

**CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION
IMPROVEMENT AUTHORITY
MEASURE B 2000 FUNDS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2006**

**CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY
MEASURE B 2000 FUNDS**

**Financial Statements
For the Year Ended June 30, 2006**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the City Council
and City Auditor of the City of Hayward, California

We have audited the financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds of the City of Hayward, California) as of and for the year ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized information has been derived from the fiscal 2005 financial statements, and in our report dated October 28, 2005 we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and the standards for 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 audits to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued a report dated October 27, 2006 on our consideration of the City's internal control structure and on its compliance with laws and regulations.

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Measure B Funds and are not intended to present fairly the financial position of the City and the results of its operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly in all material respects the financial position of the Measure B Funds at June 30, 2006 and the results of operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Maze & Associates

October 27, 2006

CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY - MEASURE B 2000 FUNDS

BALANCE SHEET, JUNE 30, 2006
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2005

	2006					2005 Totals
	MEASURE B 2000 PROGRAMS & PROJECTS			ACTA 1986 Measure B Program	Totals	
ASSETS	Paratransit	Local Streets and Roads	Bike and Pedestrian			
Cash and Investments (Note 2)		\$2,447,245	\$218,604		\$2,665,849	\$1,768,990
Due from other governments	\$164,221	285,382	59,512	\$1,344	510,459	1,019,124
Due from other funds		1,344				
Other receivables		13,754	39,526		53,280	5,571
Total Assets	\$164,221	\$2,747,725	\$317,642	\$1,344	\$3,230,932	\$2,793,685
LIABILITIES						
Accounts payable	\$44,735	\$185,910			\$230,645	\$342,557
Due to other funds	6,532			\$1,344	7,876	
Total Liabilities	51,267	185,910		1,344	238,521	342,557
FUND BALANCE						
Reserved for Measure B Programs	112,954	2,561,815	\$317,642		2,992,411	2,451,128
Total Fund Balance	112,954	2,561,815	317,642		2,992,411	2,451,128
Total Liabilities and Fund Balance	\$164,221	\$2,747,725	\$317,642	\$1,344	\$3,230,932	\$2,793,685

See accompanying notes to financial statements

CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY - MEASURE B 2000 FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
FOR THE YEAR ENDED JUNE 30, 2006
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	2006					2005 Totals
	MEASURE B 2000 PROGRAMS & PROJECTS			ACTA 1986	Totals	
	Paratransit	Local Streets and Roads	Bike and Pedestrian	Measure B Program		
REVENUES						
Intergovernmental						
Measure B allocation	\$672,636	\$1,835,544	\$382,773	\$11,046	\$2,901,999	\$2,647,146
Federal award			141,938		141,938	449,263
Other -- ACTIA gap paratransit services	127,831				127,831	52,571
Use of Money and Property	253	53,999	2,579		56,831	27,893
Charges for services		143			143	1,575
Total Revenues	<u>800,720</u>	<u>1,889,686</u>	<u>527,290</u>	<u>11,046</u>	<u>3,228,742</u>	<u>3,178,448</u>
EXPENDITURES						
Community development	788,278				788,278	665,774
Capital outlay		1,254,065	634,070	11,046	1,899,181	933,797
Total Expenditures	<u>788,278</u>	<u>1,254,065</u>	<u>634,070</u>	<u>11,046</u>	<u>2,687,459</u>	<u>1,599,571</u>
OTHER FINANCING SOURCES						
Transfers (Out)						(85,000)
Net Change in Fund Balance	12,442	635,621	(106,780)		541,283	1,493,877
Beginning Fund Balance	100,512	1,926,194	424,422		2,451,128	957,251
Ending Fund Balance	<u>\$112,954</u>	<u>\$2,561,815</u>	<u>\$317,642</u>		<u>\$2,992,411</u>	<u>\$2,451,128</u>

See accompanying notes to financial statements

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CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY – MEASURE B FUNDS
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

All transactions of the Alameda County Transportation Authority - Measure B Funds (Measure B Funds) of the City of Hayward, California (City), are included as separate special revenue and capital projects funds in the basic financial statements of the City. Measure B Funds are used to account for the City's share of revenues earned and expenditures incurred under the City's paratransit, local streets and roads, and bike and pedestrian programs. The accompanying financial statements are for Measure B Funds only and are not intended to fairly present the financial position of the City and the results of its operations and cash flows of its proprietary fund type.

