014 with a negative ending fund balance of \$86,239. Upon further review by the Alameda County Transportation Commission (ACTC), the extra expenditure charges of \$86,239 were disallowed. As a result, the beginning fund balance of the Measure F Program for fiscal year ended June 30, 2014 was increased by \$86,239. On the other hand, the beginning fund balance of the General Fund was reduced by the same amount.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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. Annually the City expects to incur \$125,000 in expenses related to reclamation costs for the site. These expenses will be funded by operating revenue of the Sewer Enterprise Fund. Reclamation payments totaled \$132,856 for the year ended June 30, 2014. 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, 2014

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 for CalPERS members and benefits in effect at June 30, 2014, are summarized below:

	Safety		
	Police	Fire	Miscellaneous
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%	2.5%
Required employee contribution rates	9%	9%	8%
Required employer contribution rates	35.186%*	33.437%*	19.658%*

* Amounts are shown gross of employee cost sharing rate.

CalPERS determines 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, 2014

**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:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
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%
2012	269,271,483	204,409,836	64,861,647	75.91%	20,742,056	312.71%

Fire Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
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%
2012	217,286,455	167,357,187	49,929,268	77.02%	15,195,119	328.59%

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
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%
2012	352,391,727	270,226,554	82,165,173	76.68%	38,128,206	215.50%

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, 2014

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, 2014, total contributions of \$23,765 were made based on a total amount of covered compensation of \$642,574.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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, 2014, approximately 584 retirees were eligible and were receiving retiree health care benefits from the City. There were approximately 684 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, 3.25% projected annual salary increase and a 5% health cost 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 24-year closed amortization period.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Progress and Funded Status - In fiscal year 2014, the City made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Net OPEB Liability at June 30, 2013	\$18,671,822
Annual required contribution (ARC)	7,561,975
Interest on net OPEB obligation	858,904
Adjustment to annual required contribution	(1,399,719)
Annual OPEB cost	7,021,160
Contributions made:	
City's portion of current year premiums paid	(2,777,733)
Contribution to CERBT Trust	(1,234,546)
Subtotal	(4,012,279)
Change in net OPEB Liability	3,008,881
Net OPEB Liability at June 30, 2014	\$21,680,703

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
6/30/2012	\$6,281,139	\$2,509,123	40%	\$14,965,278
6/30/2013	6,232,461	2,525,917	41%	18,671,822
6/30/2014	7,021,160	4,012,279	57%	21,680,703

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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						
Actuarial			Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
Valuation Date	Value of Assets	Accrued Liability				
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%)
6/30/2013	\$75,419	19,600,447	(19,525,028)		39,597,544	(49.31%)

Fire						
Actuarial			Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
Valuation Date	Value of Assets	Accrued Liability				
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%)
6/30/2013	764,207	12,822,540	(12,058,333)	6%	12,419,908	(97.09%)

Police						
Actuarial			Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
Valuation Date	Value of Assets	Accrued Liability				
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%)
6/30/2013		43,374,897	(43,374,897)		19,444,372	(223.07%)

Total						
Actuarial			Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
Valuation Date	Value of Assets	Accrued Liability				
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%)
6/30/2013	839,626	75,797,884	(74,958,258)	1%	71,461,824	(104.89%)

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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 - \$1,000,000,000
Cyber	\$0 - \$100,000 per occurrence	\$50,000 - \$20,000,000
Boiler and machinery	\$0 - \$350,000 per occurrence	\$2,000,000 - \$100,000,000
Airport	None	\$25,000 - \$50,000,000
Pollution	\$0 - \$75,000 per pollution condition	\$200,000 - \$25,000,000

Amounts 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, 2014, the recorded liability was \$1,110,850 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, 2014, the recorded liability was \$7,130,386. 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 2%.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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	Workers'	Totals, as of June 30	
	<u>Liability</u>	<u>Compensation</u>	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$1,066,807	\$9,323,000	\$10,389,807	\$5,464,261
Current year claims and changes				
in estimates	753,228	8,635,074	9,388,302	12,286,532
Claims paid	<u>(29,122)</u>	<u>(6,328,074)</u>	<u>(6,357,196)</u>	<u>(7,360,986)</u>
Balance, end of year	<u>\$1,790,913</u>	<u>\$11,630,000</u>	<u>\$13,420,913</u>	<u>\$10,389,807</u>

GASB #10 requires the City to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including allocated loss adjustment expense and unallocated loss adjustment expenses. GASB #10 does not prohibit the discounting of losses to recognize investment income. The City's estimated minimum liability at June 30, 2014 is \$11,630,000. This amount is net of the allowable adjustment to recognize investment income.

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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

16. JOINT POWERS AGREEMENTS (Continued)

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 2014 amounted to \$611,028 and are recorded as materials, supplies and services expenses.
- 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 position of EBDA and amounts to \$11,259,295 at June 30, 2014.

The investment in East Bay Dischargers Authority is valued as of June 30, 2013, the latest date for which financial information is available.

Summary financial information as of and for the year ended June 30, 2013 (the most recent audited financial information available) for EBDA's common use operations was as follows:

Assets	
Current	\$5,632,297
Net OPEB asset	39,882
Capital assets - net	<u>29,492,816</u>
Total	<u><u>\$35,164,995</u></u>
Liabilities	\$1,045,918
Net Position	<u>34,119,077</u>
Total	<u><u>\$35,164,995</u></u>
Revenues	\$3,447,661
Expenses	(3,957,376)
Non-operating revenues	428,022
Non-operating expenses	<u>(411,248)</u>
Change in Net Position	<u><u>(\$492,941)</u></u>

Complete financial statements of EBDA can be obtained from:

City of Hayward
 Finance Department, 3rd Floor
 777 B Street
 Hayward, California 94541

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

17. COMMITMENTS AND CONTINGENCIES

A. Litigation

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.

B. Bay Area Water Supply and Conservation Agency Revenue Bonds Surcharge

The City contracts with the City and County of San Francisco for the purchase of water from the Hetch Hetchy System operated by the San Francisco Public Utilities Commission (SFPUC). The City is also a member of the Bay Area Water Supply and Conservation Agency (BAWSCA) which represents the interests of all the 24 cities and water districts, as well as two private utilities, that purchase wholesale water from the SFPUC.

In 2009 the City entered into a new 25 year agreement with the SFPUC. One of the ways that the new agreement differs from the old is in how facilities constructed by the SFPUC that benefit the regional customers are treated from a rate and financial perspective. Under the old agreement, facilities were built, capitalized, and added to the rate base with a rate of return (interest), and then paid for over their useful lives through wholesale rates. Under the new agreement, the SFPUC issues revenue bonds and the debt service (which also includes an interest component) is paid for through rates over the life of the bonds.

During the transition from the old to the new contracts, one of the issues addressed was how to deal with the \$370 million in assets that were still being paid for by the wholesale customers under the old agreement. The assets were transferred to the new agreement, assigned a life with an agreed upon rate of return of 5.13%. Also negotiated was a provision to allow the wholesale customers to prepay any remaining existing assets' unpaid principal balance without penalty or premium. This prepayment was executed through the issuance of bonds by BAWSCA which provide a better interest rate given the favorable rate environment.

BAWSCA issued Revenue Bonds in the principal amount of \$335,780,000 in January 2013 to prepay the capital cost recovery payment obligation and fund a stabilization fund. The Bonds mature in October 2034 and are secured by surcharges to the monthly water purchase charges imposed upon the participating members. The Bonds are not a debt obligation of any member, and BAWSCA's failure to pay its Bonds would not constitute a default by any participating member.

Should any participating member fail to pay its share, BAWSCA will rely on the stabilization fund and will pursue all legal remedies to collect the shortfall from the delinquent member. In the interim, other participating members may have their portion adjusted to insure the continued payment of the debt service surcharge.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

17. COMMITMENTS AND CONTINGENCIES (Continued)

The risk of bearing the debt service expense of a defaulting member is not significantly different than the risk each member assumes currently for fluctuations in water purchase charges. Under the Bond indenture, BAWSCA maintains a stabilization fund. If surcharge revenues collected are less than needed (due to a member's failure to pay timely), BAWSCA uses the stabilization fund to fund the debt service deficiency, and increases the surcharge in the subsequent year to make up for the prior year shortfall and reimburse the stabilization fund account. Also, given that each participating agency's governing body adopted a Resolution to participate in the Bond issue, Management believes that default is generally very unlikely.

The annual debt service surcharges are a fixed amount for each participant and are calculated by taking the subsequent fiscal year's debt service, multiplied by each participant's actual water purchase as a percent of total wholesale customer water purchases from the prior fiscal year. One-twelfth of the annual surcharge is included in the monthly bill from SFPUC. Because each participant's share of the debt service surcharge is proportional to the amount of water purchased during the prior fiscal year, the City's share of the debt service will fluctuate from year to year.

The City paid its surcharge of \$2,659,000 during fiscal year 2014, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2015 is estimated to be \$2,581,371.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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, 2014

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, 2014

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. 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, 2014

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
Improvements other than Buildings	15 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, 2013	Additions	Balance June 30, 2014
Capital assets not being depreciated:			
Land	\$5,277,955		\$5,277,955
Total capital asset not being depreciated	<u>5,277,955</u>		<u>5,277,955</u>
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	<u>15,719,833</u>		<u>15,719,833</u>
Less accumulated depreciation for:			
Buildings and improvements	2,135,379	\$314,398	2,449,777
Improvements other than buildings	383,095	62,974	446,069
Machinery and equipment	9,575		9,575
Total accumulated depreciation	<u>2,528,049</u>	<u>377,372</u>	<u>2,905,421</u>
Net depreciable assets	<u>13,191,784</u>	<u>(377,372)</u>	<u>12,814,412</u>
Private purpose trust fund assets, net	<u>\$18,469,739</u>	<u>(\$377,372)</u>	<u>\$18,092,367</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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, 2014 was \$28,186,113 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, 2014. See Note 19E as these loans were transferred to the Successor Agency.

	School Project	Cannery Park	Retail Attraction/Cinema Place	Total
Balance at June 30, 2013	\$28,133,908	\$4,164,633	\$1,459,048	\$33,757,589
Plus: Loan Disbursements			1,396,504	1,396,504
Less: Residual Land Sale	(3,530,675)			(3,530,675)
Less: Pass-through payments	(563,792)			(563,792)
Less: Development fees	(2,498,386)			(2,498,386)
Less: Park in-lieu fees		(375,127)		(375,127)
Balance at June 30, 2014	<u>\$21,541,055</u>	<u>\$3,789,506</u>	<u>\$2,855,552</u>	<u>\$28,186,113</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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, 2014 was \$14,985,910 recorded in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund. The loans were as follows:

	Advances to Private Purpose Trust Fund	Advances From City
General Fund	\$9,236,442	
Housing Authority Special Revenue Fund	3,876,516	
Enterprise Funds		
Sewer	831,877	
Water	1,041,075	
Successor Agency Private Purpose Trust Fund	\$14,985,910	\$14,985,910
Total	\$14,985,910	\$14,985,910

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 Cities and 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 was restored at LAIF rates from inception. The amounts above reflect only the principal portion of the loan. As a result of the State Controller's Office Asset Transfer Review, completed in 2014, a loan repayment made by the Successor Agency to the City's General Fund in March 2011 of \$2.22 million was disallowed. Additional repayments of \$1,041,075 by the Successor Agency to the City's Water Enterprise Fund and \$831,877 by the Successor Agency to the City's Sewer Enterprise Fund were also disallowed. These balances are reflected in the table above.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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	Authorized and Issued	Principal Outstanding June 30, 2013	Retirements	Principal Outstanding June 30, 2014	Current Portion
Tax Allocation Bonds, 2004 Redevelopment Agency due 3/1/2034, interest at 3%-5.3%	\$44,790,000	\$35,385,000	\$1,595,000	\$33,790,000	\$1,665,000
2006 Redevelopment Agency due 3/1/2036, interest at 3.75%-5.0%	11,800,000	11,640,000	85,000	11,555,000	85,000
Total	\$56,590,000	\$47,025,000	\$1,680,000	\$45,345,000	\$1,750,000

At June 30, 2014, future debt service requirement for the Successor Agency were as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
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	2,100,000	1,903,199
2020 - 2024	12,155,000	7,856,204
2025 - 2029	13,880,000	4,473,188
2030 - 2034	6,570,000	1,837,735
2035 - 2036	3,125,000	236,250
Totals	\$45,345,000	\$24,822,412

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, 2014

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 2014, total tax increment calculated and available for distribution by the County Auditor-Controller was \$13,434,680, and the total received by the Successor Agency was \$4,317,292. The taxes available for distribution represented 100% of the \$4,008,656 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, 2014

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 and the State has issued the report in final form in November 2014. The State's review found that the former Agency transferred \$102,348,009 in assets after January 1, 2011, including unallowable transfers totaling \$32,882,838, or 32.13% of transferred assets. However, as of June 30, 2012, the City turned over \$28,789,886 in assets to the Successor Agency. In addition, on October 25, 2013, the City turned over \$4,092,952 in cash to the Successor Agency. Therefore, the State concluded that no further action is required of the City.

20. SUBSEQUENT EVENTS

2014 Fire Station #7 and Wellness Center Private Placement Loan – The City entered into a loan with Umpqua Bank in the amount of \$5,500,000 on August 1, 2014. Loan proceeds will be used to fund the design and construction of a Firehouse Wellness Clinic. Principal and interest payments are payable semiannually on February 1 and August 1, commencing February 1, 2015 through maturity on August 1, 2029.

