

CITY OF HAYWARD, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2006

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, 2006

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CITY OF
HAYWARD
HEART OF THE BAY

October 27, 2006

To the Honorable Mayor and City Council:

I. FORMAL TRANSMITTAL

We are pleased to present the Comprehensive Annual Financial Report of the City of Hayward (the City) for the fiscal year ended June 30, 2006 (hereafter referred to as the Report). The Report is intended to provide the Mayor and City Council, other City officials and the general public with a complete and comprehensive view of the City's financial activity, condition and performance for the year ended June 30, 2006.

Management Responsibility for Financial Information. This report consists of management's representations concerning the finances of the City we are responsible for both its fairness and its accuracy. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that to the best of our knowledge and belief, the information and data presented are accurate in all material respects; that the Report is a fair description of the financial position and results of operations of the City, as measured by the financial activity of its various funds and component units and that all necessary disclosures have been included so that a complete understanding of the City's financial affairs and condition may be obtained.

Internal Control Structure. Establishing and maintaining an effective internal control structure is a primary management responsibility. Effective internal controls are intended to provide reasonable, but not absolute, assurances against the loss of assets from unauthorized use or disposition and reliability of financial records for preparing financial statements in conformity with Generally Accepted Accounting Principles (GAAP) and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits derived and that the evaluation of costs and benefits requires management to make estimates and judgments. We believe the City's internal control structure now in effect provides reasonable assurances on the safeguarding of assets and proper recording and reporting of financial transactions.

Independent Audit. The City's financial statements have been audited by Maze & Associates Inc., a firm of licensed certified public accountants as required by the City Charter and State and Federal Law. 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, 2006, 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's financial statements for the year ended June 30, 2006 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The Independent Auditors' Report is presented as the first component of the financial section of this report.

The City is also required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget's Circular A-133, Audits of State and Local Governments and Nonprofit Organizations. 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 City's internal controls and compliance with legal requirements, with special emphasis on the administration of federal awards. Information related to this single audit, including a schedule of federal financial assistance, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued Single Audit Report.

Management's Discussion & Analysis (MD&A). GAAP requires that management also provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report.

II. PROFILE OF THE GOVERNMENT

General Information. With a population currently estimated at 146,000, Hayward is the third largest city in Alameda County. Hayward is located south of Oakland in the San Francisco Bay Area. The City area includes 61 square miles lying between the eastern shore of San Francisco Bay and the southern Oakland-Berkeley Hills.

Hayward serves as a major transportation hub and a center of commercial and industrial activity, with immediate access to major interstate highways, rail lines and public transit routes. The community includes approximately 47,000 homes and residences of all types and considerable commercial and industrial development. Major institutional facilities include California State University, East Bay, Chabot Community College, several hospitals, and State and County offices.

Organization of Government. 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.

The Mayor and City Council 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 the City departments.

Services Provided. Hayward is a full service city that provides a wide range of municipal services including law enforcement, fire prevention and protection, housing and economic development, land use development services and regulations, community planning, libraries, street construction and maintenance, landscape maintenance services, transportation planning, contracted curbside recycling and refuse collection, and general administrative services provided by the City Manager, City Clerk, City Attorney, Human Resources, and Finance Departments. In addition, the City operates and maintains facilities for water distribution, stormwater and sanitary sewer collection and disposal. The City also operates a general aviation airport, downtown parking facilities, a civic center, and an exhibition hall with meeting rooms. Through its Redevelopment Agency, the City provides development services and improvements in the downtown area.

Component Units. This Report includes all the funds and account groups of the City. It reports all activities of those agencies that are controlled by the City's legislative body, the Mayor and City Council. The only such agencies so included are the Redevelopment Agency of the City of Hayward, the Hayward Public Financing Authority, the Business Improvement District and the Hayward Housing Authority.

The financial activities of other agencies with which the City is associated, but which are separate and independent from the City's legislative body, and for which the City is not financially accountable are not included. These other boards and agencies are identified in Note 1 of the notes to the financial statements. The financial statements of these other agencies are available upon request from their respective offices.

III. ECONOMIC OUTLOOK

Local Economy. The economic challenge for the City of Hayward and for California in general, is to provide for needed services, while providing an environment that encourages economic development and neighborhood preservation and revitalization. Hayward is experiencing the same steady to moderate economic upturn being experienced nationwide. Hayward's unemployment rate is higher than the unemployment rate experienced nationally and by the State as a whole. In June of 2006, the national unemployment rate stood at approximately 4.6 percent and for California the rate was approximately 4.9 percent. For the same period the unemployment rate for Hayward was approximately 5.5 percent. Hayward's unemployment rate as of June 2005 was 5.1 percent.

The vision for the City of Hayward centers on providing a secure and expanding revenue base; well planned residential and community development; a safe and secure environment for residents; a downtown core alive with shopping, dining, entertainment and residential opportunity; local schools the community can be proud to support; neighborhoods filled with attractive, well maintained properties and public spaces; uncongested transportation networks; and employment opportunities offering Hayward residents well paying jobs.

Adoption of the 2006-07 Budget. Although the City Council approved a two-year budget cycle for Fiscal Year 2006-07 and 2007-08, in keeping with the requirements of the City Charter for an annual budget, the City Council approved an operating budget for 2006-07 of \$181 million and \$10.3 million for the Redevelopment Agency. A capital budget was also authorized for 2006-07 of approximately \$54 million. The operating budget for 2006-07 assumes steady to moderate growth for the local economy, especially in the revenue areas of sales tax, property tax, real property transfer tax and motor vehicle in lieu.

Redevelopment. During the 2005-06 year, the Redevelopment Agency began construction on the Cinema Place retail-theater project at B Street and Foothill Blvd. The Agency will build an adjacent parking structure and share parking operating costs with the developer. The Agency also embarked on the Cannery/ Burbank Area projects which includes a new Burbank school, expanded Cannery park and related public improvements.

IV. AWARDS & ACKNOWLEDGMENTS

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 (CAFR) for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Hayward has received a Certificate of Achievement for the last twenty consecutive years (fiscal years ended 1986-2005). We believe our current report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

This Report is the result of the combined efforts of the Finance Department staff, with the assistance and encouragement of the City's independent auditors. All those who have contributed to the preparation of this report deserve commendation for their efforts. In particular we would like to express our appreciation to Mr. Henry Gudino, Ms. Elena Ramos, Ms. Virginia Casuga, Ms. Nan Barton, Ms. Cindy DeGuzman, Ms. Raquel Gamboa, and Ms. Mona Calo of the Accounting Division whose knowledge and dedication were most valuable. We 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 our appreciation to them for their continuing support.