B. *Basis of Accounting*

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available, and expenditures are recorded when the related liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a "current financial resources" measurement focus, wherein only current assets and current liabilities generally are included on the balance sheets. Operating statements of governmental funds present increased (revenues and other financing sources) and decreased (expenditures and other financing uses) in net current assets.

C. *Description of Funds*

The accounts are maintained on the basis of fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts. The City uses Special Revenue Funds to account for the proceeds of specific revenues (other than for capital projects) that are legally restricted to be expended for specified purposes (specifically, the paratransit program).

D. *Capital Assets*

Capital assets, consisting primarily of infrastructure, are recorded as expenditures and are not capitalized since they will be maintained by the City.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are maintained on a pooled basis with those of other funds of the City. Pooled cash and investments consist of U.S. Treasury or its agencies, money market funds investing in such obligations, negotiable certificates of deposit, commercial paper and medium term corporate notes that meet specified rating requirements, mutual funds, guaranteed investment contracts, repurchase agreements, reverse repurchase agreements when authorized by the City's Council, the State Treasurer's investment pool (Local Agency Investment Fund), and banker's acceptances. The City did not enter into any reverse repurchase agreements during 2005-2006. All investments are stated at fair value. Pooled investment earnings are allocated quarterly based on the average quarterly cash and investment balances of the various funds and related entities of the City.

CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY – MEASURE B FUNDS
Notes to Financial Statements

NOTE 2 – CASH AND INVESTMENTS (Continued)

See the City's Comprehensive Annual Financial Report for disclosures related to cash and investments and the related custodial risk categorization.

NOTE 3 – MEASURE B FUNDS

Under Measure B, approved by the voters of Alameda County in 1986 and 2000, the City receives a portion of the proceeds of an additional on-half cent sales tax to be used for transportation-related expenditures. These measures were adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid by property taxes but, rather, would be used for additional projects and programs.

Projects funded by Measure B 2000 were as follows:

Paratransit - To provide transit services for seniors and people with disabilities.

Local Streets and Roads - To improve, repair, and overlay city streets.

Bike and Pedestrian - To provide sidewalk and ADA improvements and to implement the bikeway network.

1986 Measure B – Prior to Measure B 2000, voters approved the prior Measure in 1986 that was used to improve, repair, and overlay City streets. In fiscal 2004, this program was replaced by the above programs funded under Measure B 2000.

From a pool of funds held by the County, 10.45% is allocated for distribution as a subsidy to cities with paratransit programs. Funds allocated to the City for the paratransit program are received separately from funds received for transportation improvement projects, and they are recorded in a special revenue fund.

An additional 20.34% of the pool is allocated among the cities in the County, based on the cities' populations and the number of roads within their city limits for other transportation-related projects. Funds allocated for streets are roads; bike lanes and pedestrian lanes are recorded as a capital projects fund.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MEASURE B 2000 FUNDS AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Hayward, California

We have audited the financial statements of the Alameda County Transportation Improvement Authority - Measure B 2000 Funds of the City of Hayward as of and for the year ended June 30, 2006, and have issued our report thereon dated October 27, 2006. We have conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However we did communicate other matters to City Council in our separate Memorandum on Internal Controls dated October 27, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit included tests of compliance with provisions of the Measure B.

In our opinion, the City of Hayward complied, in all material respects, with the requirements referred to above that are applicable to its Measure B Funds for the year ended June 30, 2006.

This report is intended for the information and use of the City Council, management, ACTIA, its Board and Committees, and members of the public that will examine the compliance information, and is not intended to be, and should not be used by anyone other than these specified parties.

Maze + Associates

October 27, 2006