CITY OF HAYWARD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	Variance with Adjusted Budget
	<u>Adopted</u>	<u>Adjusted</u>		Positive (Negative)
REVENUES:				
Property taxes	\$38,141,000	\$40,710,000	\$38,971,067	(\$1,738,933)
Real property transfer tax				
Sales taxes	30,500,000	30,500,000	31,019,079	519,079
Utility user tax	15,000,000	15,000,000	15,761,544	761,544
Other tax	20,516,700	21,326,700	21,130,900	(195,800)
Licenses and permits	4,459,390	4,319,390	4,078,392	(240,998)
Fines and forfeitures	1,698,849	2,078,849	2,227,806	148,957
Investment and rental income	264,017	404,017	288,292	(115,725)
Intergovernmental	5,975,175	6,880,491	6,770,695	(109,796)
Fees and charges for services	4,503,532	4,480,342	7,078,791	2,598,449
Total Revenues	<u>121,058,663</u>	<u>125,699,789</u>	<u>127,326,566</u>	<u>1,626,777</u>
EXPENDITURES:				
Current:				
General government	10,572,247	10,611,943	10,403,333	208,610
Public safety	90,659,415	91,287,843	91,603,529	(315,686)
Public works and transportation	1,625,260	1,629,098	1,608,762	20,336
Library and community services	4,748,235	4,731,521	4,727,575	3,946
Planning and building	6,085,904	6,543,363	5,967,469	575,894
Maintenance services	4,033,507	4,057,319	3,762,976	294,343
Debt Service:				
Interest and fiscal charges	75,160	174,944	147,822	27,122
Total Expenditures	<u>117,799,728</u>	<u>119,036,031</u>	<u>118,221,466</u>	<u>814,565</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,258,935</u>	<u>6,663,758</u>	<u>9,105,100</u>	<u>2,441,342</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,844,299	3,844,299	3,390,299	(454,000)
Transfers (out)	(10,783,462)	(10,783,462)	(13,042,140)	(2,258,678)
Total Other Financing Sources (Uses)	<u>(6,939,163)</u>	<u>(6,939,163)</u>	<u>(9,651,841)</u>	<u>(2,712,678)</u>
NET CHANGE IN FUND BALANCE	<u>(\$3,680,228)</u>	<u>(\$275,405)</u>	<u>(546,741)</u>	<u>(\$271,336)</u>
BEGINNING FUND BALANCE, AS ADJUSTED			<u>35,313,538</u>	
ENDING FUND BALANCE			<u>\$34,766,797</u>	

CITY OF HAYWARD
 FEDERAL GRANTS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance with Adjusted Budget Positive (Negative)
REVENUES:				
Investment income			\$5,891	\$5,891
Intergovernmental	\$696,499	\$868,324	1,737,721	869,397
Fees and charges for services	156,704	156,704	4,000	(152,704)
Total Revenues	853,203	1,025,028	1,747,612	722,584
EXPENDITURES:				
Current:				
General government		1,163,579	22,264	1,141,315
Public works and transportation		2,829,638	1,347,730	1,481,908
Economic development			990,889	(990,889)
Total Expenditures		3,993,217	2,360,883	1,632,334
EXCESS OF REVENUES OVER EXPENDITURES	853,203	(2,968,189)	(613,271)	2,354,918
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(239,000)	(239,000)	(239,000)	
Total Other Financing Sources (Uses)	(239,000)	(239,000)	(239,000)	
NET CHANGE IN FUND BALANCE	\$614,203	(\$3,207,189)	(852,271)	\$2,354,918
BEGINNING FUND BALANCE			1,354,597	
ENDING FUND BALANCE			\$502,326	

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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Adjusted Budget Positive (Negative)
REVENUES:				
Investment income	\$22,277	\$22,277	\$68,080	\$45,803
Intergovernmental			\$2,749,344	2,749,344
Fees and charges for services			95	95
Other revenue	57,829	57,829	181,204	123,375
Total Revenues	<u>80,106</u>	<u>80,106</u>	<u>2,998,723</u>	<u>2,918,617</u>
EXPENDITURES:				
Public works and transportation		2,441,759	39,123	2,402,636
Housing and business improvement loans	76,409	279,409	84,683	194,726
Interest and fiscal charges	2,000	2,000	1,998	2
Total Expenditures	<u>78,409</u>	<u>2,723,168</u>	<u>125,804</u>	<u>2,597,364</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,697</u>	<u>(2,643,062)</u>	<u>2,872,919</u>	<u>5,515,981</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,323,016	3,323,016	738,672	(2,584,344)
Transfers (out)	(40,531)	(40,531)	(40,531)	
Total Other Financing Sources (Uses)	<u>3,282,485</u>	<u>3,282,485</u>	<u>698,141</u>	<u>(2,584,344)</u>
NET CHANGE IN FUND BALANCE	<u>\$3,284,182</u>	<u>\$639,423</u>	<u>3,571,060</u>	<u>\$2,931,637</u>
BEGINNING FUND BALANCE			<u>7,711,297</u>	
ENDING FUND BALANCE			<u>\$11,282,357</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Adjusted Budget Positive (Negative)
REVENUES:				
Investment income	\$117,000	\$117,000	(\$870)	(\$117,870)
Rental income			183,796	183,796
Intergovernmental			4,547,247	4,547,247
Fees and charges for services			769,438	769,438
Other revenue			9,865	9,865
	<u>117,000</u>	<u>117,000</u>	<u>5,509,476</u>	<u>5,392,476</u>
Total Revenues				
EXPENDITURES:				
Capital outlay	<u>4,308,000</u>	<u>10,773,967</u>	<u>7,009,346</u>	<u>3,764,621</u>
Total Expenditures	<u>4,308,000</u>	<u>10,773,967</u>	<u>7,009,346</u>	<u>3,764,621</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(4,191,000)</u>	<u>(10,656,967)</u>	<u>(1,499,870)</u>	<u>9,157,097</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	<u>(1,088,572)</u>	<u>(1,088,672)</u>	<u>(1,088,672)</u>	
Total Other Financing Sources (Uses)	<u>(1,088,572)</u>	<u>(1,088,672)</u>	<u>(1,088,672)</u>	
NET CHANGE IN FUND BALANCE	<u>(\$5,279,572)</u>	<u>(\$11,745,639)</u>	<u>(2,588,542)</u>	<u>\$9,157,097</u>
BEGINNING FUND BALANCE			<u>2,284,926</u>	
ENDING FUND BALANCE			<u>(\$303,616)</u>	

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.

Local Grants Fund – Accounts for grants not originating from the Federal Government and State of California.

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, 2014

	SPECIAL REVENUE FUNDS			
	Special Gasoline Tax	Community Development Block Grant	Housing Mortgage Revenue Bonds	Park Dedication Ordinance
ASSETS:				
Cash and investments	\$1,114,920	\$968,389	\$991,793	\$2,512,644
Cash and investments with fiscal agents				
Accounts receivable, net	231,604			2,005
Due from other governments	447,258	336,477		
Interest receivable	112,936			
Loans receivable		2,933,360	175,500	
Deposits, parts, supplies and other				
Total Assets	\$1,906,718	\$4,238,226	\$1,167,293	\$2,514,649
LIABILITIES:				
Accounts payable	\$264,016	\$7,763	\$9	
Accrued liabilities	2	6,396	394	
Due to other funds	229,614	333,675		\$1,224
Unearned revenue				
Refundable deposits		2,200		1,090,616
Total Liabilities	493,632	350,034	403	1,091,840
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - grants receivable	231,604			2,005
Unavailable revenue - loans receivable		2,907,404	175,500	
Total Deferred Inflows of Resources	231,604	2,907,404	175,500	2,005
FUND BALANCES:				
Nonspendable				
Restricted				
Public safety				
Public works and transportation	1,181,482			
Planning and building				1,420,804
Economic development		980,788	991,390	
Debt service				
Assigned				
Unassigned				
Total Fund Balances (Deficit)	1,181,482	980,788	991,390	1,420,804
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,906,718	\$4,238,226	\$1,167,293	\$2,514,649

SPECIAL REVENUE FUNDS

Business Improvement	Donation	Recycling	Narcotics Asset Seizure	Park Maintenance District	Measure B Local Streets and Roads
\$233,827	\$7,702,549	\$1,433,594	\$430,579	\$2,725,945	\$349,811
			4,558	11,920	341,692
		53,631			
68					
<u>\$233,895</u>	<u>\$7,702,549</u>	<u>\$1,487,225</u>	<u>\$435,137</u>	<u>\$2,737,865</u>	<u>\$691,503</u>
	\$59,191 417	\$19,423 514		\$59,842	\$133
			\$52,058		
				20,000	
	59,608	19,937	52,058	79,842	133
		53,631			
		53,631			
			383,079		
\$233,895	7,642,941	1,413,657		2,658,023	691,370
<u>233,895</u>	<u>7,642,941</u>	<u>1,413,657</u>	<u>383,079</u>	<u>2,658,023</u>	<u>691,370</u>
<u>\$233,895</u>	<u>\$7,702,549</u>	<u>\$1,487,225</u>	<u>\$435,137</u>	<u>\$2,737,865</u>	<u>\$691,503</u>

(Continued)

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

SPECIAL REVENUE FUNDS				
	Measure B Pedestrian	Measure B Paratransit	Measure F	Local Grants
ASSETS:				
Cash and investments	\$446,067	\$873,412	\$342,680	\$13,144
Cash and investments with fiscal agents				
Accounts receivable, net				5,191
Due from other governments	68,843	121,371	218,377	
Interest receivable				
Loans receivable				
Deposits, parts, supplies and other				
Total Assets	\$514,910	\$994,783	\$561,057	\$18,335
LIABILITIES:				
Accounts payable	\$97,845	\$61,230	\$8,255	
Accrued liabilities	4	741		
Due to other funds				
Unearned revenue				
Refundable deposits	990			
Total Liabilities	98,839	61,971	8,255	
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - grants receivable				
Unavailable revenue - loans receivable				
Total Deferred Inflows of Resources				
FUND BALANCES:				
Nonspendable				
Restricted				
Public safety				
Public works and transportation	416,071	932,812	552,802	\$18,335
Planning and building				
Economic development				
Debt service				
Assigned				
Unassigned				
Total Fund Balances (Deficit)	416,071	932,812	552,802	18,335
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$514,910	\$994,783	\$561,057	\$18,335

DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			
Certificates of Participation	General Capital Projects	Traffic Signal Construction	Performance Deposits	Total Nonmajor Governmental Funds
\$169,184	\$7,612,086	\$132,776	\$401,445	\$28,454,845
61,171				61,171
	414,635	157,856		811,291
	1,279,848			2,830,344
				112,936
				3,162,491
	2,239,029			2,239,097
<u>\$230,355</u>	<u>\$11,545,598</u>	<u>\$290,632</u>	<u>\$401,445</u>	<u>\$37,672,175</u>
	\$965,414	\$49,234		\$1,592,355
	3,000	6,099	\$2,572	20,139
	140,950			705,463
				52,058
	112,470		396,249	1,622,525
	1,221,834	55,333	398,821	3,992,540
	414,675	157,856		806,140
				3,136,535
	414,675	157,856		3,942,675
	2,239,029			2,239,029
		77,443	2,624	383,079
				5,286,596
				11,955,663
				1,972,178
\$230,355				230,355
	7,670,060			7,670,060
<u>230,355</u>	<u>9,909,089</u>	<u>77,443</u>	<u>2,624</u>	<u>29,736,960</u>
<u>\$230,355</u>	<u>\$11,545,598</u>	<u>\$290,632</u>	<u>\$401,445</u>	<u>\$37,672,175</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, 2014

	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 (loss)	(\$2,603)	\$5,785	\$5,724	\$16,157
Other	96,340	404,284	86,653	525,632
Total Revenues	5,417,664	1,311,230	92,377	541,789
EXPENDITURES:				
Current:				
General government				
Public safety				
Public works and transportation		17,695		
Library and community services		1,504,668		
Economic development			119,457	783,672
Planning and building		13,639		
Maintenance services				
Capital outlay	4,183,320			
Debt service:				
Principal repayment		426,033		
Interest and fiscal charges		17,404	1,471	
Total Expenditures	4,183,320	1,979,439	120,928	783,672
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,234,344	(668,209)	(28,551)	(241,883)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt (Note 6)	2,488,880			
Transfers in	100,000			
Transfers (out)	(2,402,000)	(56,861)	(3,205)	
Total Other Financing Sources (Uses)	186,880	(56,861)	(3,205)	
NET CHANGE IN FUND BALANCES	1,421,224	(725,070)	(31,756)	(241,883)
BEGINNING FUND BALANCES, ADJUSTED (DEFICITS) (Note 9)	(239,742)	1,705,858	1,023,146	1,662,687
ENDING FUND BALANCES (DEFICITS)	\$1,181,482	\$980,788	\$991,390	\$1,420,804

SPECIAL REVENUE FUNDS

Business Improvement	Donation	Recycling	Narcotics Asset Seizure	Park Maintenance District	Measure B Local Streets and Roads
\$46,883			\$57,680		
1,221		\$8,422	2,226	\$972,339 15,401	\$1,184
	\$177,354				
48,104	177,354	499,304	59,906	987,740	2,116,097
				125,781	
	182,655 37,449	529,655			
39,086				828,419	2,284,464
		2,933			
39,086	220,104	532,588		954,200	2,284,464
9,018	(42,750)	(33,284)	59,906	33,540	(168,367)
	(3,200,000)	(82,188)			
	(3,200,000)	(82,188)			
9,018	(3,242,750)	(115,472)	59,906	33,540	(168,367)
224,877	10,885,691	1,529,129	323,173	2,624,483	859,737
\$233,895	\$7,642,941	\$1,413,657	\$383,079	\$2,658,023	\$691,370

(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, 2014

	SPECIAL REVENUE FUNDS			
	Measure B Pedestrian	Measure B Paratransit	Measure F	Local Grants
REVENUES:				
Other taxes				
Fines and forfeitures				
Special assessments				
Investment income (loss)	\$1,891	\$5,671		
Other				
Total Revenues	427,999	756,898	736,955	\$84,000
EXPENDITURES:				
Current:				
General government				
Public safety				65,665
Public works and transportation			184,153	
Library and community services		772,294		
Economic development				
Planning and building				
Maintenance services				
Capital outlay	359,467			
Debt service:				
Principal repayment				
Interest and fiscal charges		1,136		
Total Expenditures	359,467	773,430	184,153	65,665
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	68,532	(16,532)	552,802	18,335
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt (Note 6)				
Transfers in				
Transfers (out)		(14,337)		
Total Other Financing Sources (Uses)		(14,337)		
NET CHANGE IN FUND BALANCES	68,532	(30,869)	552,802	18,335
BEGINNING FUND BALANCES, ADJUSTED (DEFICITS) (Note 9)	347,539	963,681		
ENDING FUND BALANCES (DEFICITS)	\$416,071	\$932,812	\$552,802	\$18,335

DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS				
Certificates of Participation	General Capital Projects	Traffic Signal Construction	Performance Deposits	Total Nonmajor Governmental Funds	
	\$132,987			\$179,870	
				57,680	
				972,339	
\$3,671	21,567	\$444	\$2,272	89,033	
	230,646			1,520,909	
3,671	8,854,964	444	2,272	22,118,768	
				125,781	
				248,320	
				768,952	
				2,276,962	
				942,215	
				13,639	
				828,419	
	8,343,596	407,468		15,578,315	
1,790,000				2,216,033	
920,774				943,718	
2,710,774	8,343,596	407,468		23,942,354	
(2,707,103)	511,368	(407,024)	2,272	(1,823,586)	
				2,488,880	
2,809,146	8,958,178	350,000		12,217,324	
	(2,207,000)			(7,965,591)	
2,809,146	6,751,178	350,000		6,740,613	
102,043	7,262,546	(57,024)	2,272	4,917,027	
128,312	2,646,543	134,467	352	24,819,933	
\$230,355	\$9,909,089	\$77,443	\$2,624	\$29,736,960	