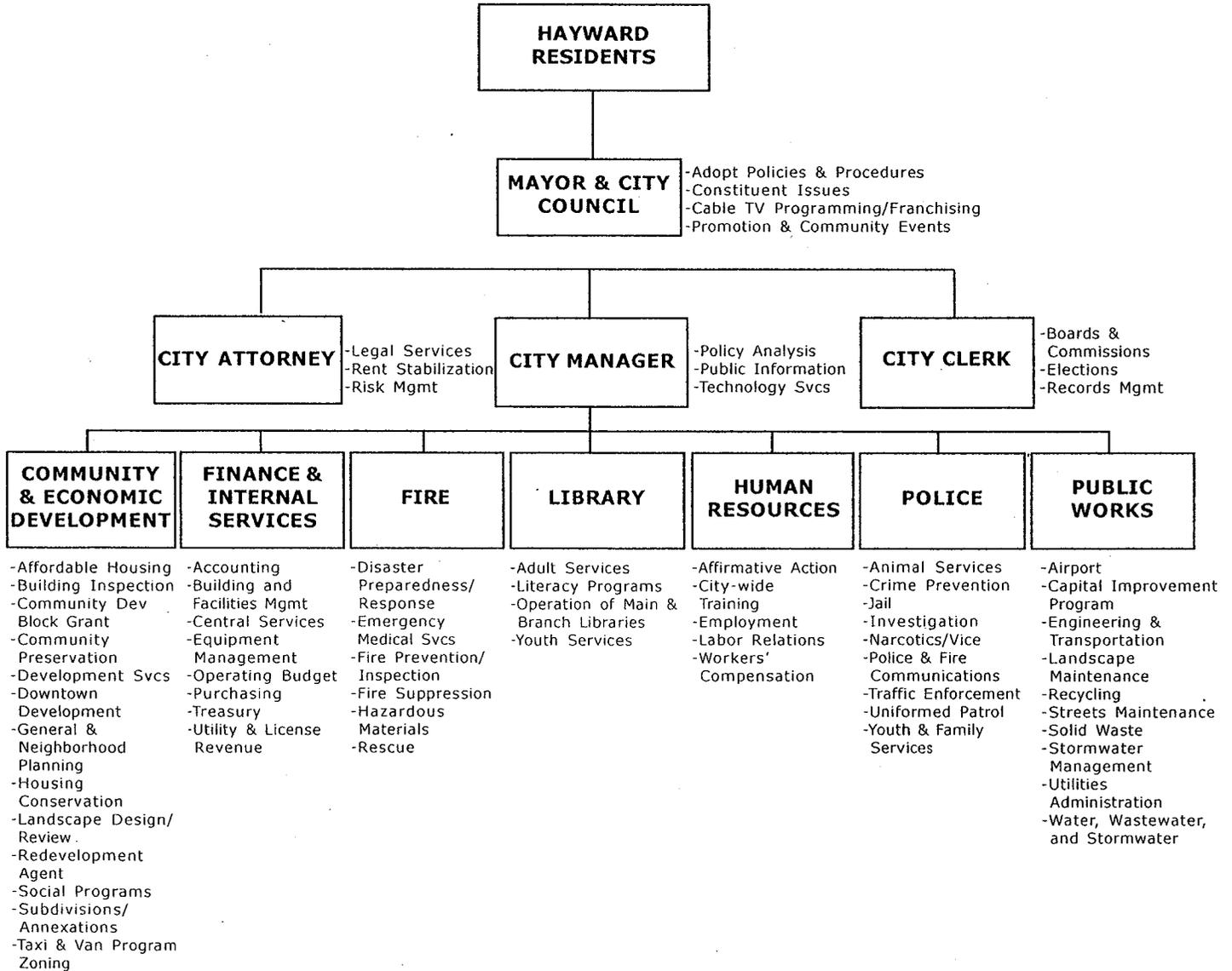
Respectfully Submitted,



Debra C. Auker

Finance and Internal Services Director

CITY OF HAYWARD ORGANIZATION



City Of Hayward

Elected Officials in office as of June 30, 2006

The Mayor and six Council members represent Hayward residents, review public policy, and adopt policies responsive to the community. The City Council meets the first four Tuesdays of each month at 8:00 p.m. in Council Chambers, 2nd Floor of 777 B Street, Hayward, CA 94541. The public is invited to attend Council meetings.



**Roberta Cooper,
Mayor**



**Kevin Dowling,
Council Member**



**Matt Jimenez,
Council Member**



**Barbara Halliday,
Council Member**



**Bill Quirk,
Council Member**



**Olden Henson,
Council Member**



**Bill Ward,
Council Member**

City Of Hayward
Administrative Staff as of June 30, 2006

Appointed by City Council

City Manager	Jesús Armas
City Attorney	Michael O'Toole
City Clerk	Angelina Reyes

Department Directors

Assistant City Manager, Acting	Perry Carter, CPA
Community and Economic Development Director	Sylvia Ehrental
Finance and Internal Services Director, Acting	Diane Lewis
Fire Chief	Larry Arfsten
Human Resources Director	Holly Brock-Cohn
Library Director	Lisa Rosenblum
Police Chief	Lloyd Lowe
Public Works Director	Robert Bauman

Certificate of Achievement for Excellence in Financial Reporting

Presented to

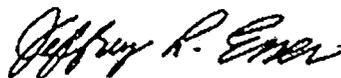
City of Hayward
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President



Executive Director

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www.mazeassociates.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hayward 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 audit.

We conducted our audit 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on 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 our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hayward at June 30, 2006 and the results of its operations and cash flows of its proprietary fund types and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

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

Management's Discussion and Analysis and Required Supplemental Information are supplementary information required by the Government Accounting Standards Board, but are not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Information listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic statements of the City of Hayward. Such information has been subjected to the auditing procedures applied in the audit of the government-wide and fund financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical section listed in the Table of Contents was not audited by us, and we do not express an opinion on this information.

Maze & Associates

October 27, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is an overview of the City of Hayward's financial activities for the Fiscal Year ended June 30, 2006 as required by the national standards established in GASB 34. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FISCAL 2006 FINANCIAL HIGHLIGHTS

Financial highlights of the fiscal year ended June 30, 2006 include the following:

City-wide:

- The City's total net assets were \$447.7 million at June 30, 2006, of which \$232.3 million were in Governmental Activities and \$215.4 million were in Business-type Activities.
- Total City revenues were \$183.2 million, of which \$126.9 million were derived from Governmental Activities and \$56.3 million were derived from Business-type Activities.
- Total City expenses were \$156 million, of which \$118.2 million were incurred by Governmental Activities and \$37.8 million were incurred by Business-type Activities.

Fund Level:

- Governmental funds balances were \$128 million, while net assets in enterprise funds were \$215.4 million.
- Governmental fund revenues were \$128.1 million, an increase of \$6 million from Fiscal Year 2005's \$122.1 million.
- Governmental fund expenditures increased to \$127 million in Fiscal Year 2006, up \$3.4 million from the prior year.
- Enterprise fund operating revenues were \$43.1 million in Fiscal Year 2006, down \$8.1 million from the prior year.
- Enterprise fund operating expenses were \$36.3 million in Fiscal Year 2006, a decrease of \$2.1 million from the prior year.
- Net nonoperating revenues of enterprise funds were \$12.2 million in fiscal 2006, compared to prior year non-operating revenues of \$647,000.

General Fund:

- General Fund revenues were \$100 million, an increase of \$6.6 million from the prior year.
- General Fund expenditures were \$98 million, an increase of \$5.7 million over the prior year.
- Net transfers out of the General Fund were \$2 million in fiscal 2006, an increase of \$2 million over the prior year.
- General Fund ending balance of \$23.1 million at June 30, 2006 remained approximately the same as the prior year.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in six parts:

1. Introductory section, which includes the Transmittal Letter and general information,
2. Management's Discussion and Analysis,
3. The Basic Financial Statements, which include the Government-wide and the Fund financial statements, along with the Notes to these financial statements,
4. Required Supplemental information,
5. Combining statements for Non-major Government Funds, Non-major Proprietary and Fiduciary Funds,
6. Statistical information

The Basic Financial Statements

The basic financial statements provide two different views of the City's financial activities and financial position. The Statement of Net Assets provides information on the City's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities provides information showing how the City's net assets changed during the fiscal year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Net Assets and Statement of Activities are separated into Governmental and Business-type activities, which summarize these two activities for the City as a whole.

Fund financial statements focus on the short term, measuring only current revenues and expenditures and the City's fund balances. Fund financial statements report the City's operations in more detail than the government-wide statements and provide information about the City's major funds.

The activities of the remainder of the City's funds, called non-major funds, are combined in one column on each fund statement.

The fiduciary statements provide financial information about activities for which the City acts solely as agent for the benefit of others.

The Government-wide Financial Statements

The statement of Net Assets and the Statement of Activities present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, public works and transportation, community development, culture and leisure and nondepartmental.

- The City's governmental activities include the activities of the following separate legal entities because the City is financially accountable for them: the Redevelopment Agency of the City of Hayward, the Hayward Public Financing Authority, the Hayward Improvement District and the Hayward Housing Authority.
- Business-type activities—All the City's enterprise activities are reported here, including sewer, water, airport, Centennial Hall maintenance and operation, and stormwater.

Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of economic resources of the City as a whole.

Fund Financial Statements

The fund financial statements provide detail information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which funds are major funds, was established by GASB 34, and replaces the concept of combining like funds. Instead, each Major Fund is presented individually, with any Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements because of their long-term life.

Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis, and include all their assets and liabilities, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the activities which created them, along with any residual net assets of the Internal Service Funds.

Comparisons of budget and actual financial information are presented for the Governmental Fund Financial Statements as required by GASB 34.

Fiduciary Statements

The City is the agent for certain assessment districts, called Local Improvement Districts, holding amounts collected from property owners that await transfer to these districts'

bond trustees. The City's fiduciary activities are reported in separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the City's other financial statement because the City cannot use these assets to finance its operations.

THE CITY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the City's governmental (Tables 1, 2 and 3) and business type (Tables 4 and 5) activities in the government-wide statements.

Table 1
Government Net Assets at June 30, 2006
(In Millions)
With Comparative Amounts as of June 30, 2005

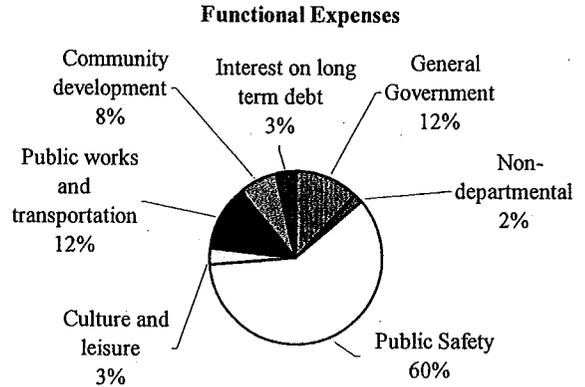
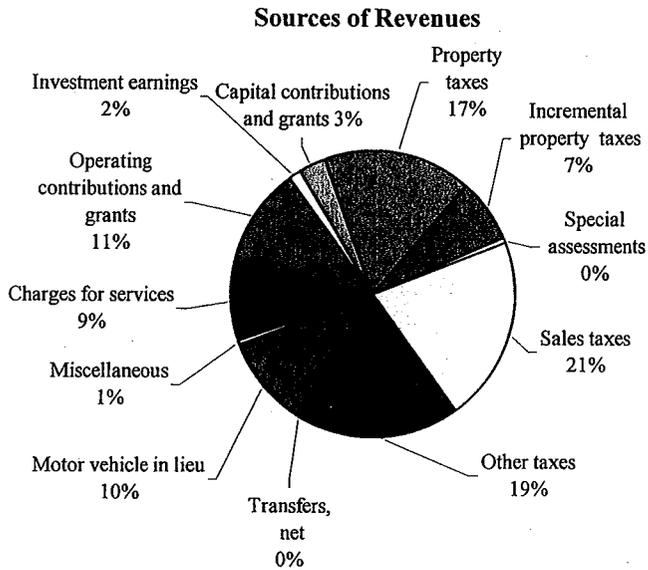
	2006	2005
Cash and investments	\$134.1	\$123.2
Other assets	18.3	17.5
Capital assets	198.0	192.0
Total assets	350.4	332.7
Long term debt outstanding	97.9	86.5
Other liabilities	20.2	22.6
Total liabilities	118.1	109.1
Net assets:		
Invested in capital assets, net of debt	100.2	105.6
Restricted	31.8	26.6
Unrestricted	100.3	91.4
Total net assets	\$232.3	\$223.6

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2006, the City's net assets of governmental activities totaled \$ 232.3 million, an increase of \$8.7 million from the previous year. Key elements of this increase are higher tax revenues and capital asset additions for the Redevelopment Agency.