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, 2014

	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	(\$2,603)	(\$7,603)	\$50,330	\$5,785	(\$44,545)
Licenses and permits						
Intergovernmental	2,391,000	4,812,051	2,421,051	1,356,206	901,161	(455,045)
Fees and charges for services		511,876	511,876			
Other		96,340	96,340	322,192	404,284	82,092
Total Revenues	2,396,000	5,417,664	3,021,664	1,728,728	1,311,230	(417,498)
EXPENDITURES:						
Current:						
General government						
Public safety						
Public works and transportation					17,695	(17,695)
Library and community services				1,681,619	1,504,668	176,951
Economic development				500,000		500,000
Planning and building				175,000	13,639	161,361
Maintenance services						
Capital outlay	5,641,367	4,183,320	1,458,047			
Debt service						
Principal repayment				433,419	426,033	7,386
Interest and fiscal charges				12,424	17,404	(4,980)
Total Expenditures	5,641,367	4,183,320	1,458,047	2,802,462	1,979,439	823,023
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,245,367)	1,234,344	4,479,711	(1,073,734)	(668,209)	405,525
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt (Note 6)		2,488,880	2,488,880			
Transfers in	100,000	100,000				
Transfers (out)	(2,848,000)	(2,402,000)	446,000	(50,317)	(56,861)	(6,544)
Total Other Financing Sources (Uses)	(2,748,000)	186,880	2,934,880	(50,317)	(56,861)	(6,544)
NET CHANGE IN FUND BALANCES	(\$5,993,367)	1,421,224	\$7,414,591	(\$1,124,051)	(725,070)	\$398,981
BEGINNING FUND BALANCES (DEFICITS) (Note 9)		(239,742)			1,705,858	
ENDING FUND BALANCES (DEFICIT)		<u>\$1,181,482</u>			<u>\$980,788</u>	

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	\$46,883	(\$3,117)
\$21,912	\$5,724	(\$16,188)		\$16,157	\$16,157		1,221	1,221
68,166	86,653	18,487	3,700,518	525,632	(3,174,886)			
90,078	92,377	2,299	3,700,518	541,789	(3,158,729)	50,000	48,104	(1,896)
266,943	119,457	147,486	3,127,181	783,672	2,343,509	90,000	39,086	50,914
1,800	1,471	329						
268,743	120,928	147,815	3,127,181	783,672	2,343,509	90,000	39,086	50,914
(178,665)	(28,551)	150,114	573,337	(241,883)	(815,220)	(40,000)	9,018	49,018
(3,205)	(3,205)							
(3,205)	(3,205)							
(\$181,870)	(31,756)	\$150,114	\$573,337	(241,883)	(\$815,220)	(\$40,000)	9,018	\$49,018
	1,023,146			1,662,687			224,877	
	\$991,390			\$1,420,804			\$233,895	

(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, 2014

	SPECIAL REVENUE FUNDS				
	Recycling			Narcotics Asset Seizure	
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Variance Positive (Negative)
REVENUES:					
Other taxes					
Fines and forfeitures					
Special assessments				\$57,680	\$57,680
Investment income					
Licenses and permits	\$16,000	\$8,422	(\$7,578)	2,226	2,226
Intergovernmental					
Fees and charges for services	479,375	490,882	11,507		
Other					
	2,500		(2,500)		
Total Revenues	<u>497,875</u>	<u>499,304</u>	<u>1,429</u>	<u>59,906</u>	<u>59,906</u>
EXPENDITURES:					
Current:					
General government					
Public safety					
Public works and transportation	1,125,351	529,655	595,696		
Library and community services					
Economic development					
Planning and building					
Maintenance services					
Capital outlay					
Debt service					
Principal repayment					
Interest and fiscal charges		2,933	(2,933)		
Total Expenditures	<u>1,125,351</u>	<u>532,588</u>	<u>592,763</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(627,476)</u>	<u>(33,284)</u>	<u>594,192</u>	<u>59,906</u>	<u>59,906</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt (Note 6)					
Transfers in					
Transfers (out)	(82,188)	(82,188)			
Total Other Financing Sources (Uses)	<u>(82,188)</u>	<u>(82,188)</u>			
NET CHANGE IN FUND BALANCES	<u>(\$709,664)</u>	<u>(115,472)</u>	<u>\$594,192</u>	<u>59,906</u>	<u>\$59,906</u>
BEGINNING FUND BALANCES (DEFICITS) (Note 9)		<u>1,529,129</u>		<u>323,173</u>	
ENDING FUND BALANCES (DEFICIT)		<u>\$1,413,657</u>		<u>\$383,079</u>	

SPECIAL REVENUE FUNDS

Park Maintenance District			Measure B Local Streets and Roads			Measure B Pedestrian		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
\$836,357	\$972,339 15,401	\$135,982 15,401	\$7,000	\$1,184	(\$5,816)	\$4,000	\$1,891	(\$2,109)
				2,114,913	2,114,913		426,108	426,108
<u>836,357</u>	<u>987,740</u>	<u>151,383</u>	<u>7,000</u>	<u>2,116,097</u>	<u>2,109,097</u>	<u>4,000</u>	<u>427,999</u>	<u>423,999</u>
26,000	125,781	(99,781)						
	828,419	(828,419)	2,598,929	2,284,464	314,465	588,676	359,467	229,209
<u>950,808</u>		<u>950,808</u>						
<u>976,808</u>	<u>954,200</u>	<u>22,608</u>	<u>2,598,929</u>	<u>2,284,464</u>	<u>314,465</u>	<u>588,676</u>	<u>359,467</u>	<u>229,209</u>
<u>(140,451)</u>	<u>33,540</u>	<u>173,991</u>	<u>(2,591,929)</u>	<u>(168,367)</u>	<u>2,423,562</u>	<u>(584,676)</u>	<u>68,532</u>	<u>653,208</u>
<u>(\$140,451)</u>	33,540	<u>\$173,991</u>	<u>(\$2,591,929)</u>	(168,367)	<u>\$2,423,562</u>	<u>(\$584,676)</u>	68,532	<u>\$653,208</u>
	<u>2,624,483</u>			<u>859,737</u>			<u>347,539</u>	
	<u>\$2,658,023</u>			<u>\$691,370</u>			<u>\$416,071</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, 2014

	SPECIAL REVENUE FUNDS					
	Measure B Paratransit			Measure F		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Other taxes						
Fines and forfeitures						
Special assessments						
Investment income	\$3,000	\$5,644	\$2,644			
Licenses and permits						
Intergovernmental	725,000	751,254	26,254		\$736,955	\$736,955
Fees and charges for services						
Other		17,966	17,966			
Total Revenues	<u>728,000</u>	<u>774,864</u>	<u>46,864</u>		<u>736,955</u>	<u>736,955</u>
EXPENDITURES:						
Current:						
General government						
Public safety						
Public works and transportation				\$991,697	184,153	807,544
Library and community services	985,998	772,294	213,704			
Economic development						
Planning and building						
Maintenance services						
Capital outlay						
Debt service						
Principal repayment						
Interest and fiscal charges	2,500	1,136	1,364			
Total Expenditures	<u>988,498</u>	<u>773,430</u>	<u>215,068</u>	<u>991,697</u>	<u>184,153</u>	<u>807,544</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(260,498)</u>	<u>1,434</u>	<u>261,932</u>	<u>(991,697)</u>	<u>552,802</u>	<u>1,544,499</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt (Note 6)						
Transfers in						
Transfers (out)	(14,337)	(14,337)				
Total Other Financing Sources (Uses)	<u>(14,337)</u>	<u>(14,337)</u>				
NET CHANGE IN FUND BALANCES	<u>(\$274,835)</u>	<u>(12,903)</u>	<u>\$261,932</u>	<u>(\$991,697)</u>	<u>552,802</u>	<u>\$1,544,499</u>
BEGINNING FUND BALANCES (DEFICITS) (Note 9)		<u>963,681</u>				
ENDING FUND BALANCES (DEFICIT)		<u>\$950,778</u>			<u>\$552,802</u>	

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
Local Grants			Certificates of Participation			General Capital Projects		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
							\$132,987	\$132,987
			\$3,000	\$3,671	\$671	\$42,000	21,567	(20,433)
\$92,500	\$77,500	(\$15,000)					252,910	
	6,500	6,500					7,723,678	7,723,678
							493,176	493,176
							230,646	230,646
92,500	84,000	(8,500)	3,000	3,671	671	42,000	8,854,964	8,560,054
97,447	65,665	31,782						
						45,328,787	8,343,596	36,985,191
			1,790,000	1,790,000				
			1,018,899	920,774	98,125			
97,447	65,665	31,782	2,808,899	2,710,774	98,125	45,328,787	8,343,596	36,985,191
(4,947)	18,335	23,282	(2,805,899)	(2,707,103)	98,796	(45,286,787)	511,368	45,798,155
			2,808,646	2,809,146	500	4,780,000	8,958,178	4,178,178
						(70,000)	(2,207,000)	(2,137,000)
			2,808,646	2,809,146	500	4,710,000	6,751,178	2,041,178
(\$4,947)	18,335	\$23,282	\$2,747	102,043	\$99,296	(\$40,576,787)	7,262,546	\$47,839,333
				128,312			2,646,543	
	\$18,335			\$230,355			\$9,909,089	

(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, 2014

	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	\$444	(\$5,556)		\$2,272	\$2,272
Licenses and permits						
Intergovernmental						
Fees and charges for services						
Other						
Total Revenues	<u>6,000</u>	<u>444</u>	<u>(5,556)</u>		<u>2,272</u>	<u>2,272</u>
EXPENDITURES:						
Current:						
General government						
Public safety						
Public works and transportation						
Library and community services						
Economic development						
Planning and building						
Maintenance services						
Capital outlay	822,062	407,468	414,594			
Debt Service						
Principal repayment						
Interest and fiscal charges						
Total Expenditures	<u>822,062</u>	<u>407,468</u>	<u>414,594</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(816,062)</u>	<u>(407,024)</u>	<u>409,038</u>		<u>2,272</u>	<u>2,272</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt (Note 6)						
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>(\$466,062)</u>	<u>(57,024)</u>	<u>\$409,038</u>		<u>2,272</u>	<u>\$2,272</u>
BEGINNING FUND BALANCES (DEFICITS) (Note 9)		<u>134,467</u>			<u>352</u>	
ENDING FUND BALANCES		<u>\$77,443</u>			<u>\$2,624</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, 2014

	<u>Stormwater</u>	<u>Airport</u>	<u>Totals</u>
Current Assets:			
Cash and investments	\$3,305,721	\$11,631,983	\$14,937,704
Accounts receivable, net	93,140	9,369	102,509
Due from other governments	7,177	2,979	10,156
	<u>3,406,038</u>	<u>11,644,331</u>	<u>15,050,369</u>
Total Current Assets			
Noncurrent Assets:			
Deposits, parts, supplies and other Capital assets		30,143	30,143
Land		244,302	244,302
Construction in progress		5,684,543	5,684,543
Depreciable capital assets, net	2,184	12,424,892	12,427,076
	<u>2,184</u>	<u>18,383,880</u>	<u>18,386,064</u>
Total Noncurrent Assets			
	<u>2,184</u>	<u>18,383,880</u>	<u>18,386,064</u>
Total Assets	<u>3,408,222</u>	<u>30,028,211</u>	<u>33,436,433</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	303	23,122	23,425
Accrued liabilities	5,135	3,691	8,826
Due to other funds		633,457	633,457
Refundable deposits		95,541	95,541
Compensated absences - due within one year	48,109	48,769	96,878
Long term debt - due within one year		115,825	115,825
	<u>53,547</u>	<u>920,405</u>	<u>973,952</u>
Total Current Liabilities			
	<u>53,547</u>	<u>920,405</u>	<u>973,952</u>
Noncurrent Liabilities:			
Long-term interfund payables - due in more than one year		1,800,000	1,800,000
Compensated absences	7,832	7,939	15,771
Long term debt - due in more than one year		1,353,553	1,353,553
	<u>7,832</u>	<u>3,161,492</u>	<u>3,169,324</u>
Total Noncurrent Liabilities			
	<u>7,832</u>	<u>3,161,492</u>	<u>3,169,324</u>
Total Liabilities	<u>61,379</u>	<u>4,081,897</u>	<u>4,143,276</u>
NET POSITION:			
Net investments in capital assets	2,184	16,884,359	16,886,543
Unrestricted	3,344,659	9,061,955	12,406,614
	<u>3,346,843</u>	<u>\$25,946,314</u>	<u>\$29,293,157</u>
Total Net Position			
	<u>3,346,843</u>	<u>\$25,946,314</u>	<u>\$29,293,157</u>

CITY OF HAYWARD
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Stormwater</u>	<u>Airport</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$2,777,203	\$3,324,654	\$6,101,857
Miscellaneous	25	40,860	40,885
	<u>2,777,228</u>	<u>3,365,514</u>	<u>6,142,742</u>
OPERATING EXPENSES:			
Salaries and related expenses	1,677,835	1,269,985	2,947,820
Materials, supplies and services	710,220	889,578	1,599,798
Repairs and maintenance	31,234	181,150	212,384
Depreciation	278	1,102,942	1,103,220
	<u>2,419,567</u>	<u>3,443,655</u>	<u>5,863,222</u>
Total Operating Revenues			
Operating Income (Loss)	<u>357,661</u>	<u>(78,141)</u>	<u>279,520</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	16,824	70,680	87,504
	<u>16,824</u>	<u>70,680</u>	<u>87,504</u>
Net Nonoperating Revenues (Expenses)			
Income (Loss) Before Contributions and Transfers	<u>374,485</u>	<u>(7,461)</u>	<u>367,024</u>
TRANSFERS			
Transfers (out)	(119,214)	(307,370)	(426,584)
	<u>(119,214)</u>	<u>(307,370)</u>	<u>(426,584)</u>
Net Transfers			
CHANGE IN NET POSITION	255,271	(314,831)	(59,560)
BEGINNING NET POSITION	<u>3,091,572</u>	<u>26,261,145</u>	<u>29,352,717</u>
ENDING NET POSITION	<u>\$3,346,843</u>	<u>\$25,946,314</u>	<u>\$29,293,157</u>

CITY OF HAYWARD
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Stormwater</u>	<u>Airport</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$2,792,605	\$3,394,203	\$6,186,808
Payments to suppliers	(749,587)	(944,699)	(1,694,286)
Payments to employees	(1,681,259)	(1,267,150)	(2,948,409)
	<u>361,759</u>	<u>1,182,354</u>	<u>1,544,113</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Interfund receipts		528,457	528,457
Transfers (out)	(119,214)	(307,370)	(426,584)
	<u>(119,214)</u>	<u>221,087</u>	<u>101,873</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets		(4,456,314)	(4,456,314)
Issuance of long-term debt		1,552,686	1,552,686
Principal payments on capital debt		(83,308)	(83,308)
		<u>(2,986,936)</u>	<u>(2,986,936)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	16,824	70,680	87,504
	<u>16,824</u>	<u>70,680</u>	<u>87,504</u>
NET CASH FLOWS	259,369	(1,512,815)	(1,253,446)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	<u>3,046,352</u>	<u>13,144,798</u>	<u>16,191,150</u>
CASH AND EQUIVALENTS AT END OF PERIOD	<u>\$3,305,721</u>	<u>\$11,631,983</u>	<u>\$14,937,704</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$357,661	(\$78,141)	\$279,520
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	278	1,102,942	1,103,220
Change in assets and liabilities:			
Receivables, net	22,554	(9,369)	13,185
Other assets		132,257	132,257
Due from other governments	(7,177)	37,783	30,606
Accounts payable and other accrued expenses	(8,133)	(6,228)	(14,361)
Refundable deposits		275	275
Compensated absences	(3,424)	2,835	(589)
	<u>\$361,759</u>	<u>\$1,182,354</u>	<u>\$1,544,113</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, 2014

	Workers' Compensation Insurance	General Liability	Facilities Management	Fleet Management
ASSETS:				
Current Assets:				
Cash and investments	\$6,118,709	\$3,627,439	\$527,836	\$3,835,978
Cash and investments with fiscal agents			83,625	1,170,581
Accounts receivable, net	249,237		4,679	18,319
Deposits, parts, supplies and other		1,005,405		
Total Current Assets	6,367,946	4,632,844	616,140	5,024,878
Noncurrent Assets:				
Land			372,748	
Construction in progress				
Depreciable capital assets, net			2,017,078	10,007,769
Total Noncurrent Assets			2,389,826	10,007,769
Total Assets	6,367,946	4,632,844	3,005,966	15,032,647
LIABILITIES:				
Current Liabilities:				
Accounts payable		1,309,601	85,575	124,851
Accrued liabilities	11,637,947	1,820,536	3,872	2,876
Unearned revenue			1,715	
Refundable deposits			499	
Compensated absences	16,382	10,982	78,264	63,640
Long-term debt - due within one year			113,043	231,403
Total Current Liabilities	11,654,329	3,141,119	282,968	422,770
Noncurrent Liabilities:				
Long-term interfund payables				956,207
Compensated absences	2,667	1,788	12,741	10,360
Long-term debt			1,280,307	3,012,293
Total Noncurrent Liabilities	2,667	1,788	1,293,048	3,978,860
Total Liabilities	11,656,996	3,142,907	1,576,016	4,401,630
NET POSITION:				
Net investments in capital assets			996,476	6,764,073
Restricted for debt service			83,625	1,170,581
Unrestricted	(5,289,050)	1,489,937	349,849	2,696,363
Total Net Position	(\$5,289,050)	\$1,489,937	\$1,429,950	\$10,631,017

Technology Services	Employee Benefits	Total
\$2,429,896	\$1,707,096	\$18,246,954
53,153		1,254,206
		325,388
		1,005,405
<u>2,483,049</u>	<u>1,707,096</u>	<u>20,831,953</u>
		372,748
3,114,664		3,114,664
658,885		12,683,732
<u>3,773,549</u>		<u>16,171,144</u>
<u>6,256,598</u>	<u>1,707,096</u>	<u>37,003,097</u>
		1,868,225
156,873	191,325	13,488,992
23,761		2,130
415		499
156,480		325,748
750,000		1,094,446
<u>1,087,529</u>	<u>191,325</u>	<u>16,780,040</u>
		1,107,143
150,936		53,029
25,473		4,605,360
312,760		5,765,532
<u>489,169</u>		<u>22,545,572</u>
<u>1,576,698</u>	<u>191,325</u>	<u>10,471,338</u>
		1,254,206
2,710,789		2,731,981
1,969,111	1,515,771	
<u>\$4,679,900</u>	<u>\$1,515,771</u>	<u>\$14,457,525</u>

CITY OF HAYWARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Workers' Compensation Insurance	General Liability	Facilities Management	Fleet Management
OPERATING REVENUES				
Charges for services	\$6,452,652	\$282,486	\$3,463,206	\$4,939,435
Other			202,941	785,139
Total Operating Revenues	6,452,652	282,486	3,666,147	5,724,574
OPERATING EXPENSES				
Salaries and related expenses	380,387	467,966	1,155,226	1,013,385
Materials, supplies and services	863,049	2,402,871	2,345,508	631,698
Repairs and maintenance		242	108,436	1,203,040
Self-funded insurance expense	6,328,074	1,566,060		
Depreciation			75,111	1,629,363
Total Operating Expenses	7,571,510	4,437,139	3,684,281	4,477,486
Operating Income (Loss)	(1,118,858)	(4,154,653)	(18,134)	1,247,088
NONOPERATING REVENUES (EXPENSES)				
Investment income			116	17,893
Interest (expense)			(67,272)	
Total Nonoperating Revenues (Expenses)			(67,156)	17,893
Income (Loss) Before Transfers	(1,118,858)	(4,154,653)	(85,290)	1,264,981
CONTRIBUTIONS AND TRANSFERS				
Transfers in	310,000	3,496,796	220,000	670,000
Transfers (out)	(158,848)	(327,546)	(137,280)	(154,965)
Net Contributions and Transfers	151,152	3,169,250	82,720	515,035
CHANGE IN NET POSITION	(967,706)	(985,403)	(2,570)	1,780,016
BEGINNING NET POSITION	(4,321,344)	2,475,340	1,432,520	8,851,001
ENDING NET POSITION	(\$5,289,050)	\$1,489,937	\$1,429,950	\$10,631,017

Technology Services	Employee Benefits	Total
\$4,324,073	\$2,663,399	\$22,125,251
25,128		1,013,208
<u>4,349,201</u>	<u>2,663,399</u>	<u>23,138,459</u>
2,350,809		5,367,773
1,691,650	1,649,110	9,583,886
912,473		2,224,191
	2,298,181	10,192,315
<u>177,584</u>		<u>1,882,058</u>
<u>5,132,516</u>	<u>3,947,291</u>	<u>29,250,223</u>
<u>(783,315)</u>	<u>(1,283,892)</u>	<u>(6,111,764)</u>
1,497		19,506
		<u>(67,272)</u>
<u>1,497</u>		<u>(47,766)</u>
<u>(781,818)</u>	<u>(1,283,892)</u>	<u>(6,159,530)</u>
2,786,000	1,978,000	9,460,796
<u>(193,529)</u>		<u>(972,168)</u>
<u>2,592,471</u>	<u>1,978,000</u>	<u>8,488,628</u>
1,810,653	694,108	2,329,098
<u>2,869,247</u>	<u>821,663</u>	<u>12,128,427</u>
<u>\$4,679,900</u>	<u>\$1,515,771</u>	<u>\$14,457,525</u>

CITY OF HAYWARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Workers' Compensation Insurance	General Liability	Facilities Management	Fleet Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$6,360,090	\$282,486	\$3,662,604	\$5,728,514
Payments to suppliers	1,397,156	(618,057)	(2,505,950)	(2,002,897)
Payments to employees	(367,618)	(471,223)	(1,163,428)	(1,029,279)
Claims paid	(6,328,074)	(1,566,060)		
Cash Flows from Operating Activities	1,061,554	(2,372,854)	(6,774)	2,696,338
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to other funds				456,207
Transfers in	310,000	3,496,796	220,000	670,000
Transfers out	(158,848)	(327,546)	(137,280)	(154,965)
Cash Flows from Noncapital Financing Activities	151,152	3,169,250	82,720	971,242
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets				(2,085,370)
Issuance of long-term debt				1,359,000
Principal payments on capital debt			(102,980)	(1,323,752)
Interest paid on capital debt			(67,272)	
Cash Flows from Capital and Related Financing Activities			(170,252)	(2,050,122)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received			116	17,893
Investment proceeds			(1,283)	(817,890)
Cash Flows from Investing Activities			(1,167)	(799,997)
Net increase (decrease) in cash and cash equivalents	1,212,706	796,396	(95,473)	817,461
Cash and cash equivalents at beginning of period	4,906,003	2,831,043	623,309	3,018,517
Cash and cash equivalents at end of period	<u>\$6,118,709</u>	<u>\$3,627,439</u>	<u>\$527,836</u>	<u>\$3,835,978</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	(\$1,118,858)	(\$4,154,653)	(\$18,134)	\$1,247,088
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation			75,111	1,629,363
Change in assets and liabilities:				
Receivables, net	(92,562)		(3,543)	3,940
Other assets				21,418
Accounts and other payables	(46,807)	1,059,601	(55,878)	(192,221)
Compensated absences	12,769	(3,257)	(8,202)	(15,894)
Other accrued expenses	2,307,012	725,455	3,872	2,644
Cash Flows from Operating Activities	\$1,061,554	(\$2,372,854)	(\$6,774)	\$2,696,338

Technology Services	Employee Benefits	Total
\$4,362,594	\$2,663,399	\$23,059,687
(2,489,838)	(1,457,785)	(7,677,371)
(2,346,779)		(5,378,327)
	(2,298,181)	(10,192,315)
<u>(474,023)</u>	<u>(1,092,567)</u>	<u>(188,326)</u>
(974,064)		(517,857)
2,786,000	1,978,000	9,460,796
(193,529)		(972,168)
<u>1,618,407</u>	<u>1,978,000</u>	<u>7,970,771</u>
		(2,085,370)
		1,359,000
359,157		(1,067,575)
		(67,272)
<u>359,157</u>		<u>(1,861,217)</u>
1,497		19,506
		(819,173)
<u>1,497</u>		<u>(799,667)</u>
1,505,038	885,433	5,121,561
<u>924,858</u>	<u>821,663</u>	<u>13,125,393</u>
<u>\$2,429,896</u>	<u>\$1,707,096</u>	<u>\$18,246,954</u>
(\$783,315)	(\$1,283,892)	(\$6,111,764)
177,584		1,882,058
13,393		(78,772)
		21,418
91,679	191,325	1,047,699
4,030		(10,554)
<u>22,606</u>		<u>3,061,589</u>
<u>(\$474,023)</u>	<u>(\$1,092,567)</u>	<u>(\$188,326)</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 Bart Parking District JPA – 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, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<u>Local Improvement Districts</u>				
ASSETS:				
Cash and investments	\$1,810,534	\$1,959,512	\$1,810,534	\$1,959,512
Cash and investments with fiscal agents	659,214	353,837	659,214	353,837
Accounts receivable	6,463	759		7,222
Due from other governments	1,241,682	1,242,857	1,241,682	1,242,857
Total Assets	<u>\$3,717,893</u>	<u>\$3,556,965</u>	<u>\$3,711,430</u>	<u>\$3,563,428</u>
LIABILITIES:				
Accounts payable	\$1,416		\$1,416	
Due to bondholders	3,716,477	\$3,556,965	3,710,014	\$3,563,428
Total Liabilities	<u>\$3,717,893</u>	<u>\$3,556,965</u>	<u>\$3,711,430</u>	<u>\$3,563,428</u>
<u>South Hayward Bart Parking District JPA</u>				
ASSETS:				
Cash and investments	\$123,919	\$68,360	\$123,919	\$68,360
Total Assets	<u>\$123,919</u>	<u>\$68,360</u>	<u>\$123,919</u>	<u>\$68,360</u>
LIABILITIES:				
Due to others	\$123,919	\$68,360	\$123,919	\$68,360
Total Liabilities	<u>\$123,919</u>	<u>\$68,360</u>	<u>\$123,919</u>	<u>\$68,360</u>
<u>Other Agency Funds</u>				
ASSETS:				
Cash and investments	\$181,586	\$824,764	\$181,586	\$824,764
Total Assets	<u>\$181,586</u>	<u>\$824,764</u>	<u>\$181,586</u>	<u>\$824,764</u>
LIABILITIES:				
Accounts payable		\$790		\$790
Refundable deposits	\$181,586	823,974	\$181,586	823,974
Total Liabilities	<u>\$181,586</u>	<u>\$824,764</u>	<u>\$181,586</u>	<u>\$824,764</u>
<u>Total</u>				
ASSETS:				
Cash and investments	\$2,116,039	\$2,852,636	\$2,116,039	\$2,852,636
Cash and investments with fiscal agents	659,214	353,837	659,214	353,837
Accounts receivable	6,463	759		7,222
Due from other governments	1,241,682	1,242,857	1,241,682	1,242,857
Total Assets	<u>\$4,023,398</u>	<u>\$4,450,089</u>	<u>\$4,016,935</u>	<u>\$4,456,552</u>
LIABILITIES:				
Accounts payable	\$1,416	\$790	\$1,416	\$790
Refundable deposits	181,586	823,974	181,586	823,974
Due to bondholders and others	3,840,396	3,625,325	3,833,933	3,631,788
Total Liabilities	<u>\$4,023,398</u>	<u>\$4,450,089</u>	<u>\$4,016,935</u>	<u>\$4,456,552</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

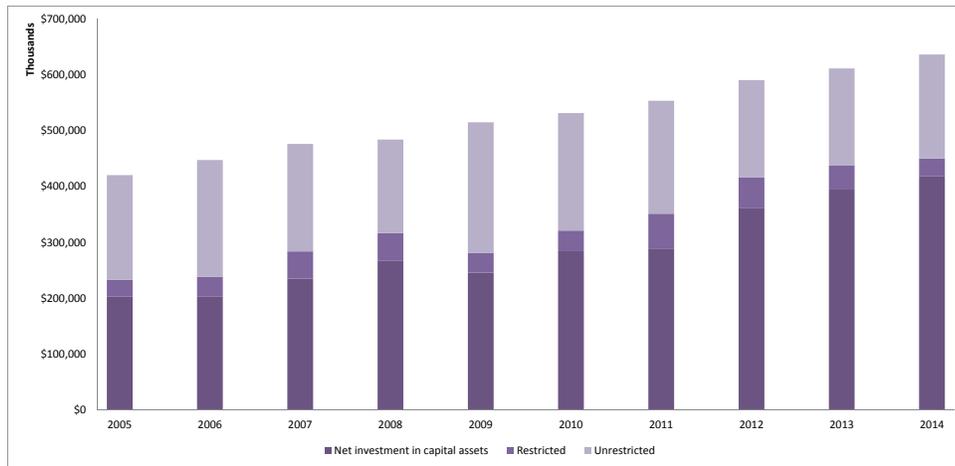
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$105,543,242	\$100,174,478	\$126,446,824	\$165,674,448	\$144,536,663	\$175,603,110	\$177,018,316	\$249,020,221	\$279,525,198	\$290,077,936
Restricted	26,607,973	31,759,679	45,104,958	50,176,114	35,212,631	37,078,947	62,458,594	54,205,450	42,224,510	31,382,199
Unrestricted	91,426,581	100,340,730	\$79,057,083	33,506,242	94,984,265	74,605,502	67,919,935	35,822,808	33,214,883	43,176,179
Total governmental activities net position	\$223,577,796	\$232,274,887	\$250,608,865	\$249,356,804	\$274,733,559	\$287,287,559	\$307,396,845	\$339,048,479	\$354,964,591	\$364,636,314
Business-type activities										
Net investment in capital assets	\$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	\$128,869,837
Restricted	3,740,371	4,066,211	3,934,308	0	0	0	0	0	0	0
Unrestricted	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	143,368,162
Total business-type activities net position	\$196,841,072	\$215,380,548	\$225,781,557	\$234,860,256	\$240,542,657	\$244,505,044	\$246,529,891	\$251,989,631	\$256,890,023	\$272,237,999
Primary government										
Net investment in capital assets	\$202,370,195	\$202,251,048	\$234,610,801	\$266,423,041	\$245,485,712	\$283,974,687	\$288,828,147	\$362,007,584	\$396,118,364	\$418,947,773
Restricted	30,348,344	35,825,890	49,039,266	50,176,114	35,212,631	37,078,947	62,458,594	54,205,450	42,224,510	31,382,199
Unrestricted	187,700,329	209,578,497	192,740,355	167,617,905	234,577,873	210,738,969	202,639,995	174,825,076	173,511,740	186,544,341
Total primary government net position	\$420,418,868	\$447,655,435	\$476,390,422	\$484,217,060	\$515,276,216	\$531,792,603	\$553,926,736	\$591,038,110	\$611,854,614	\$636,874,313