Components of governmental activities net assets are comprised of the following:

- Cash and investments totaling \$134.1 million, of which \$89.6 million were available for City operations and \$44.5 million were restricted. A listing of all City investments is detailed in Note 2 to the financial statements.
- Receivables were \$13.4 million, net of allowances. Of this total, \$3.4 million represented interest and accounts that are due currently, and \$10 million was in notes and loans that are due over longer periods of time, as explained in Note 3 to the financial statements.
- Internal balances of \$4.3 million, representing net amounts due to the City's Business-type activities.
- \$3.6 million is due from other governments representing grant amounts currently due primarily from the state and federal government.
- Land held by the Redevelopment Agency is carried at cost of \$4.4 million, which may be different than market value.
- Other assets, at cost, of \$1.1 million.
- Capital assets of \$198 million, net of depreciation charges, which include infrastructure costs from prior years.
- Current liabilities, including accounts payable, accrued liabilities and other amounts due currently, totaling \$12 million.
- Refundable deposits of \$2.4 million which are performance deposits that are not due until the work has been satisfactorily completed.
- Compensated absence accruals of \$5.8 million representing the total amount of accrued vacation and compensatory leave for employees.
- Long-term debt of \$97.9 million, of which \$94.8 million is due in future years and \$3.1 million is due currently.
- Net assets invested in capital assets net of related debt of \$100.2 million, representing the City's net investment in infrastructure and other capital assets used in Governmental activities.
- Restricted net assets of \$31.8 million, most of which may be used only for Redevelopment purposes or for specified special revenue projects.
- \$100.3 million of unrestricted net assets, which are that part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

Fiscal Year 2006 Governmental Activities
(See Tables 2 and 3)



As the above Sources of Revenue Chart for all governmental funds shows, 21% of the City's 2006 governmental activities revenue came from sales taxes, while 17% came from property taxes, 9% came from charges for services, and a total of 14% came from grants and contributions. The remaining 39% came from a variety of sources as shown above.

The Functional Expenses Chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the Chart shows, public safety generated 60% of total expenses, public works 12%, and general government 12%, while other functions accounted for the remaining 16%.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Changes in Governmental Net Assets summarized below:

Table 2
Governmental Activities
(In Millions)
With Comparative Amounts as of June 30, 2005

Activities	2006	2005
General government	\$14.6	\$13.7
Public safety	70.5	67.2
Public works and transportation	14.3	17.4
Community development	8.8	8.0
Culture and leisure	3.7	3.6
Non-departmental	1.9	1.4
Interest on long term debt	4.4	5.5
Total expenses	118.2	116.8
Revenues		
Program revenues:		
Charges for services	11.3	13.0
Operating contributions and grants	14.3	17.2
Capital contributions and grants	3.8	15.0
Total program revenues	29.4	45.2
General revenues:		
Taxes:		
Property taxes	21.6	19.0
Incremental property tax	9.2	7.0
Sales taxes	26.7	27.2
Special assessments	0.5	0.4
Other taxes	23.5	22.6
Motor vehicle in lieu	12.9	9.3
Investment earnings	2.0	1.4
Miscellaneous	0.7	2.0
Total general revenues	97.1	88.9
Total Revenues	126.5	134.1
Change in net assets before Transfers	8.3	17.3
Transfers	0.4	2.2
Change in net assets	8.7	19.5
Net Assets-Beginning	223.6	204.1
Net Assets-Ending	\$232.3	\$223.6

Table 2 shows that governmental expenses discussed above, which totaled \$118.2 million, were offset in part by program revenues of \$29.4 million. These program revenues included \$11.3 million in charges for services, \$14.3 million in operating grants and contributions and \$3.8 million in capital grants and contributions. Charges for services include traffic safety fines, plan check fees, building inspection fees and other charges related to new construction, etc. Grants and contributions include amounts contributed by developers and grants from the state and federal government.

Table 3 below summarizes financial information on the Statement of Activities, Basic Financial Statements. Certain significant revenue sources such as property taxes and sales taxes are classified as general revenue and hence not attributable to government activities shown in Table 3.

Table 3
Government Activities – Net (Expenses) Revenue From
Services
(In Millions)
With Comparative Amounts as of June 30, 2005

	2006	2005
General government	(\$13.6)	(\$12.6)
Public safety	(63.3)	(60.1)
Public works and transportation	1.3	10.5
Community development	(3.5)	0.8
Culture and leisure	(3.4)	(3.4)
Non-departmental	(1.9)	(1.3)
Interest on long term debt	(4.4)	(5.5)
Subtotals	(88.8)	(71.6)
General Revenues and Transfers	97.5	91.1
Change in Net Assets	\$8.7	\$19.5

Table 3 presents the net cost of each of the City's programs – general government, public safety, public works and transportation, community development, culture and leisure, nondepartmental, and interest on long-term debt. Net cost is defined as total program cost less revenue generated by those specific activities.

The positive net cost of services indicates that the overall cost of government is less than the revenues generated to support it. In the case of Public Works and Transportation, the City received \$3.8 million in capital grants and contributions restricted to fund street projects which increased capital assets. During the current year, the City increased capital assets by \$6.3 million in street infrastructure costs.

Table 4
Business-type Assets at June 30, 2006
(In Millions)
With Comparative Amounts as of June 30, 2005

	2006	2005
Cash and Investment	\$83.8	\$78.7
Other assets	39.2	27.8
Capital assets	142.2	123.9
Total assets	265.2	230.4
Long-term debt outstanding	40.1	28.6
Other liabilities	9.7	5.0
Total liabilities	49.8	33.6
Net assets:		
Invested in capital assets, net of debt	102.1	96.8
Restricted	4.1	3.7
Unrestricted	109.2	96.3
Total net assets	\$215.4	\$196.8

The net assets of business-type activities were \$215.4 million at June 30, 2006, an increase of \$18.6 million over last year. The increase in business-type net assets is attributed to contributions of sewer & water main infrastructure improvements from residential developers plus an increase in revenue from charges for services.

Assets included a total of \$83.8 million in cash and investments, \$6.5 million in receivables from customers, \$142.2 million in capital assets, \$14 million due from State and Federal government, \$4.3 million in internal balances, and \$14.4 million in other assets.

Liabilities included \$9.7 million accounts payable and accrued liabilities and reclamation costs, and \$40.1 million in long-term debt.

Net assets from business-type activities included \$102.1 million invested in capital assets net of related debt, \$4.1 million restricted for debt service, and \$109.2 million that was unrestricted as to use.

Table 5
Business-type Activities
(In Millions)
With Comparative Amounts as of June 30, 2005

	2006				2005
	Sewer	Water	Other- Enterprise	Total	Total
Revenues:					
Program Revenues:					
Charges for Services	\$13.8	\$21.5	\$5.1	\$40.4	\$49.0
Operating Grants & Contributions	0.9	1.6		2.5	2.0
Capital Grants & Contributions	0.3		3.1	3.4	4.5
Total Program Revenues	15.0	23.1	8.2	46.3	55.5
General Revenues:					
Investment Earnings	0.9	1.5	0.3	2.7	2.2
Gain on Sale of Capital Assets			7.8	7.8	
Total General Revenues	0.9	1.5	8.1	10.5	2.2
Total Revenues	15.9	24.6	16.3	56.8	57.7
Expenses:					
Program Expenses	13.3	19.3	5.2	37.8	40.0
Change in Net Assets before Transfers	2.6	5.3	11.1	19.0	17.7
Transfers	0.8	(0.7)	(0.5)	(0.4)	(2.2)
Change in Net Assets	\$3.4	\$4.6	\$10.6	\$18.6	\$15.5
Net Assets- Beginning	98.9	82.0	15.9	196.8	181.3
Net Assets- Ending	\$102.3	\$86.6	\$26.5	\$215.4	\$196.8

Program revenues of Business-type Activities totaled \$46.3 million in fiscal Year 2006 while program expenses totaled \$37.8 million. The Sewer and Water Activities as a whole were profitable and the three Other Enterprise Activities generated a combined profit of \$10.6 million.

Airport gained \$10.8 million while Storm Water Fund lost \$211,000 and Centennial Hall Maintenance and Operation Fund lost \$24,000.

Airport profit consisted of a \$7.8 million sale of property combined with \$3 million in Federal Aviation Administration grants. The Storm Water Fund loss was attributed to transfer for administrative overhead. Centennial Hall's loss was due to more operating expense than the previous year.

The City's Fund Financial Statements

Governmental Funds

At June 30, 2006, the City's governmental funds reported combined fund balances of \$128 million, which is an increase of \$15 million or 13% compared from the prior fiscal year. The fund balance of the General Fund decreased \$17 thousand, the CDBG Fund increased \$756 thousand, the HOME Fund decreased \$2 thousand, the Redevelopment Agency Capital Project Fund increased \$12.7 million, and there was a \$1.5 million increase in Other Governmental Funds.

Governmental fund revenues were \$128.1 million in Fiscal Year 2006, with the General Fund accounting for \$100 million of this total. Expenditures totaled \$126.5 million, with the General Fund accounting for \$98 million of the amount. Other financing sources in the Redevelopment Agency included proceeds from long term debt of \$11.8 million. Transfers netted to \$1.5 million into the City governmental funds.

General Fund

In Fiscal Year 2005 general fund revenues totaled \$93.4 million and in Fiscal Year 2006 general fund revenues increased to \$100 million. This \$6.6 million increase is represented by the following:

- \$2.6 million increase in secured property tax receipts over last year
- \$3.5 million increase in motor vehicle-in-lieu fees due to restoration of backfill payments from the state
- \$0.5 million increase overall in other taxes such as excise and franchise fees from sewer and water funds

Expenditures in the General Fund increased \$5.7 million to \$98 million in Fiscal Year 2006. Salaries and wages, benefits, and retirement pay offs contributed to expenditure increases in Public Safety, Public Works, and General Government.

Transfers In from other funds decreased \$0.2 million due to completion of police grants. Transfers Out increased \$1.9 million over last year due to a \$1.6 million transfer for a public safety radio system and \$0.3 million for street projects.

General Fund Budgetary Highlights

Differences between the original budget and the final budget were attributed to increased cost of salary related expenditures and retirement payoffs. Actual revenues exceeded budgetary estimates during the year by \$6.5 million and provided for all budget amendments to the 2005-06 budget. The revenue increases were in other taxes, intergovernmental, and charges for services.

Community Development Block Grant Fund

This fund accounts for Housing and Urban Development (HUD) awards and programs. The City operates grant funding to other agencies and operates loan programs under which loans are made to not-for-profit developers and qualified first-time home buyers to encourage low and moderate housing in the City. Interest and principal collections on these loans, called "program income", are recycled and used to provide loans to new borrowers and pay for administration of the program. Expenditures not paid out of the program's income are funded by grants from HUD. During Fiscal Year 2006, the City incurred \$2.4 million in expenditures of which all was funded by HUD grants.

HOME Investment in Affordable Housing Fund

This fund accounts for monies received by HUD through the Alameda County Housing Consortium and is expended for acquisition, rehabilitation, and new construction of affordable housing and tenant-based rental assistance. During Fiscal Year 2006, the City incurred \$68,000 in expenditures funded by HUD grants.

Redevelopment Agency Capital Project Fund

The Hayward Redevelopment Agency functions as a division within the City of Hayward. The Agency is governed by the City Council, which sits in a separate capacity as the Agency's Board of Directors. City employees perform all the duties and functions required of the Agency. The Agency is a component unit of the City of Hayward.

The Agency's purpose under California law is to eliminate urban blight in the City of Hayward. The Agency is given certain powers under the law to assist it in that endeavor. The Agency may condemn property under certain circumstances as prescribed by the law, and it may incur indebtedness to finance its redevelopment activities. The Agency may not assess or receive property taxes, but it may receive any increases in property taxes over amounts received in the year before the property in the Agency's area became subject to redevelopment (called the Base Year). The increases are called Property Tax Increments. Twenty percent of the property tax increments received must be used to increase the supply of low- and moderate-income housing. The Agency must also make "pass through" payments to other pre-existing governmental entities within its redevelopment area, in accordance with statutory formulas.

The Cannery Area Public Facilities Projects are located between B and C Streets, west of Filbert Street, and consist of three components. These components are outlined and estimated in the development agreement as follows: 1) a \$31.7 million construction project for an approximately 80,000 square foot public elementary school to replace the existing Burbank School, 2) a \$4.7 million expansion of Cannery Park, with construction of new recreational elements, and joining it to the new Burbank School by vacating the existing Burbank Street, and 3) a \$5.7 million construction of new roads and infrastructure west and south of the new park and school, and the extension of Filbert Street from C Street to B Street. Upon completion of the school, the site and improvements are to be conveyed by the Agency to the School District. As part of this

transaction, a portion of the current school site owned by the School District will be conveyed to the Agency. The Agency has also agreed to deconstruct the current school site and advance funds to Hayward Area Recreation & Park District (HARD) to finance the cost of certain improvements to adjacent Cannery Park, to be jointly used by HARD and the School District. These projects are included in the Hayward Cannery Area Design Plan, which was adopted in 2001. The new facilities will serve both residents of the new development in the Cannery area as well as the existing Burbank neighborhood. The Burbank-Cannery area was added to the Hayward Redevelopment Project in 1998.

During October 2005, the Agency signed an agreement with a developer to construct a Theater/ Retail Complex (Cinema Place) consisting of a twelve screen, 1,876-seat movie theater and approximately 19,500 square feet of restaurant/ retail space. The Agency is obligated to construct, operate, and maintain a proximate 241 stall, three-level, detached Parking Structure.

In 2004, the Agency signed a Disposition and Development Agreement under which the developer completed construction of a residential project consisting of 46 units called Renaissance Walk. The units were sold to moderate-income families. Thirty of the 46 units were sold in 2004-05 and the remaining sixteen were sold in 2005-06. The project was constructed on a site purchased from the Agency in 2003-04 for a \$2 million promissory note and \$546,000 in deferred development fees to the City. As of June 30, 2006 with all units sold, the Agency has collected on the entire promissory note and related development fees.

Land Held for Redevelopment increased \$0.5 million for a property acquisition located at 199 Filbert Street in connection with the Cannery Area projects.

Expenditures totaled \$5.8 million in 2005-06; decreasing \$4.2 million from the prior year due to completion of the addition to the City Hall parking structure, and expansion of Muni Lot 2.

Other financing sources were the issuance of \$11.8 million in 2006 Tax Allocation Bonds to finance additional Cannery Area projects.

Transfers of \$4.4 million were made to the Redevelopment Agency Debt Service Fund to fund debt service on 2004 Tax Allocation Bonds.

Analysis of Enterprise Funds

Enterprise Fund net assets totaled \$215.4 million at June 30, 2006, an increase of \$18.6 million over the prior year. Enterprise operating revenues were \$43.1 million, down \$8 million from the prior year. Non-operating revenues were \$12.2 million, up by \$11.6 million over last year. Enterprise Fund operating expenses were \$36.3 million, down by \$2.1 million from the prior year. Net transfers out decreased to \$0.4 million in fiscal 2006, down from \$2.2 million in the prior fiscal year.

Sewer Fund

Net assets increased \$3.4 million in Fiscal Year 2006 compared to an increase of \$5.4 million in the prior year. Operating revenues decreased \$0.4 million to \$15 million in Fiscal Year 2006 as a result of decreases in charges for services revenue. Operating expenses increased \$1 million to \$12.5 million over the prior year due to additional salaries, supplies, and services. Non-operating revenues net of expenses increased \$0.1 million due to increases in interest income combined with a decrease in interest expense.

Sewer Fund Assets increased \$19.5 million and liabilities increased by \$16.1 million in Fiscal Year 2006. The increase in assets is attributed to \$13.8 million in capital asset additions, \$13.1 million receivable due from a state loan, offset by an overall \$7.4 million decrease in cash generated from operations. The liabilities increase is due to a \$13.1 million current year drawdown of a \$54.6 million State Water Resources loan, a \$4 million increase in contractor payables and retentions, combined with a \$1 million decrease in scheduled debt service payments.

Water Fund

Net assets increased \$4.6 million compared to \$9.6 million in the prior year. Operating revenues decreased \$8 million to \$23 million in Fiscal Year 2006. Charges for services decreased \$3 million due to a change in the method of accounting for the reimbursements from SFPUD and EBMUD for the Regional Water Intertie Project. The reimbursements (formerly charges for services revenue last year) are offset against the actual project expenses this year. Miscellaneous revenue decreased \$4.7 million due to one-time developer contributions last year. Sale of water decreased slightly by \$0.3 million due to less consumption from residents and businesses.

Operating expenses for Fiscal Year 2006 decreased \$3.3 million to \$18.7 million. The decrease is primarily due to applying \$3 million of reimbursements for the Regional Water Intertie Project against the project expenses. The remaining decrease is less water purchases over last year.