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

Source: City of Hayward Comprehensive Annual Financial Report

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses					
Governmental Activities:					
General Government	\$13,654,224	\$14,609,331	\$14,937,511	\$15,432,428	\$12,844,106
Public Safety	67,222,703	70,477,309	73,909,494	83,609,438	89,391,667
Public Works and Transportation	17,390,733	14,323,266	19,796,435	6,896,062	5,097,319
Library and Neighborhood Services				9,654,552	9,448,832
Redevelopment				4,685,202	2,814,162
Planning and Building				5,524,642	6,383,986
Maintenance Services				7,202,019	3,899,394
Community Development	7,984,954	8,865,415	8,016,005		
Culture and Leisure	3,596,431	3,672,910	3,785,273		
Nondepartmental	1,433,854	1,874,955	1,379,106		
Interest on Long Term Debt	5,505,758	4,377,655	5,006,826	6,060,020	4,175,089
Total Governmental Activities Expenses	<u>116,788,657</u>	<u>118,200,841</u>	<u>126,830,650</u>	<u>139,064,363</u>	<u>134,054,555</u>
Business-Type Activities:					
Sewer	12,392,848	13,266,648	13,349,209	15,250,146	15,783,768
Water	22,701,995	30,543,073	24,582,923	25,585,042	27,602,545
Airport	2,299,811	2,628,720	2,442,805	2,644,168	3,568,997
Centennial Hall Maintenance and Operation	655,943	638,060	678,612	678,964	782,509
Stormwater	1,898,390	1,926,372	1,909,447	2,049,493	1,908,290
Total Business-Type Activities Expenses	<u>39,948,987</u>	<u>49,002,873</u>	<u>42,962,996</u>	<u>46,207,813</u>	<u>49,646,109</u>
Total Primary Government Expenses	<u>\$156,737,644</u>	<u>\$167,203,714</u>	<u>\$169,793,646</u>	<u>\$185,272,176</u>	<u>\$183,700,664</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$953,629	\$898,607	\$949,015	\$817,256	\$379,561
Public Safety	4,254,278	4,366,551	5,075,945	5,123,501	8,016,352
Public Works and Transportation	6,582,192	5,442,263	7,279,079	1,092,482	507,944
Library and Neighborhood Services				106,920	111,630
Redevelopment				103,864	166,223
Planning and Building				6,242,967	6,780,653
Maintenance Services				149,268	29,190
Community Development	936,424	439,991	525,981		
Culture and Leisure	109,454	112,009	96,406		
Nondepartmental	115,163				
Operating Grants and Contributions	17,200,534	14,349,003	18,296,402	15,332,573	14,294,205
Capital Grants and Contributions	14,963,874	3,800,451	2,596,202	2,856,295	22,570,080
Total Government Activities Program Revenues	<u>45,115,548</u>	<u>29,408,875</u>	<u>34,819,030</u>	<u>31,825,126</u>	<u>52,855,838</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$12,526,820	\$9,728,751	\$9,417,144	\$11,162,908	\$11,989,512
91,936,447	97,783,089	96,991,346	100,470,925	102,494,680
6,614,756	12,061,251	12,400,798	13,689,585	8,851,489
8,873,963	8,826,270	7,645,958	7,490,405	8,073,175
4,337,389	7,755,610	2,078,030	1,285,830	1,432,514
5,930,519	5,878,086	5,642,610	6,102,300	6,293,037
4,612,144	4,028,800	4,030,146	3,896,951	4,790,594
<u>4,073,192</u>	<u>4,486,345</u>	<u>3,685,703</u>	<u>2,056,984</u>	<u>1,131,490</u>
<u>138,905,230</u>	<u>150,548,202</u>	<u>141,891,735</u>	<u>146,155,888</u>	<u>145,056,491</u>
18,276,551	19,395,928	17,977,438	19,127,813	17,443,979
28,336,545	29,807,045	36,010,696	38,837,206	38,252,368
3,008,282	3,124,022	3,271,942	3,252,108	3,443,655
313,299				
<u>2,227,090</u>	<u>2,326,729</u>	<u>2,235,721</u>	<u>2,402,138</u>	<u>2,419,567</u>
<u>52,161,767</u>	<u>54,653,724</u>	<u>59,495,797</u>	<u>63,619,265</u>	<u>61,559,569</u>
<u>\$191,066,997</u>	<u>\$205,201,926</u>	<u>\$201,387,532</u>	<u>\$209,775,153</u>	<u>\$206,616,060</u>
\$190,261	\$1,019,505	\$2,162,950	\$2,505,144	\$3,348,209
9,128,483	8,608,854	8,139,780	3,308,573	3,332,950
555,541	744,992	4,382,791	3,780,364	4,121,654
98,968	90,947	110,465	95,682	85,256
79,484	121,677	77,251		2,749,344
5,074,620	5,022,960	4,312,438	3,541,420	5,026,469
37,098	269,786	399,721	710,653	1,243,660
17,196,527	12,904,598	25,163,445	6,998,650	7,634,799
<u>18,885,041</u>	<u>30,675,031</u>	<u>32,561,709</u>	<u>26,479,205</u>	<u>9,066,354</u>
<u>51,246,023</u>	<u>59,458,350</u>	<u>77,310,550</u>	<u>47,419,691</u>	<u>36,608,695</u>

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

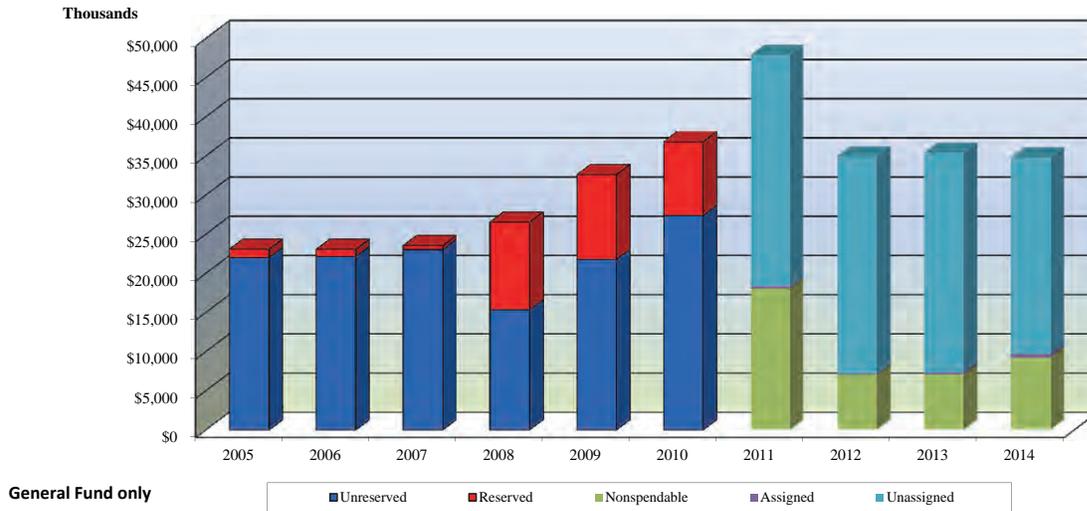
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Business-Type Activities:					
Charges for Services:					
Sewer	\$14,418,438	\$13,803,163	\$15,981,344	\$16,507,956	\$18,861,871
Water	29,781,593	32,666,971	23,287,599	24,550,837	29,246,643
Airport	2,567,609	2,863,279	3,179,495	2,049,105	2,843,185
Centennial Hall Maintenance & Operation	325,606	335,079	331,503	293,948	288,869
Stormwater	1,875,879	1,892,761	1,899,910	2,710,813	2,791,915
Operating Grants and Contributions	2,002,317	2,486,029	4,315,427	4,771,353	
Capital Grants and Contributions	4,558,307	3,399,012	400,343	1,728,487	167,026
Total Business-Type Activities Program Revenue	<u>55,529,749</u>	<u>57,446,294</u>	<u>49,395,621</u>	<u>52,612,499</u>	<u>54,199,509</u>
Total Primary Government Program Revenues	<u>\$100,645,297</u>	<u>\$86,855,169</u>	<u>\$84,214,651</u>	<u>\$84,437,625</u>	<u>\$107,055,347</u>
Net (Expense)/Revenue					
Governmental Activities	(\$71,673,109)	(\$88,791,966)	(\$92,011,620)	(\$107,239,237)	(\$81,198,717)
Business-Type Activities	15,580,762	8,443,421	6,432,625	6,404,686	4,553,400
Total Primary Government Net Expense	<u>(\$56,092,347)</u>	<u>(\$80,348,545)</u>	<u>(\$85,578,995)</u>	<u>(\$100,834,551)</u>	<u>(\$76,645,317)</u>
Total Primary Government Net Expense from prior page	<u>(\$56,092,347)</u>	<u>(\$80,348,545)</u>	<u>(\$85,578,995)</u>	<u>(\$100,834,551)</u>	<u>(\$76,645,317)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property Taxes	\$18,979,828	\$21,644,158	\$24,652,905	\$38,464,255	\$40,699,344
Incremental Property Tax	7,035,684	9,154,816	11,465,642	10,729,476	10,657,184
Special Assessments	435,625	487,740	919,634		
Sales Taxes	27,155,334	26,685,813	28,857,677	28,512,340	25,630,173
Utility Users Tax					
Real Property Transfer Tax	9,726,317	9,707,512	7,119,746	5,077,214	3,852,507
Franchise Tax	4,573,497	4,772,210	4,766,970	6,166,499	5,831,272
Business Tax	2,244,517	2,331,639	2,481,365	2,480,696	2,502,991
Excise Tax	1,682,266	1,942,949	1,918,155	1,931,187	1,858,267
Other Taxes	4,377,074	4,739,437	5,079,403	4,933,567	4,958,591
Motor Vehicle in lieu	9,336,645	12,886,423	10,821,864	671,084	522,508
Investment Earnings	1,378,102	1,976,795	3,135,049	3,638,001	2,132,768
Gain (Loss) from disposal of capital assets				53,845	2,362,950
Miscellaneous	1,980,050	704,136	6,906,996	2,889,548	2,289,663
Transfers	2,241,969	455,429	2,220,192	2,829,378	3,277,254
Extraordinary/Special Item					
Total Governmental Activities General Revenues and Transfers	<u>91,146,908</u>	<u>97,489,057</u>	<u>110,345,598</u>	<u>108,377,090</u>	<u>106,575,472</u>
Business-Type Activities:					
Investment Earnings	2,199,979	2,702,484	6,078,001	5,245,152	3,720,221
Gain (Loss) from disposal of capital assets		7,849,000	110,575	251,354	
Miscellaneous				437,661	686,034
Transfers	(2,241,969)	(455,429)	(2,220,192)	(2,829,378)	(3,277,254)
Total Business-Type Activities General Revenues and Transfers	(41,990)	10,096,055	3,968,384	3,104,789	1,129,001
Total Primary Government General Revenues and Transfers	<u>\$91,104,918</u>	<u>\$107,585,112</u>	<u>\$114,313,982</u>	<u>\$111,481,879</u>	<u>\$107,704,473</u>
Change in Net Position					
Governmental Activities	\$19,473,799	\$8,697,091	\$18,333,978	\$1,137,853	\$25,376,755
Business-Type Activities	15,538,772	18,539,476	10,401,009	9,509,475	5,682,401
Total Primary Government	<u>\$35,012,571</u>	<u>\$27,236,567</u>	<u>\$28,734,987</u>	<u>\$10,647,328</u>	<u>\$31,059,156</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$19,186,749	\$20,338,593	\$22,333,628	\$22,136,846	\$25,527,904
28,143,863	31,684,462	38,463,759	43,128,089	47,045,822
2,783,068	2,790,998	2,917,614	2,963,971	3,365,514
42,954				
2,700,531	2,724,244	2,738,050	2,821,653	2,777,228
		119,629	88,916	
<u>2,411,519</u>	<u>1,246,130</u>			
<u>55,268,684</u>	<u>58,784,427</u>	<u>66,572,680</u>	<u>71,139,475</u>	<u>78,716,468</u>
<u>\$106,514,707</u>	<u>\$118,242,777</u>	<u>\$143,883,230</u>	<u>\$118,559,166</u>	<u>\$115,325,163</u>
(\$87,659,207)	(\$91,089,852)	(\$64,581,185)	(\$98,736,197)	(\$108,447,796)
3,106,917	4,130,703	7,076,883	7,520,210	17,156,899
<u>(\$84,552,290)</u>	<u>(\$86,959,149)</u>	<u>(\$57,504,302)</u>	<u>(\$91,215,987)</u>	<u>(\$91,290,897)</u>
<u>(\$84,552,290)</u>	<u>(\$86,959,149)</u>	<u>(\$57,504,302)</u>	<u>(\$91,215,987)</u>	<u>(\$91,290,897)</u>
\$37,292,466	\$35,725,966	\$35,715,527	\$39,297,973	\$39,456,863
4,520,035	10,351,054	4,721,491		
	714,017	817,210		
23,508,544	25,491,533	26,346,354	29,197,989	31,019,079
10,927,290	14,699,792	14,796,979	14,939,639	15,761,544
3,796,719	3,821,387	4,777,989	4,595,640	4,878,857
8,316,848	9,091,479	9,891,601	9,687,980	9,488,631
2,337,106	2,389,657	2,483,442	2,548,248	2,649,279
1,857,223	1,699,438	1,742,210	1,868,695	1,694,229
1,938,591	1,683,087	944,268	5,820,346	6,748,616
457,126	694,933	75,744	78,484	64,954
819,649	434,426	369,203	534,927	424,910
		(9,687)		
2,834,841	1,505,212	685,054	3,192,697	3,473,568
1,673,064	2,141,488	2,167,125	2,889,691	2,458,989
		(9,342,122)		
<u>100,279,502</u>	<u>110,443,469</u>	<u>96,182,388</u>	<u>114,652,309</u>	<u>118,119,519</u>
1,694,085	841,733	549,982	269,873	650,066
834,449				
<u>(1,673,064)</u>	<u>(2,141,488)</u>	<u>(2,167,125)</u>	<u>(2,889,691)</u>	<u>(2,458,989)</u>
855,470	(1,299,755)	(1,617,143)	(2,619,818)	(1,808,923)
<u>\$101,134,972</u>	<u>\$109,143,714</u>	<u>\$94,565,245</u>	<u>\$112,032,491</u>	<u>\$116,310,596</u>
\$12,620,295	\$19,353,617	\$31,601,203	\$15,916,112	\$9,671,723
3,962,387	2,830,948	5,459,740	4,900,392	15,347,976
<u>\$16,582,682</u>	<u>\$22,184,565</u>	<u>\$37,060,943</u>	<u>\$20,816,504</u>	<u>\$25,019,699</u>

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



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$1,063,439	\$925,067	\$502,204	\$11,213,927	\$10,827,978	\$9,434,579				
Unreserved	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	\$9,255,154
Assigned							256,170 (b)	133,571	256,170	459,100
Unassigned							29,550,120 (b)	27,763,993	28,115,304	25,052,543
Total General Fund (a)	<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>	<u>\$34,766,797</u>
All Other Governmental Funds										
Reserved	\$49,019,982	\$62,656,549	\$55,418,227	\$4,154,570	\$19,356,635	\$12,853,145				
Unreserved										
Unreserved, reported in:										
Debt Service funds	11,488			4,308,979	4,206,222	4,171,034				
Special revenue funds	15,497,821	16,667,600	16,985,069	18,065,349	15,211,686	16,022,583				
Capital project funds	25,391,873	25,573,270	24,096,411	40,928,952	21,442,946	14,181,758				
Undesignated funds										
Nonspendable							\$68 (b)	\$68		\$2,239,029
Restricted							36,094,240 (b)	48,807,530	\$22,811,952	19,827,871
Assigned							5,568,584 (b)	7,460,751	2,646,543	7,670,060
Unassigned							(5,102,162) (b)	77,273	(724,802)	0
Total all other governmental funds	<u>\$89,921,164</u>	<u>\$104,897,419</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>	<u>\$29,736,960</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,				
	2005	2006	2007	2008	2009
Revenues					
Property Taxes	\$18,859,966	\$21,446,064	\$24,687,960	\$39,135,339	\$41,221,852
Property Tax Increment	7,035,685	9,154,816	11,465,642	12,082,986	12,630,213
Special Assessments	555,487	685,832	884,579	1,051,269	741,098
Sales Taxes	27,155,333	26,685,812	28,857,677	29,233,148	26,341,473
Utility Users Taxes					
Other Taxes	22,603,671	23,493,746	21,365,639	22,941,172	21,419,990
Licenses, permits	3,198,850	3,058,982	4,024,802	4,712,325	4,650,694
Fines and forfeitures	1,807,424	1,369,873	1,150,614	985,858	1,657,789
Use of money and property	3,059,783	3,663,298	5,969,155	5,517,114	3,239,537
Intergovernmental revenues	26,328,946	26,099,613	27,904,422	10,914,969	32,634,889
Fees and charges for services	4,385,916	5,059,499	6,760,792	6,244,187	8,428,414
Reimbursement from Developer			5,000,000	1,813,604	381,868
Other	7,092,766	7,418,334	4,823,715	3,782,765	1,781,740
Total Revenues	<u>122,083,827</u>	<u>128,135,869</u>	<u>142,894,997</u>	<u>138,414,736</u>	<u>155,129,557</u>
Expenditures					
Current:					
General government	10,083,636	10,595,772	10,729,759	11,639,480	10,421,821
Public safety	63,399,896	67,486,231	71,172,116	79,941,250	79,537,953
Public works and transportation	11,728,493	12,282,568	13,037,745	6,186,587	9,558,688
Library and Community Services	10,378,197	6,880,898	7,533,647	8,511,524	8,771,317
Redevelopment	3,421,821	3,520,852	3,628,763	6,039,172	4,810,371
Planning and building				6,454,120	6,095,525
Maintenance services				7,160,250	3,723,200
Community development					(a)
Culture and leisure					(a)
Nondepartmental	1,433,854	1,874,955	1,379,106		
Capital outlay	17,942,515	17,426,130	37,397,788	32,072,854	29,560,203
Debt service:					
Principal repayment	1,338,715	2,059,939	2,221,503	3,026,920	3,094,025
Interest and fiscal charges	3,890,878	4,824,827	4,792,626	5,186,476	4,046,129
Pass-through payments					
Total Expenditures	<u>123,618,005</u>	<u>126,952,172</u>	<u>151,893,053</u>	<u>166,218,633</u>	<u>159,619,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,534,178)</u>	<u>1,183,697</u>	<u>(8,998,056)</u>	<u>(27,803,897)</u>	<u>(4,489,675)</u>
Other Financing Sources (Uses)					
Gain on Sale	2,500,000				
Transfer of land held for resale to cap assets	(3,443,016)				
Proceeds from sale of capital asset					2,301,320
Proceeds of refunding bonds				31,820,000	
Payment to refunded bond escrow agent				(31,184,483)	
Proceeds of repayment agreement					
Proceeds from long term debt	2,250,000	12,291,602	257,512	1,342,011	
Contributions from assessment district					
Transfers in	10,616,069	15,198,496	13,790,988	21,111,234	22,583,520
Transfers out	(9,425,284)	(13,714,603)	(12,991,291)	(19,687,595)	(21,476,956)
Total other financing sources (uses)	<u>2,497,769</u>	<u>13,775,495</u>	<u>1,057,209</u>	<u>3,401,167</u>	<u>3,407,884</u>
Extraordinary Item (Refer to CAFR Footnote 19)					
Net Change in fund balances	<u><u>\$963,591</u></u>	<u><u>\$14,959,192</u></u>	<u><u>(\$7,940,847)</u></u>	<u><u>(\$24,402,730)</u></u>	<u><u>(\$1,081,791)</u></u>
Debt service as a percentage of noncapital expenditures	5.2%	6.7%	6.5%	6.5%	5.8%

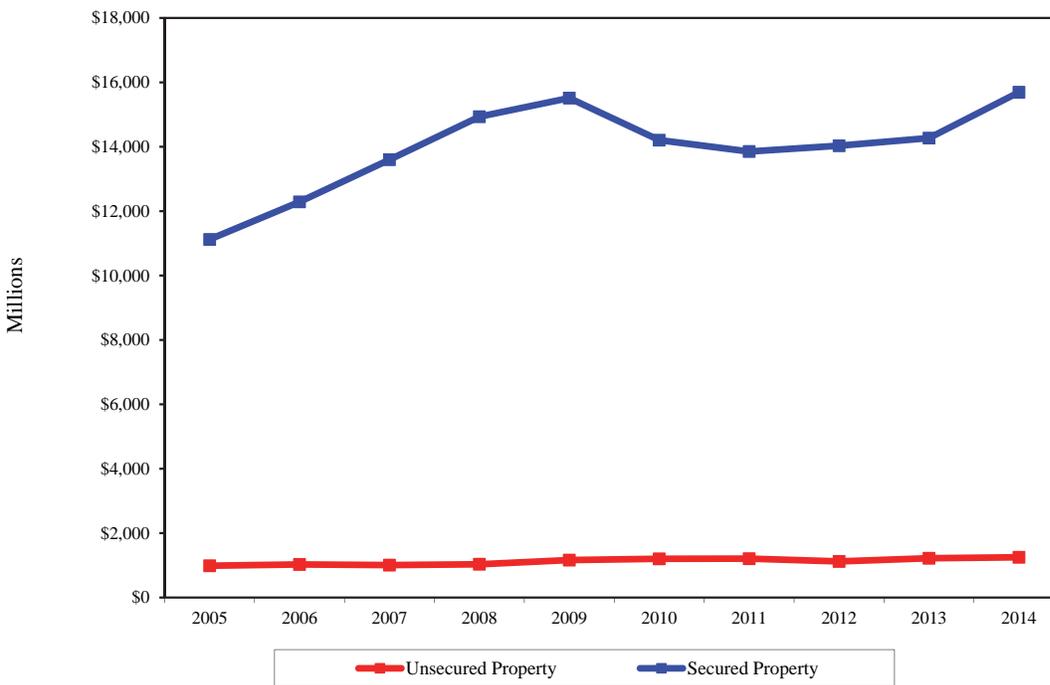
NOTE:

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

Fiscal Years Ended June 30,

2010	2011	2012	2013	2014
\$37,292,466	\$35,725,967	\$35,715,527	\$39,180,750	\$38,971,067
10,180,653	10,351,054	4,721,491		
610,058	714,015	817,210	891,037	972,339
	25,491,532	26,346,354	29,197,989	31,019,079
10,927,290	14,699,792	14,796,979	14,939,639	15,761,544
20,996,991	18,729,085	20,748,138	20,630,166	21,310,770
3,084,964	3,259,291	3,177,816	3,605,753	4,078,392
2,042,460	2,756,632	2,951,068	2,938,106	2,285,486
1,471,396	1,153,359	1,098,574	756,670	635,092
25,004,880	36,952,595	55,173,561	28,617,999	33,839,482
8,807,886	9,262,348	8,851,474	8,377,718	8,172,604
484,205	1,064,680	344,375	109,677	252,910
2,559,991	7,787,702	6,565,952	1,934,141	2,402,380
<u>123,463,240</u>	<u>167,948,052</u>	<u>181,308,519</u>	<u>151,179,645</u>	<u>159,701,145</u>
8,564,302	7,930,669	8,034,218	9,841,308	10,551,378
82,051,155	88,980,339	90,190,936	90,696,723	91,851,849
6,152,137	9,225,588	10,994,660	10,498,047	3,764,567
7,986,000	7,884,539	6,926,851	6,531,206	7,004,537
5,986,083	5,622,527	4,396,669	1,847,619	2,017,787
5,558,437	5,562,298	5,346,481	5,806,741	5,981,108
4,384,873	3,783,213	3,827,181	3,685,853	4,591,395
15,712,302	28,216,666	30,601,040	36,797,417	22,587,661
2,940,621	3,071,058	1,751,366	1,854,870	2,216,033
3,966,495	4,584,267	3,355,010	2,040,992	1,093,538
5,660,618	2,151,873	1,546		
<u>148,963,023</u>	<u>167,013,037</u>	<u>165,425,958</u>	<u>169,600,776</u>	<u>151,659,853</u>
<u>(25,499,783)</u>	<u>935,015</u>	<u>15,882,561</u>	<u>(18,421,131)</u>	<u>8,041,292</u>
	17,961			
	200,000			2,488,880
26,352,391	35,397,325	14,518,727	11,304,955	16,346,295
(33,068,855)	(36,133,801)	(15,548,463)	(12,689,762)	(22,375,934)
<u>(6,716,464)</u>	<u>(518,515)</u>	<u>(1,029,736)</u>	<u>(1,384,807)</u>	<u>(3,540,759)</u>
		(8,009,396)		
<u>(\$32,216,247)</u>	<u>\$416,500</u>	<u>\$6,843,429</u>	<u>(\$19,805,938)</u>	<u>\$4,500,533</u>
5.7%	5.9%	3.9%	3.0%	2.6%

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



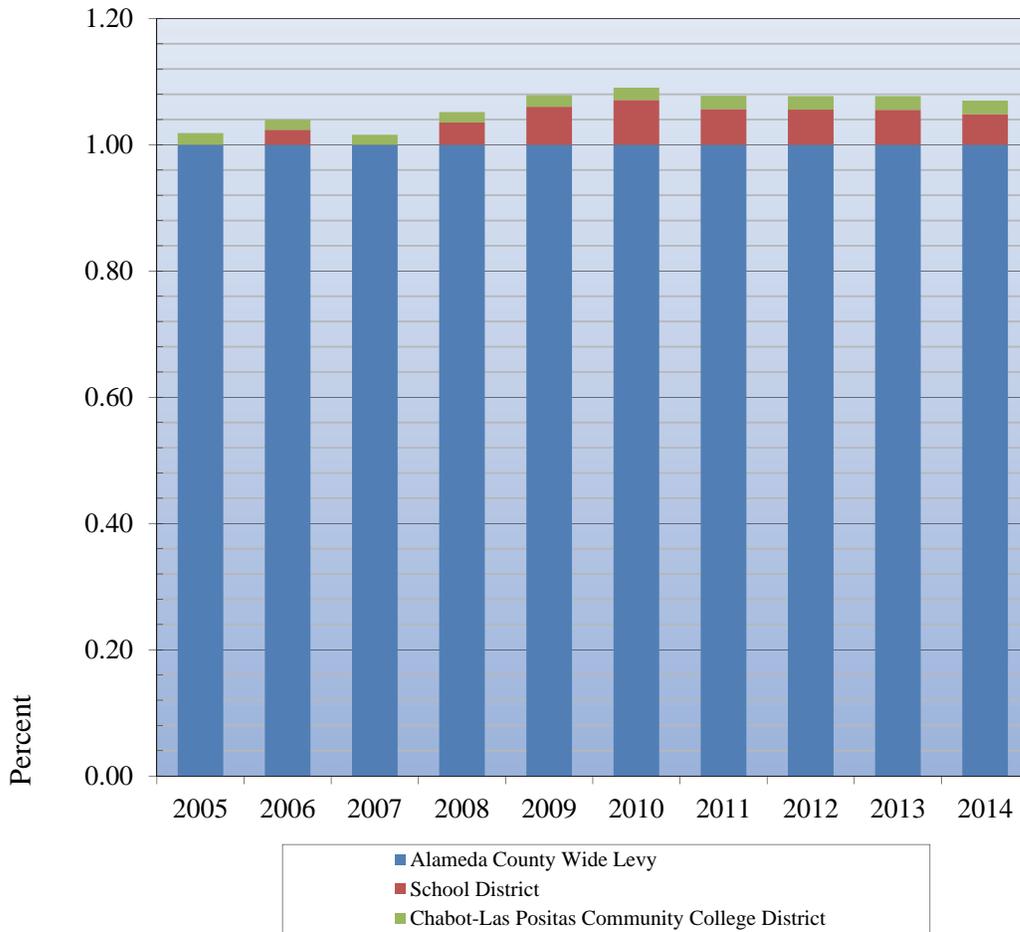
<u>Fiscal Year</u>	<u>Total Secured Property</u>	<u>Total Unsecured Property</u>	<u>Total Assessed (c)</u>	<u>Estimated Full Market (a)</u>	<u>Direct Tax Rate (b)</u>
2005	\$11,122,042,996	\$986,816,539	\$12,108,859,535	\$12,108,859,535	1%
2006	12,288,165,552	1,027,365,069	13,315,530,621	13,315,530,621	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%
2014	15,692,946,952	1,249,273,320	16,942,220,272	16,942,220,272	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>
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
2014	1.0000	0.0018	0.0486	0.0214	0.0075	0.0078	1.0871