Water Fund Assets increased \$4.7 million and liabilities increased by \$0.2 million in Fiscal Year 2006. Assets increased due to a \$7 million increase in cash available for operations combined with a decrease in receivables from customers of \$2.3 million. Liabilities increased due to \$1.2 million for contractor payables and retentions combined with a \$1 million decrease for scheduled debt service payments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

GASB 34 requires the City to record all infrastructure projects such as streets, roads, bridges, signals, airport tarmacs, sewer, and water lines used by the population. The City includes all infrastructure costs, net of accumulated depreciation in its fixed assets. In the current year, governmental assets increased \$6 million, net of accumulated depreciation to \$198 million. Business-type assets increased \$18.3 million, net of accumulated depreciation to \$142.2 million. At the end of Fiscal Year 2006 the cost of capital assets recorded on the City's financial statements is provided in Table 6 below:

Table 6
Capital Assets at Year-end
(In Millions)
With Comparative Amounts as of June 30, 2005

	2006	2005
<i>Governmental Activities</i>		
Land	\$10.5	\$10.5
Construction in progress	20.7	18.8
Buildings	54.2	53.0
Improvements other than buildings	6.8	6.8
Machinery and equipment	32.4	29.1
Streets	126.9	121.5
Traffic signals	7.3	6.4
Conduits	1.5	1.5
Medians	3.4	3.4
Drains	3.0	3.0
Less accumulated depreciation	(68.7)	(62.0)
Totals	<u>\$198.0</u>	<u>\$192.0</u>
<i>Business-type Activities</i>		
Land	\$3.5	\$3.5
Construction in progress	34.5	29.5
Buildings	25.9	25.9
Machinery and equipment	32.2	32.0
Sewer infrastructure	60.6	51.5
Water infrastructure	46.7	39.8
Airport infrastructure	18.0	16.3
Less accumulated depreciation	(79.2)	(74.6)
Totals	<u>\$142.2</u>	<u>\$123.9</u>

The City capitalized its current year infrastructure costs, which amounted to \$6.3 million for streets, \$16 million for sewer and water infrastructure, and \$1.7 million for airport infrastructure. These comprised the major additions to City capital assets this year. (Further detail regarding the City's capital assets can be found in Note 5, page 57 to the financial statements.)

Table 7
Outstanding Debt
(In Millions)
With Comparative Amounts as of June 30, 2005

	2006	2005
<i>Governmental Activity Debt:</i>		
Certificates of Participation	\$33.2	\$34.2
Lease Revenue Bonds	3.7	4.3
Capital Lease Obligations	5.0	3.2
Tax Allocation Bonds	56.0	44.8
Total Governmental Activity Debt	\$97.9	\$86.5
 <i>Business-type Activity Debt</i>		
Certificate of Participation	\$22.5	\$23.6
Lease Revenue Bonds	4.5	5.0
State Water Resources Control Board Loan	13.1	0.0
Total Business-type Activity Debt	\$40.1	\$28.6

There were four new debt issues in Fiscal Year 2006 creating \$13.9 million in governmental activity debt: \$11.8 million in Tax Allocation Bonds for redevelopment projects, \$1.6 million capital lease for vehicle equipment, and \$0.5 million capital lease for computer equipment. Business-type activity debt increased \$13.1 million by a current year drawdown of a \$54.6 million State Water Resources loan to finance sewer plant improvements. Debt retirements totaled \$2.5 million for governmental activity and \$1.6 million for business-type activity.

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 and is not included in the City's governmental debt. As of June 30, 2006, a total of \$14.4 million in special assessment district debt was outstanding by six special assessment districts. (Further detail regarding the City debt can be found in Note 6, page 60 to the financial statements.)

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and major initiatives for the coming year are discussed in detail in the Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide residents, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Finance Department, at 777 B Street, Hayward, California 94541-5007.

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CITY OF HAYWARD, CALIFORNIA

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets 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 all its liabilities, 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 Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets 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 assets. It is also prepared on the full accrual basis, 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 Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, the Redevelopment Agency of the City of Hayward, 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*; the term General Purpose Financial Statements is no longer used.

CITY OF HAYWARD, CALIFORNIA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments available for operations (Note 2)	\$89,586,296	\$78,389,424	\$167,975,720
Restricted cash and cash equivalents (Note 2)	13,192,480	2,765,620	15,958,100
Restricted investments (Note 2)	31,333,820	2,659,533	33,993,353
Accounts receivable (net of allowances for uncollectibles)	2,961,763	6,548,499	9,510,262
Interest receivable	454,596	432,110	886,706
Due from other governments	3,637,138	13,970,411	17,607,549
Internal balances (Note 4)	(4,360,696)	4,360,696	
Parts and supplies	31,205	531,945	563,150
Loans receivable (Note 3)	9,948,945		9,948,945
Land held for redevelopment	4,434,795		4,434,795
Other	1,102,842	1,095,140	2,197,982
Investment in East Bay Dischargers Authority (Note 16)		12,271,048	12,271,048
Capital assets (Note 5):			
Land and construction in progress	31,196,099	38,020,361	69,216,460
Capital assets being depreciated, net of accumulated depreciation	166,843,303	104,193,329	271,036,632
Total assets	350,362,586	265,238,116	615,600,702
LIABILITIES			
Accounts payable	2,346,264	2,606,471	4,952,735
Accrued interest	960,432	426,033	1,386,465
Accrued liabilities	7,998,995	2,391,544	10,390,539
Due to other governments	50,848		50,848
Unearned revenue	675,294	247,710	923,004
Refundable deposits	2,413,538	2,941,307	5,354,845
Compensated absences (Note 1):			
Due within one year	4,630,890	755,074	5,385,964
Due in more than one year	1,146,514		1,146,514
Accrued reclamation costs (Note 10)		352,309	352,309
Long-term debt (Note 6):			
Due within one year	3,067,451	1,702,360	4,769,811
Due in more than one year	94,797,473	38,434,760	133,232,233
Total liabilities	118,087,699	49,857,568	167,945,267
NET ASSETS (Note 9)			
Invested in capital assets, net of related debt	100,174,478	102,076,570	202,251,048
Restricted for:			
Debt service	5,795,753	4,066,211	9,861,964
Redevelopment Activities	14,553,995		14,553,995
Special Revenue Projects	11,409,931		11,409,931
Total restricted net assets	31,759,679	4,066,211	35,825,890
Unrestricted	100,340,730	109,237,767	209,578,497
Total net assets	\$232,274,887	\$215,380,548	\$447,655,435

See accompanying notes to basic financial statements

**CITY OF HAYWARD, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$14,609,331	\$898,607	\$95,921	\$384	(\$13,614,419)		(\$13,614,419)
Public safety	70,477,309	4,366,551	2,798,393		(63,312,365)		(63,312,365)
Public works and transportation	14,323,266	5,442,263	6,330,997	3,800,067	1,250,061		1,250,061
Community development	8,865,415	439,991	4,971,653		(3,453,771)		(3,453,771)
Culture and leisure	3,672,910	112,009	152,039		(3,408,862)		(3,408,862)
Nondepartmental	1,874,955				(1,874,955)		(1,874,955)
Interest on long term debt	4,377,655				(4,377,655)		(4,377,655)
Total Governmental Activities	118,200,841	11,259,421	14,349,003	3,800,451	(88,791,966)		(88,791,966)
Business-type Activities:							
Sewer	13,266,648	13,803,163	900,480	281,575		\$1,718,570	1,718,570
Water	19,326,276	21,450,174	1,585,549			3,709,447	3,709,447
Airport	2,628,720	2,863,279		3,117,437		3,351,996	3,351,996
Centennial Hall Maintenance and Operation	638,060	335,079				(302,981)	(302,981)
Stormwater	1,926,372	1,892,761				(33,611)	(33,611)
Total Business-type Activities	37,786,076	40,344,456	2,486,029	3,399,012		8,443,421	8,443,421
Total	\$155,986,917	\$51,603,877	\$16,835,032	\$7,199,463	(88,791,966)	8,443,421	(80,348,545)
General revenues:							
Taxes:							
Property taxes					21,644,158		21,644,158
Incremental property tax					9,154,816		9,154,816
Sales taxes					26,685,813		26,685,813
Real property transfer tax					9,707,512		9,707,512
Franchise tax					4,772,210		4,772,210
Business tax					2,331,639		2,331,639
Excise tax					1,942,949		1,942,949
Special assessments					487,740		487,740
Other taxes					4,739,437		4,739,437
Motor vehicle in lieu					12,886,423		12,886,423
Investment earnings					1,976,795	2,702,484	4,679,279
Gain on sale of capital assets						7,849,000	7,849,000
Miscellaneous					704,136		704,136
Transfers (Note 4)					455,429	(455,429)	
Total general revenues and transfers					97,489,057	10,096,055	107,585,112
Change in Net Assets					8,697,091	18,539,476	27,236,567
Net Assets-Beginning					223,577,796	196,841,072	420,418,868
Net assets-Ending					\$232,274,887	\$215,380,548	\$447,655,435

See accompanying notes to basic financial statements

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CITY OF HAYWARD, CALIFORNIA

FUND FINANCIAL STATEMENTS

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.

The funds described below were determined to be Major Funds by the City in fiscal 2006. Individual non-major funds may be found 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.

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.

HOME Investment in Affordable Housing Fund ("HOME") - Accounts for monies received from HUD through the Alameda County Housing Consortium and expended for acquisition, rehabilitation and new construction of affordable housing and tenant-based rental assistance.

Hayward Redevelopment Agency Capital Projects Fund - Accounts for property tax increment revenues used for capital projects connected with downtown redevelopment.