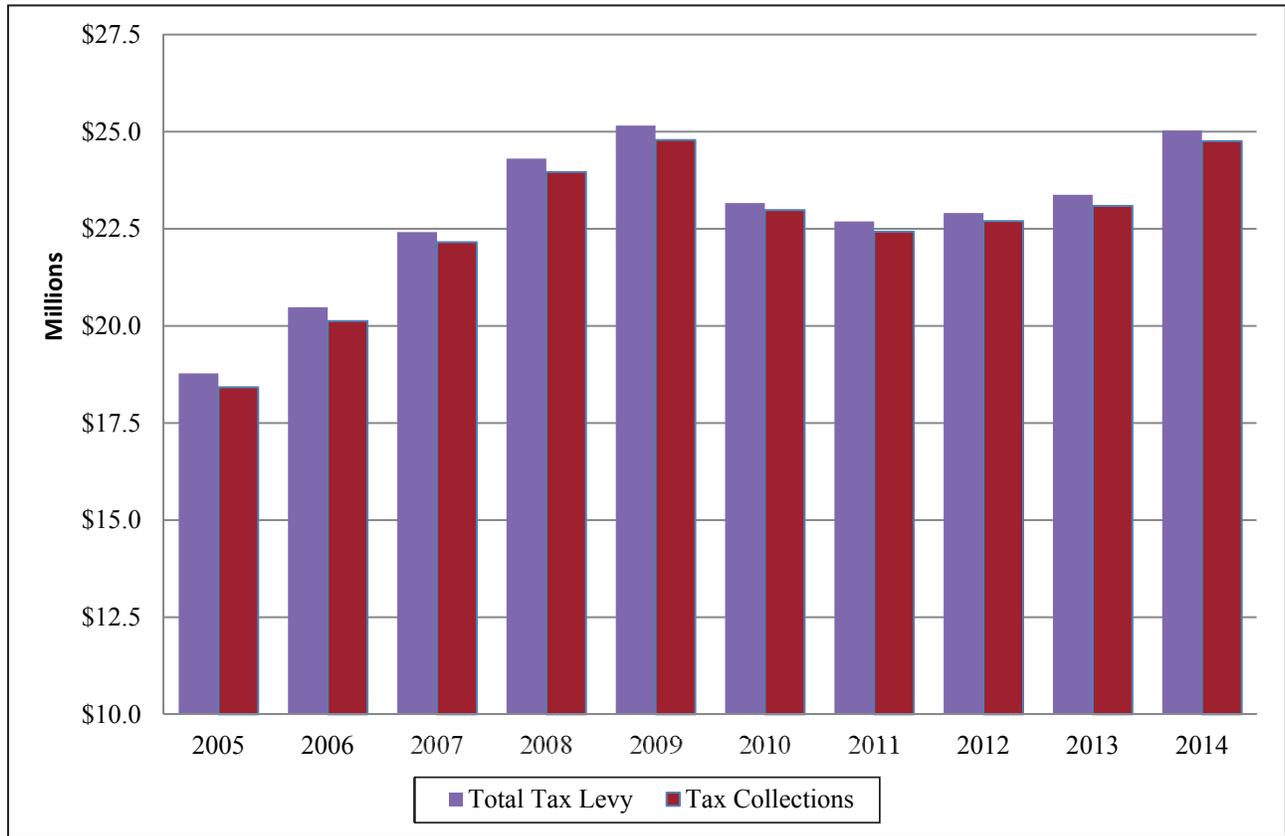
City of Hayward
Principal Property Taxpayers
Current Year and Nine Years Ago

<u>Employer</u>	<u>FY 2014</u>			<u>FY 2005</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>
Russell City Energy Company, LLC	\$665,830,000	1	3.93%			
Northern Cal Industrial Portfolio	196,975,878	2	1.16%			
Southland Mall LP	150,564,034	3	0.89%	\$105,385,117	3	0.79%
Bottling Group LLC	121,965,004	4	0.72%	60,112,894	8	0.45%
Berkeley Farm Inc.	104,387,441	5	0.62%	132,128,600	2	0.99%
Hayward Point Eden I Limited Partnership	96,984,966	6	0.57%	65,217,328	7	0.49%
Hayward Industrial Park Associates	92,211,890	7	0.54%			
SCI Limited Partnership	86,946,227	8	0.51%	75,493,671	5	0.57%
Guardian KW Hayward LLC	88,231,084	9	0.52%			
Impax Laboratories Inc.	75,169,784	10	0.44%			
Essex Wimbledon Woods Apartments LLC				49,737,022	10	0.37%
SPK Industrial Portfolio LLC				149,512,134	1	1.12%
Standard Pacific Group				83,868,936	4	0.63%
Calwest Industrial Properties LLC				51,203,086	9	0.38%
General Electric Credit Auto Auctions				19,524,235	6	0.15%
Subtotal	\$1,679,266,308		9.91%	\$792,183,023		5.94%

Total Assessed Valuation:

Fiscal Year 2013/2014	\$16,942,220,272
Fiscal Year 2004/2005	13,315,530,621

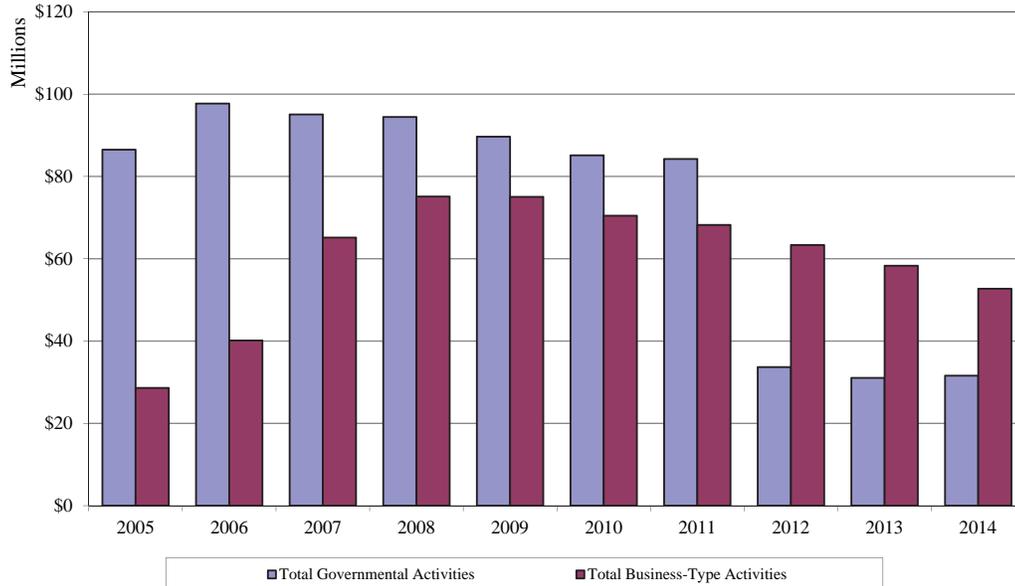
**CITY OF HAYWARD
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
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%
2014	25,027,044	24,356,397	97.32%	399,535	24,755,932	98.92%

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
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
2014	0 (a)	22,895,000	3,003,880	5,699,806	31,598,686

Business-Type Activities

Fiscal Year	Water Revenue Bonds	Sewer Revenue Bonds	Total	Total Government	Government Debt Per Capita (b)
2005	\$15,417,645	\$13,192,645	\$28,610,290	\$115,113,896	\$788
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
2014	6,570,000	46,137,248	52,707,248	84,305,934	558.18

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**

2013-14 Assessed Valuation:	\$ 16,522,052,630
Redevelopment Incremental Valuation:	<u>(1,835,357,567)</u>
Adjusted Assessed Valuation:	\$ 14,686,695,063

	Total Debt 6/30/2014	% Applicable (1)	City's Share of Debt 6/30/2014	
DIRECT DEBT:				
City of Hayward General Fund Obligations	\$ 24,205,000	100%	<u>\$ 24,205,000</u>	<u>\$ 24,205,000</u>
Total Direct Debt				\$ 24,205,000
OVERLAPPING DEBT:				
Overlapping Tax and Assessment Debt:				
Bay Area Rapid Transit District	\$ 648,275,000	3.143%	\$ 20,375,283	
Chabot-Las Positas Community College District	432,337,431	18.064%	78,097,434	
Castro Valley Unified School District	90,055,000	0.156%	140,486	
Hayward Unified School District	195,961,100	85.818%	168,169,897	
New Haven Unified School District	186,791,538	15.142%	28,283,975	
Pleasanton Unified School District	49,399,429	0.032%	15,808	
San Lorenzo Unified School District	103,215,000	16.663%	17,198,715	
Washington Township Healthcare District	199,910,000	2.226%	4,449,997	
East Bay Regional Park District	202,210,000	4.852%	9,811,229	
City of Hayward Community Facilities District No. 1	7,076,294	100.000%	7,076,294	
City of Hayward 1915 Act Bonds	1,400,000	100.000%	<u>1,400,000</u>	
Subtotal Overlapping Tax and Assessment Debt				\$ 335,019,118
Ratios to 2013-14 Assessed Valuation:				
Subtotal Overlapping Tax and Assessment Debt	2.03%			
OVERLAPPING GENERAL FUND DEBT:				
Alameda County General Fund Obligations	893,799,500	7.942%	\$ 70,985,556	
Alameda County Pension Obligation Bonds	87,787,424	7.942%	6,972,077	
Alameda-Contra Costa Transit District Certificates of Participation	28,155,000	9.404%	2,647,696	
Hayward Unified School District Certificates of Participation	15,565,000	85.818%	13,357,572	
San Lorenzo Unified School District Certificates of Participation	8,735,000	16.663%	1,455,513	
Castro Valley and Pleasanton Unified School District Certificates of Participation	23,435,000	0.156% & 0.032%	14,846	
Hayward Area Recreation and Park District Certificates of Participation	16,515,000	54.142%	<u>8,941,551</u>	
Subtotal Overlapping General Fund Debt				\$ 104,374,811
OVERLAPPING TAX INCREMENT DEBT(Successor Agencies):	75,040,000	20.034% & 100.000%	<u>\$ 51,294,096</u>	<u>\$ 51,294,096</u>
Total Overlapping Debt				\$ 490,688,025
Grand Total Direct and Overlapping Debt				\$ 514,893,025 (2)
Combined Total Direct and Overlapping Debt				\$ 514,893,025 (2)
Ratios to 2013-14 Assessed Valuation:				
Combined Total Direct and Overlapping Tax and Assessment Debt		3.12%		

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	\$31,598,686
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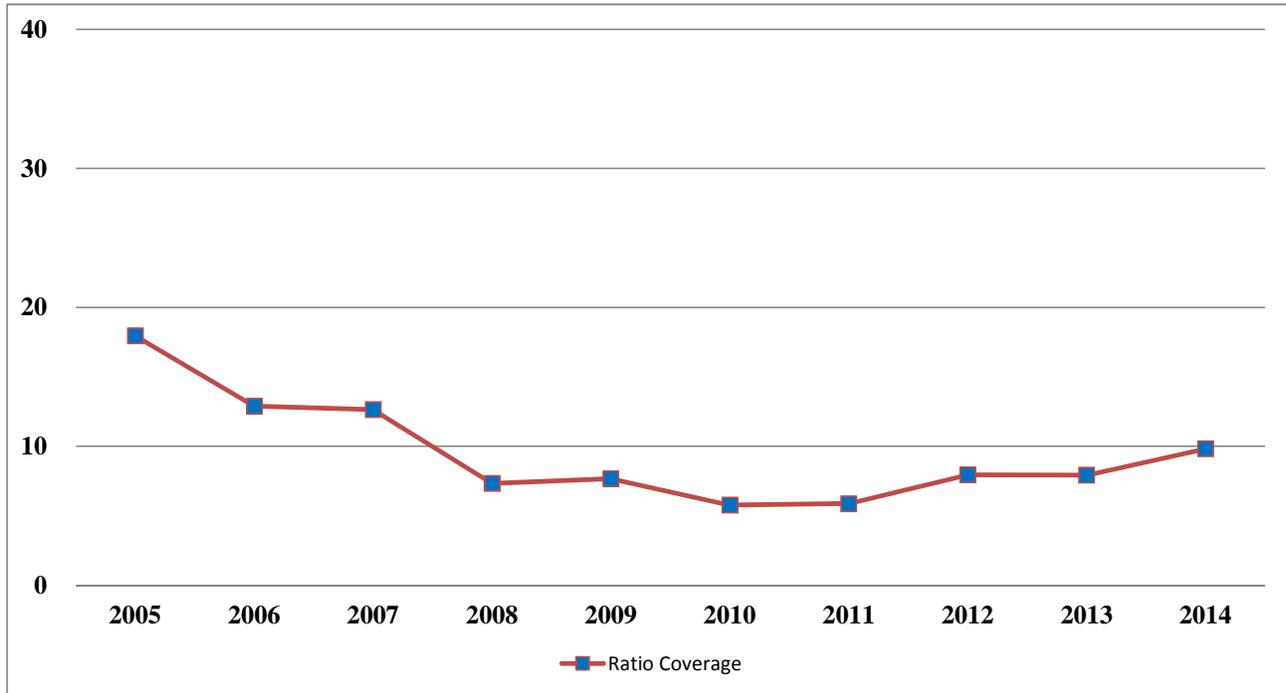
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	<u>31,598,686</u>
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Amount of debt subject to limit	<u>0</u>
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LEGAL BONDED DEBT MARGIN	<u><u>\$2,541,333,041</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
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%
2014	2,541,333,041	0	2,541,333,041	0.00%