CITY OF HAYWARD, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006

	General	Community Development Block Grant	HOME	Hayward Redevelopment Agency Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash, cash equivalents and investments available for operations (Note 2)	\$21,198,622	\$1,935,690		\$14,867,601	\$46,805,135	\$84,807,048
Restricted cash and cash equivalents (Note 2)	14,267			10,695,258	786,159	11,495,684
Restricted investments (Note 2)	33,233			27,450,141	3,678,916	31,162,290
Accounts receivable (net of allowances for uncollectibles)	2,562,653			193,029	179,671	2,935,353
Due from other governments	2,027,943		\$26,487	645,895	936,813	3,637,138
Due from other funds (Note 4)	310,692			1,000		311,692
Loans receivable (Note 3)	20,232	3,188,222	4,236,246	2,266,992	237,253	9,948,945
Interest receivable	95,221	9,059		63,335	256,290	423,905
Parts and supplies	31,205					31,205
Long-term interfund receivables (Note 4)				20,232		20,232
Land held for resale				4,434,795		4,434,795
Other	735,774	345,000		22,000	68	1,102,842
Total Assets	\$27,029,842	\$5,477,971	\$4,262,733	\$60,660,278	\$52,880,305	\$150,311,129
LIABILITIES						
Accounts payable	\$1,023,991	\$111,583		\$290,452	\$791,537	\$2,217,563
Accrued liabilities	1,786,889	5,204		545,922	8,287	2,346,302
Due to other governments	50,848					50,848
Due to other funds (Note 4)			\$26,487	275,673	9,532	311,692
Long-term interfund payables (Note 4)	20,232			4,360,696		4,380,928
Deferred revenue	675,294	3,188,222	4,236,246	2,266,992	237,253	10,604,007
Refundable deposits	383,756	2,200		30,000	1,997,582	2,413,538
Compensated absences	21,131					21,131
Total Liabilities	3,962,141	3,307,209	4,262,733	7,769,735	3,044,191	22,346,009
FUND BALANCES (Note 9)						
Reserved	925,067	345,000		5,884,080	9,421,006	16,575,153
Unreserved:						
General Fund	22,142,634					22,142,634
Special Revenue Funds		1,825,762			14,841,838	16,667,600
Capital Projects Funds				47,006,463	25,573,270	72,579,733
TOTAL FUND BALANCES	23,067,701	2,170,762		52,890,543	49,836,114	127,965,120
Total Liabilities and Fund Balances	\$27,029,842	\$5,477,971	\$4,262,733	\$60,660,278	\$52,880,305	\$150,311,129

See accompanying notes to basic financial statements

CITY OF HAYWARD, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total fund balances reported on the governmental funds balance sheet	\$127,965,120
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:</p>	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	198,039,402
ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS	
<p>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 Assets.</p>	
Cash and investments	6,647,574
Accounts receivable	26,410
Interest receivable	30,691
Accounts Payable	(128,701)
Accrued liabilities	(5,652,693)
Compensated absences	(134,912)
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
<p>Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.</p>	
Deferred revenue	9,928,713
Interest payable	(960,432)
LONG TERM ASSETS AND LIABILITIES	
<p>The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:</p>	
Long-term debt	(97,864,924)
Compensated absences	(5,621,361)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$232,274,887

See accompanying notes to basic financial statements

CITY OF HAYWARD, CALIFORNIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	General	Community Development Block Grant	HOME	Hayward Redevelopment Agency Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$21,446,064					\$21,446,064
Property tax increment				\$9,154,816		9,154,816
Sales taxes	26,685,812					26,685,812
Other taxes	23,389,046				\$104,700	23,493,746
Licenses and permits	3,058,982					3,058,982
Fines and forfeitures	1,343,560				26,313	1,369,873
Use of money and property	1,127,313	\$42,907		1,178,127	1,314,951	3,663,298
Intergovernmental	16,017,346	2,475,481	\$66,324		7,540,462	26,099,613
Charges for current services	4,246,684			830	141,071	4,388,585
Park development fees					670,914	670,914
Special assessments					685,832	685,832
Other revenue	2,708,417	662,111		855,542	3,192,264	7,418,334
Total Revenues	100,023,224	3,180,499	66,324	11,189,315	13,676,507	128,135,869
EXPENDITURES						
Current:						
General government	10,595,772					10,595,772
Public safety	67,408,278				77,953	67,486,231
Public works and transportation	11,869,614	412,954				12,282,568
Community development	2,670,062	1,920,656	68,357		2,221,823	6,880,898
Culture and leisure	3,520,852					3,520,852
Nondepartmental charges	624,482				1,250,473	1,874,955
Capital outlay	1,225,901			5,594,754	10,605,475	17,426,130
Debt service						
Principal	65,000	79,412			1,915,527	2,059,939
Interest and fiscal charges	25,263			260,791	4,538,773	4,824,827
Total Expenditures	98,005,224	2,413,022	68,357	5,855,545	20,610,024	126,952,172
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,018,000	767,477	(2,033)	5,333,770	(6,933,517)	1,183,697
OTHER FINANCING SOURCES (USES)						
Issuance of long term debt (Note 6)				11,800,000	491,602	12,291,602
Transfers in (Note 4)	4,966,074				10,232,422	15,198,496
Transfers (out) (Note 4)	(7,001,137)	(11,104)		(4,443,860)	(2,258,502)	(13,714,603)
Total Other Financing Sources (Uses)	(2,035,063)	(11,104)		7,356,140	8,465,522	13,775,495
NET CHANGE IN FUND BALANCES	(17,063)	756,373	(2,033)	12,689,910	1,532,005	14,959,192
BEGINNING FUND BALANCES	23,084,764	1,414,389	2,033	40,200,633	48,304,109	113,005,928
ENDING FUND BALANCES	\$23,067,701	\$2,170,762		\$52,890,543	\$49,836,114	\$127,965,120

See accompanying notes to basic financial statements

CITY OF HAYWARD, CALIFORNIA
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

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 Assets 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 \$14,959,192

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.

The capital outlay expenditures are therefore added back to fund balance	12,436,157
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$1,307,625 which has already been allocated to service funds.)	(5,858,535)
Capital assets sold or retired	(1,102)

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 Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Issuance of long-term debt	(12,291,602)
Repayment of debt principal is added back to fund balance	2,059,939

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 loans receivable principal	(720,820)
New loans made	378,556
Deferred revenue	(695,651)
Compensated absences	(1,430,498)
Interest payable	546,546

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 Assets - All Internal Service Funds	<u>(685,091)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$8,697,091

See accompanying notes to basic financial statements

CITY OF HAYWARD, CALIFORNIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	Variance with Final Budget
	<u>Adopted</u>	<u>Adjusted</u>		Positive (Negative)
Resources (inflows):				
Property taxes	\$20,652,359	\$20,652,359	\$21,446,064	\$793,705
Sales taxes	27,295,000	27,295,000	26,685,812	(609,188)
Other taxes	20,792,000	20,792,000	23,389,046	2,597,046
Licenses and permits	3,490,528	3,490,528	3,058,982	(431,546)
Fines and forfeitures	1,232,000	1,232,000	1,343,560	111,560
Use of money and property	561,300	561,300	1,127,313	566,013
Intergovernmental	13,577,076	14,099,915	16,017,346	1,917,431
Charges for current services	2,492,640	2,492,640	4,246,684	1,754,044
Other revenue	2,887,121	2,887,121	2,708,417	(178,704)
	<u>92,980,024</u>	<u>93,502,863</u>	<u>100,023,224</u>	<u>6,520,361</u>
Charges to appropriations (outflows)				
General government	10,634,853	11,280,220	10,595,772	684,448
Public safety	65,078,545	65,936,580	67,408,278	(1,471,698)
Public works and transportation	11,813,300	11,866,980	11,869,614	(2,634)
Community development	3,015,526	3,107,034	2,670,062	436,972
Culture and leisure	3,631,702	3,662,310	3,520,852	141,458
Nondepartmental charges	623,868	661,944	624,482	37,462
Debt Service:				
Principal	81,600	65,000	65,000	
Interest and fiscal charges	25,426	25,263	25,263	
	<u>94,904,820</u>	<u>96,605,331</u>	<u>96,779,323</u>	<u>(173,992)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,131,327	4,987,839	4,966,074	(21,765)
Transfers (out)	(5,337,724)	(7,012,755)	(7,001,137)	11,618
	<u>(206,397)</u>	<u>(2,024,916)</u>	<u>(2,035,063)</u>	<u>(10,147)</u>
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u><u>(\$2,131,193)</u></u>	<u><u>(\$5,127,384)</u></u>	1,208,838	<u><u>\$6,336,222</u></u>
DEDUCT CAPITAL OUTLAY - Budgeted on a Project Length Basis			<u>(1,225,901)</u>	
NET CHANGE IN FUND BALANCE - GAAP BASIS			(17,063)	
BEGINNING FUND BALANCE			<u>23,084,764</u>	
ENDING FUND BALANCE			<u><u>\$23,067,701</u></u>	

See accompanying notes to basic financial statements

CITY OF HAYWARD, CALIFORNIA
COMMUNITY DEVELOPMENT BLOCK GRANT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Adopted</u>	<u>Adjusted</u>		
Resources (inflows):				
Use of money and property	\$44,000	\$44,000	\$42,907	(\$1,093)
Intergovernmental	1,969,380	2,209,380	2,475,481	266,101
Other	406,492	2,740,115	662,111	(2,078,004)
	<u>2,419,872</u>	<u>4,993,495</u>	<u>3,180,499</u>	<u>(1,812,996)</u>
Charges to appropriations (outflows):				
Public works and transportation	575,000	858,550	412,954	445,596
Community development	2,052,737	3,955,578	1,920,656	2,034,922
Debt service-principal			79,412	(79,412)
	<u>2,627,737</u>	<u>4,814,128</u>	<u>2,413,022</u>	<u>2,401,106</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(207,865)</u>	<u>179,367</u>	<u>767,477</u>	<u>588,110</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(11,104)</u>	<u>(11,104)</u>	<u>(11,104)</u>	
Total other financing sources (uses)	<u>(11,104)</u>	<u>(11,104)</u>	<u>(11,104)</u>	
NET CHANGE IN FUND BALANCE	<u>(\$218,969)</u>	<u>\$168,263</u>	756,373	<u>\$588,110</u>
BEGINNING FUND BALANCE			<u>1,414,389</u>	
ENDING FUND BALANCE			<u>\$2,170,762</u>	

See accompanying notes to financial statements

CITY OF HAYWARD, CALIFORNIA
HOME FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Adopted	Adjusted		
Resources (inflows):				
Intergovernmental	\$32,975	\$32,975	\$66,324	\$33,349
Amounts available for appropriation	32,975	32,975	66,324	33,349
Charges to appropriations (outflows):				
Current				
Community development	32,975	917,629	68,357	849,272
Total charges to appropriations	32,975	917,629	68,357	849,272
NET CHANGE IN FUND BALANCE		(\$884,654)	(2,033)	\$882,621
BEGINNING FUND BALANCE			2,033	
ENDING FUND BALANCE				

See accompanying notes to 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 2006.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding 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.

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

CITY OF HAYWARD, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Sewer	Water	Airport	Other Enterprise Funds		
ASSETS						
Current Assets:						
Cash and investments available for operations (Note 2)	\$24,223,152	\$41,514,102	\$11,897,868	\$754,302	\$78,389,424	\$4,779,248
Restricted cash and cash equivalents (Note 2)	1,478,209	1,287,411			2,765,620	1,696,796
Restricted investments (Note 2)	1,434,824	1,224,709			2,659,533	171,530
Accounts receivable (net of allowance for uncollectibles)	2,621,459	3,923,675	2,375	990	6,548,499	26,410
Interest receivable	136,792	229,342	58,072	7,904	432,110	30,691
Due from other governments	13,163,350		807,061		13,970,411	
Parts and supplies		531,945			531,945	
Total Current Assets	43,057,786	48,711,184	12,765,376	763,196	105,297,542	6,704,675
Noncurrent Assets:						
Other	251,701	599,839	243,600		1,095,140	
Long-term interfund receivables (Note 4)	2,232,500	4,683,196			6,915,696	
Investment in East Bay Dischargers Authority (Note 16)	12,271,048				12,271,048	
Capital assets (Note 5):						
Land and construction in progress	20,286,013	13,270,564	4,091,036	372,748	38,020,361	
Capital assets being depreciated, net of accumulated depreciation	54,710,392	38,228,969	10,631,662	622,306	104,193,329	6,194,424
Total Noncurrent Assets	89,751,654	56,782,568	14,966,298	995,054	162,495,574	6,194,424
Total Assets	132,809,440	105,493,752	27,731,674	1,758,250	267,793,116	12,899,099
LIABILITIES						
Current Liabilities:						
Accounts payable	745,424	1,779,416	63,369	18,262	2,606,471	128,701
Accrued interest	259,569	166,464			426,033	
Accrued liabilities	2,041,609	286,562	95	63,278	2,391,544	5,652,693
Refundable deposits	1,358,942	1,433,959	140,229	8,177	2,941,307	
Deferred revenue		243,600	4,110		247,710	
Compensated absences	281,099	323,790	54,837	95,348	755,074	
Long term debt - Due within one year (Note 6)	908,680	793,680			1,702,360	845,948
Total Current Liabilities	5,595,323	5,027,471	262,640	185,065	11,070,499	6,627,342
Noncurrent Liabilities:						
Long-term interfund payables (Note 4)			2,555,000		2,555,000	
Compensated absences						134,912
Accrued reclamation costs (Note 10)	352,309				352,309	
Long term debt - Due in more than one year (Note 6)	24,581,555	13,853,205			38,434,760	3,015,958
Total Noncurrent Liabilities	24,933,864	13,853,205	2,555,000		41,342,069	3,150,870
Total Liabilities	30,529,187	18,880,676	2,817,640	185,065	52,412,568	9,778,212
NET ASSETS (Note 9)						
Invested in capital assets, net of related debt	49,506,170	36,852,648	14,722,698	995,054	102,076,570	2,332,518
Restricted for debt service	1,554,091	2,512,120			4,066,211	171,530
Unrestricted	51,219,992	47,248,308	10,191,336	578,131	109,237,767	616,839
Total Net Assets	\$102,280,253	\$86,613,076	\$24,914,034	\$1,573,185	215,380,548	\$3,120,887

See accompanying notes to basic financial statements

CITY OF HAYWARD, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Sewer	Water	Airport	Other Enterprise Funds		
OPERATING REVENUES						
Charges for services	\$14,822,748	\$4,610,486	\$2,509,387	\$2,223,763	\$24,166,384	\$7,708,164
Sale of water		18,276,146			18,276,146	
Miscellaneous	162,470	149,091	353,892	4,077	669,530	314,171
Total Operating Revenues	14,985,218	23,035,723	2,863,279	2,227,840	43,112,060	8,022,335
OPERATING EXPENSES						
Salaries and related expenses	4,992,613	4,479,238	978,389	1,685,668	12,135,908	1,943,397
Materials, supplies and services	3,996,401	2,869,899	831,841	722,118	8,420,259	6,115,081
Repairs and maintenance	832,832	673,573	161,288	113,430	1,781,123	255,660
Water purchases		9,367,704			9,367,704	
Self-funded insurance expense						309,552
Depreciation (Note 5)	2,625,693	1,293,418	657,202	43,216	4,619,529	1,360,605
Total Operating Expenses	12,447,539	18,683,832	2,628,720	2,564,432	36,324,523	9,984,295
Operating Income	2,537,679	4,351,891	234,559	(336,592)	6,787,537	(1,961,960)
NONOPERATING REVENUES (EXPENSES)						
Interest income	912,976	1,490,566	277,244	21,698	2,702,484	214,707
Interest (expense)	(670,256)	(642,444)			(1,312,700)	(99,374)
Intergovernmental			3,117,437		3,117,437	
Gain on sale of capital assets			7,849,000		7,849,000	
Loss from equity investment	(148,853)				(148,853)	
Total Nonoperating Revenues (Expenses)	93,867	848,122	11,243,681	21,698	12,207,368	115,333
Income Before Transfers	2,631,546	5,200,013	11,478,240	(314,894)	18,994,905	(1,846,627)
Transfers in (Note 4)	1,690,000	507,660		391,136	2,588,796	1,941,640
Transfers (out) (Note 4)	(944,807)	(1,159,742)	(628,702)	(310,974)	(3,044,225)	(780,104)
Net transfers	745,193	(652,082)	(628,702)	80,162	(455,429)	1,161,536
Change in net assets	3,376,739	4,547,931	10,849,538	(234,732)	18,539,476	(685,091)
BEGINNING NET ASSETS	98,903,514	82,065,145	14,064,496	1,807,917	196,841,072	3,805,978
ENDING NET ASSETS	\$102,280,253	\$86,613,076	\$24,914,034	\$1,573,185	\$215,380,548	\$3,120,887