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

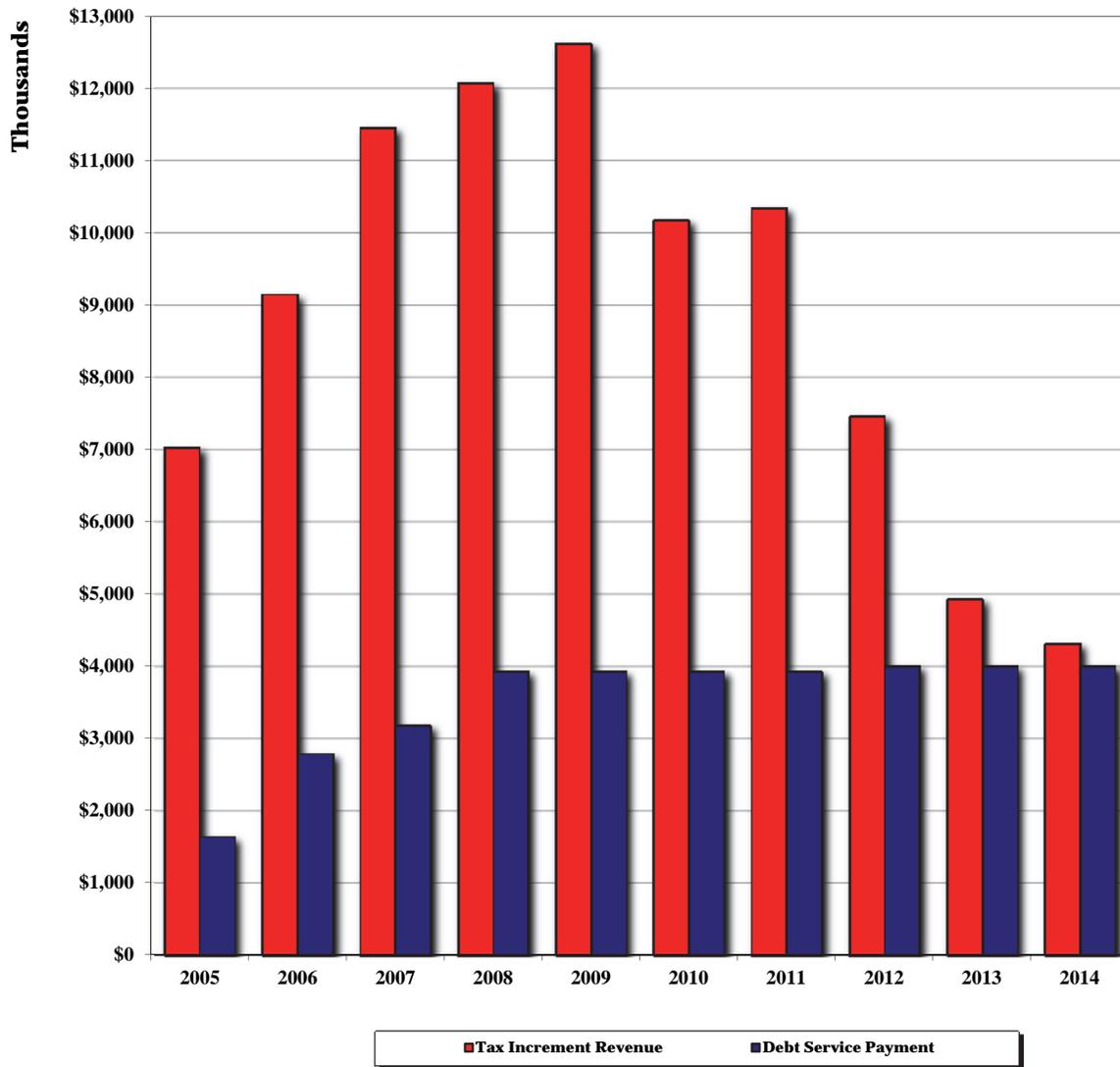


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Ratio Coverage
				Principal	Interest	Total	
2005	\$48,501,867	\$29,848,059	\$18,653,808	\$575,000	\$464,851	\$1,039,851	17.94
2006	40,424,483	27,212,260	13,212,223	595,000	429,960	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
2014	73,136,288	47,380,860	25,755,428	2,160,000	459,280	2,619,280	9.83

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

Source: City of Hayward Annual Financial Statement

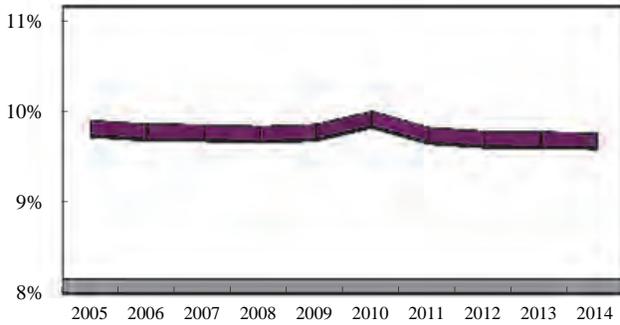
**CITY OF HAYWARD
 BONDED DEBT PLEDGED REVENUE COVERAGE
 TAX ALLOCATION BONDS
 LAST TEN FISCAL YEARS**



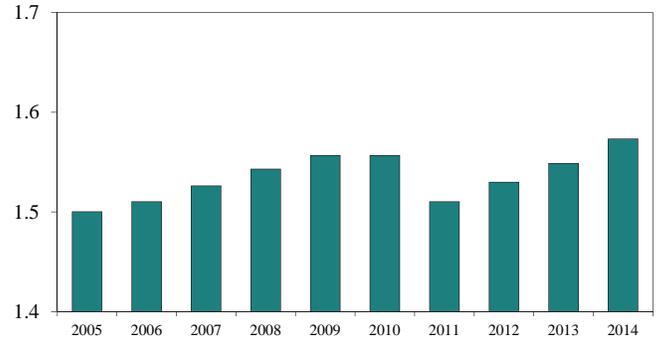
Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2005	\$7,035,685	\$0	\$1,643,576	\$1,643,576	4.28
2006	9,154,816	595,000	2,199,581	2,794,581	3.28
2007	11,465,642	610,000	2,571,716	3,181,716	3.60
2008	12,082,986	1,210,000	2,722,771	3,932,771	3.07
2009	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
2014	4,317,292	1,680,000	2,328,657	4,008,657	1.08

Source: City of Hayward Annual Financial Statements

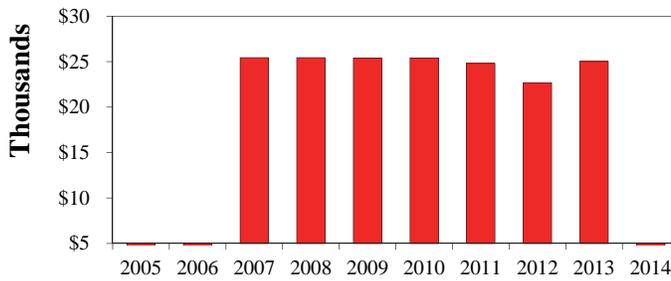
CITY OF HAYWARD DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS



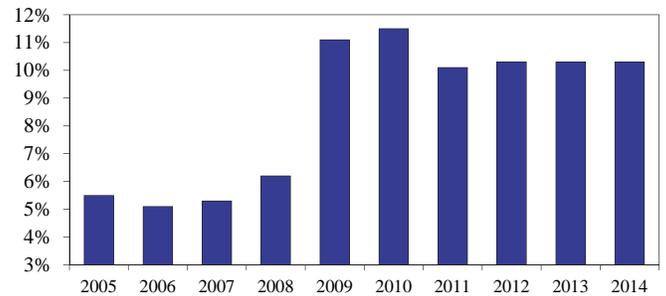
■ City Population as a % of County Population



■ 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
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%
2014	151,037	n/a	10.3%	1,573,254	9.60%

Sources: California State Department of Finance
 U.S. Census Bureau
 State of California Employment Development Dept., Labor Market Information Division

City of Hayward
Principal Employers
Current Year and Eight Years Ago

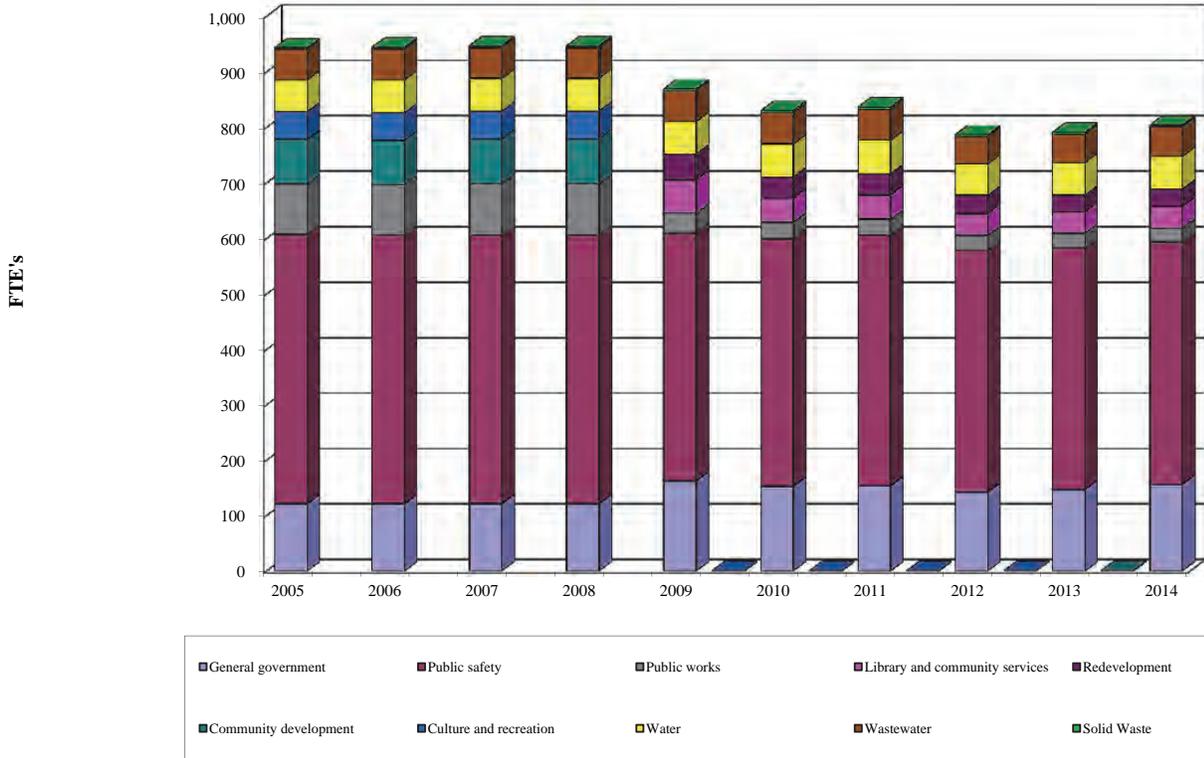
<u>Employer</u>	FY 2014			FY 2006*		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Hayward Unified School District	2,500	1	1.7%	2,100	2	1.4%
California University East Bay	1,447	2	1.0%	1,600	3	1.1%
Kaiser Permanente Medical Center	1,200	3	0.8%	2,200	1	1.5%
City of Hayward	845	4	0.6%	943	5	0.6%
St. Rose Hospital	842	5	0.6%	660	8	0.4%
Gillig Corporation	700	6	0.5%	474	10	0.3%
Impax Laboratories, Inc.	700	7	0.5%			
Chabot College	600	8	0.4%	763	7	0.5%
Bay Cities Auto Auction	500	9	0.3%			
Marelich Mechanical	500	10	0.3%			
Berkeley Farms LLC				640	9	0.4%
Mervyn's **				1,300	4	0.9%
SBC				940	6	0.6%
Subtotal	<u>9,834</u>		<u>6.5%</u>	<u>11,620</u>		<u>7.9%</u>
Total City Population Using Census Data	<u>151,037</u>			<u>147,210</u>		

Source: City of Hayward Adopted Biennial Operating Budget FY 2013 & 2014

* 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



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
General government	121.00	121.00	121.00	121.00	162.50	152.50	153.50	142.00	146.90	156.00
Public safety	486.20	485.20	484.70	484.70	446.70	446.70	452.20	436.50	436.50	437.50
Public works	90.75	90.75	92.75	92.75	36.50	29.75	29.00	27.00	26.10	25.00
Library and community services					59.85	43.45	43.45	39.10	38.55	38.55
Redevelopment					46.50	38.50	38.50	33.25	30.00	32.00
Community development	80.50	79.50	80.50	80.50	*	*	*	*	*	*
Culture and recreation	49.85	49.85	49.85	49.85	*	*	*	*	*	*
Water	57.00	59.00	59.00	59.00	58.25	59.25	60.00	56.00	58.40	58.50
Wastewater	54.50	55.50	55.50	55.50	55.50	55.50	55.50	49.50	51.00	53.00
Solid Waste	3.00	3.00	3.00	3.00	3.00	4.00	4.00	3.00	3.00	3.00
Total	942.80	943.80	946.30	946.30	868.80	829.65	836.15	786.35	790.45	803.55

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 Four Fiscal Years

Function/Program	Fiscal Year Ended June 30,			
	2011	2012	2013	2014
Public safety:				
Fire alarms	14,427	14,618	17,080	16,571
Police: (Uniform Crime Reporting Statistics)				
Property crime calls	3,753	4,204	4,867	4,773
Violent crime calls	1,435	1,241	1,176	1,145
Arson calls	55	29	21	37
Public works				
Pavement Condition Index (PCI)*	70	70	69	68
*Industry measure of street condition with 100 ideal score				
Annual pavement improvement projects	12	12	10	11
Airport operations count/flights	88,053	87,327	100,138	111,293
Airport reported based aircraft	448	423	430	402
Library and Community Services				
Social Services Projects Funded	25	25	19	16
Facilities Projects Funded	7	7	4	4
Economic Development Projects Funded	3	3	1	2
New Housing/Rehab Projects Funded	2	1	1	1
Public Services Projects Funded	13	13	9	9
Planning				
Active Subdivisions	48	34	33	43
Active Parcel Maps	17	17	17	5
Building Permits	3,702	3,393	3,576	3,838
Residential Rental Inspections	2,177	1,765	919	3,768
Library and neighborhood services				
Library Materials in Collection	167,164	169,788	165,975	169,870
Library Circulation (Items checked out)	1,277,359	1,279,297	1,087,852	889,014
Community Preservation Cases	4,065	3,239	2,786	2,867
Water				
Water service connections	32,805	33,037	33,200	33,450
Water main breaks	22	17	21	26
Average daily consumption (thousands of gallons)	17,027	15,600	15,480	15,170
Wastewater				
Sewer service connections	31,238	31,500	31,700	31,950
Average daily treatment (thousands of gallons)	12,500	11,300	11,400	11,200
Solid Waste				
Landfilled waste recycled and diversion rate*	71%	71%	74%	70%-75%
*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

	Fiscal Year Ended June 30,				
	2005	2006	2007	2008	2009
Function/Program					
Public safety:					
Fire stations (a)	9	9	9	9	9
Number of firefighters and officers (b)	119	118	120	121	116
Police stations	1	1	1	1	1
Number of police officers (c)	188	192	186	186	181
Public works					
Miles of streets	258	258	258	260	260
Street lights	7,300	7,300	7,300	7,700	7,700
Traffic Signals	106	107	107	108	108
Airport	1	1	1	1	1
Library and neighborhood services					
City Libraries	2	2	2	2	2
Water					
Number of consumers	140,000	140,000	140,000	140,000	140,000
Average daily consumption (gallons)	18,500,000	18,300,000	18,200,000	19,300,000	18,600,000
Miles of water mains	325	325	340	340	350
Storage capacity (gallons)	28,100,000	28,100,000	28,100,000	28,100,000	28,100,000
Wastewater					
Miles of sewers	325	325	340	340	320
Number of treatment plants	1	1	1	1	1
Treatment capacity (gallons)	16,500,000	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,

2010	2011	2012	2013	2014
9	9	9	9	9
121	121	118	115	127
1	1	1	1	1
198	207	197	189	199
260	266	266	266	266
8,000	8,143	8,143	8,143	8,161
108	133	134	135	135
1	1	1	1	1
2	2	2	2	2
140,000	140,000	140,000	140,000	150,000
17,400,000	17,400,000	15,600,000	15,500,000	15,200,000
350	350	350	370	380
28,100,000	29,300,000	29,350,000	29,350,000	29,350,000
320	320	320	320	325
1	1	1	1	1
16,500,000	18,500,000	18,500,000	18,500,000	18,500,000

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CITY OF HAYWARD
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