See accompanying notes to basic financial statements

CITY OF HAYWARD, CALIFORNIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Sewer	Water	Airport	Other Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$16,140,933	\$26,012,824	\$2,063,465	\$2,226,370	\$46,443,592	\$8,014,115
Payments to suppliers	(2,352,874)	(12,695,416)	(944,875)	(820,861)	(16,814,026)	(6,566,581)
Payments to employees	(4,992,613)	(4,479,238)	(978,389)	(1,685,668)	(12,135,908)	(1,931,443)
Claims paid						(309,552)
Net Cash Provided by Operating Activities	8,795,446	8,838,170	140,201	(280,159)	17,493,658	(793,461)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental			3,117,437		3,117,437	
Interfund receipts	117,500	430,000			547,500	
Interfund payments			(80,000)		(80,000)	
Transfers in		7,660		391,136	398,796	1,941,640
Transfers (out)	(944,807)	(1,159,742)	(628,702)	(310,974)	(3,044,225)	(780,104)
Cash Flows from Noncapital Financing Activities	(827,307)	(722,082)	2,408,735	80,162	939,508	1,161,536
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(14,660,255)	(1,901,917)	(4,153,242)	1	(20,715,413)	(776,639)
Proceeds from sale of capital assets			7,849,000		7,849,000	
Issuance of long-term debt						1,656,763
Principal payments on capital debt	(865,760)	(770,760)			(1,636,520)	(527,108)
Interest paid	(686,686)	(648,832)			(1,335,518)	(99,374)
Cash Flows from Capital and Related Financing Activities	(16,212,701)	(3,321,509)	3,695,758	1	(15,838,451)	253,642
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	933,699	1,369,655	235,384	17,056	2,555,794	190,656
Cash Flows from Investing Activities	933,699	1,369,655	235,384	17,056	2,555,794	190,656
Net increase (decrease) in cash and cash equivalents	(7,310,863)	6,164,234	6,480,078	(182,940)	5,150,509	812,373
Cash and cash equivalents at beginning of period	33,012,224	36,637,279	5,417,790	937,242	76,004,535	5,663,671
Cash and cash equivalents at end of period	<u>\$25,701,361</u>	<u>\$42,801,513</u>	<u>\$11,897,868</u>	<u>\$754,302</u>	<u>\$81,155,044</u>	<u>\$6,476,044</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$2,537,679	\$4,351,891	\$234,559	(\$336,592)	\$6,787,537	(\$1,961,960)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	2,625,693	1,293,418	657,202	43,216	4,619,529	1,360,605
Change in assets and liabilities:						
Receivables, net	(203,227)	2,262,723	1,726	(270)	2,060,952	(8,220)
Due from other governments			(789,077)		(789,077)	
Parts and supplies		(43,640)			(43,640)	
Other assets	23,300	58,160	11,600		93,060	25,000
Accounts payable and other accrued expenses	2,347,117	87,299	21,247	(12,466)	2,443,197	(220,840)
Compensated absences	97,616	113,941	15,407	27,153	254,117	11,954
Refundable deposits	1,358,942	725,978	40,851	(1,200)	2,124,571	
Deferred revenue		(11,600)	(53,314)		(64,914)	
Accrued reclamation costs	8,326				8,326	
Net Cash Provided by Operating Activities	\$8,795,446	\$8,838,170	\$140,201	(\$280,159)	\$17,493,658	(\$793,461)
NONCASH FINANCING ACTIVITIES						
Transfer of Capital Assets	\$1,690,000	\$500,000				
State Loan/Due from other governments	<u>\$13,163,350</u>					

See accompanying notes to basic financial statements

CITY OF HAYWARD, CALIFORNIA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>Agency Funds</u>
ASSETS:	
Cash and investments available for operations (Note 2)	\$3,075,685
Restricted cash and cash equivalent (Note 2)	892,779
Interest receivable	<u>23,029</u>
TOTAL ASSETS	<u><u>\$3,991,493</u></u>
LIABILITIES:	
Accounts payable	\$2,337
Refundable deposits	23,310
Due to assessment districts	<u>3,965,846</u>
Total Liabilities	<u><u>\$3,991,493</u></u>

See accompanying notes to basic financial statements

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CITY OF HAYWARD, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

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-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 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.

- *The Redevelopment Agency of the City of Hayward* (the “Redevelopment Agency”) was created in December 1969 under the provisions of the Community Redevelopment Law (California Health and Safety Code, commencing with Section 33000), primarily to assist in the clearance and rehabilitation of areas determined to be in a declining condition in the City. The Downtown Hayward Redevelopment Project Area (comprised of the downtown area of the City) was established under the Redevelopment Plan (the “Plan”), which was adopted in December 1975 and amended in 1994. The stated purpose of the Plan is to provide an improved physical, social and economic environment in the Project Area. Operating activities of the Redevelopment Agency are included as a capital projects fund of the City, while debt service payments and interest income and expenditures are recorded as a debt service fund of the City.
- *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 recorded as an enterprise fund 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *The Hayward Housing Authority* (“HHA”) was originally established in 1946. The HHA 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 HHA 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 special revenue fund of the City.

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 17).

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 Assets 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 - GASB Statement 34 defines major funds and 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.

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.

HOME Investment in Affordable Housing Fund ("HOME") - Accounts for monies received from HUD through the Alameda County Housing Consortium and expended for acquisition, rehabilitation and new construction of affordable housing and tenant-based rental assistance.

Hayward Redevelopment Agency Capital Projects Fund - Accounts for property tax increment revenues used for capital projects connected with downtown redevelopment.

The City reported all the following 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.

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

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 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.

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.

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.

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 assets 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City follows Statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

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

The City also adopts budgets annually for its other capital projects funds. Such budgets are based on a project time frame, rather than a fiscal year “operating” time frame, reappropriating unused appropriations from year to year until project completion.

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

- Capital projects expenditures for special revenue and capital projects funds are budgeted on a project time frame rather than an annual basis.

Total expenditures of the City legally may not exceed the amount appropriated in any one year.

At June 30, 2006 expenditures exceeded budget for the following funds:

Fund Name	Amount
General Fund	\$173,992
Park Dedication Ordinance	76,380
Narcotics Asset Seizure	48,761
Solar Panel Electric Generator	674,603

Parts and Supplies of the General Fund consist of expendable supplies held for consumption and are valued at cost (first-in, first-out). The cost is recorded as expenditure in the General Fund at the time individual items are consumed. Reported General Fund supplies are equally offset by a fund balance reservation which indicates 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land held for redevelopment of \$4,434,795 at June 30, 2006 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 Redevelopment Agency of the City of Hayward. The stated purpose of the Redevelopment Plan is to provide an improved physical, social and economic environment in the Project Area.

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

	Secured	Unsecured
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.

Vested Vacation, Time Off in Lieu of Overtime and Sick Pay - 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, 2006:

	Governmental Activities	Business Type Activities	Total
Compensated Absences:			
Beginning Balance	\$4,369,417	\$500,957	\$4,870,374
Additions	5,963,103	928,474	6,891,577
Deletions	<u>(4,555,116)</u>	<u>(674,357)</u>	<u>(5,229,473)</u>
Ending Balance	<u>\$5,777,404</u>	<u>\$755,074</u>	<u>\$6,532,478</u>
Due within one year	<u>\$4,630,890</u>	<u>\$755,074</u>	<u>\$5,385,964</u>

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 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. Special assessment debt has been included in the government-wide financial statements (see Note 6), and special assessment transactions are 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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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 fair 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.

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 available for operations," or "Due to other funds" (for cash overdrafts), as appropriate.

Classification - Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

Statement of Net Assets:

Cash and investments available for operations	\$167,975,720
Restricted cash and cash equivalents	15,958,100
Restricted investments	<u>33,993,353</u>
Total City Cash and Investments	<u>217,927,173</u>

Fiduciary Funds:

Cash and investments available for operations	3,075,685
Restricted cash and cash equivalents	<u>892,779</u>
Total Fiduciary Cash and Investments	<u>3,968,464</u>
Total Cash and Investments	<u><u>\$221,895,637</u></u>

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash and investments as of June 2006 consist of the following:

Cash on hand	\$5,533
Deposits with financial institutions	742,482
Investments	<u>221,147,622</u>
 Total Cash and Investments	 <u><u>\$221,895,637</u></u>

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

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 Obligations	4 years	N/A	None	None
U.S. Government Agency Obligations	4 years	N/A	None	None
U.S. Government Sponsored Obligations	4 years	N/A	25%	20%
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A	15%	10%
Medium Term Corporate Notes	2 to 4 years	A to AA	30%	20%
Asset-Backed Corporate Notes	4 years	AA	20%	20%
Repurchase Agreements	1 year	N/A	25%	20%
Reverse Repurchase Agreements	92 days	N/A	20%	20%
Negotiable Certificates of Deposit	4 years	A to AA	30%	20%
Money Market Mutual Funds	N/A	Top rating category	20%	10%
County Agency Investment Fund	N/A	N/A	15%	20%
California Local Agency Investment Fund	N/A	N/A	None	None

The City investment policy allows up to 20% of investments in any single financial institution and up to 25% of total City investments to be in U.S. Government Sponsored Obligations. As of June 30, 2006, the City had invested 27% in US Government Sponsored Obligations.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations	No limit	No limit
U.S. Government Agency Obligations	No limit	No limit
U.S. Government Sponsored Obligations	No limit	None to AAA
Money Market Mutual Funds	No limit	AAm toAAAm-G
Collateralized Certificates of Deposits	None to 1 year	None to A-1+
FDIC Insured Deposits	No limit	No limit
Investment Agreements	No limit	None to Two Highest Categories
Commercial Paper	None to 270 days	A-1 to A-1+
State General Obligations	No limit	A/A2 to Two Highest Categories
Municipal Obligations	No limit	AAA to Two 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-refunded 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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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	12 to 24 months	Over 2 years	Total
<i>Held by City:</i>				
U.S. Government Sponsored Obligations:				
Non-callable	\$24,086,668	\$5,886,516		\$29,973,184
Callable	15,843,511			15,843,511
Medium Term Notes				
Non-callable	16,475,869	22,710,519		39,186,388
Negotiable Certificates of Deposit	29,213,109			29,213,109
Non-negotiable Certificates of Deposit	650,256			650,256
Commercial Paper	22,000,000			22,000,000
California Local Agency Investment Fund	34,137,955			34,137,955
Money Market Mutual Funds (U.S. Securities)	85,356			85,356
<i>Held by Trustees:</i>				
Money Market Mutual Funds (U.S. Securities)	13,875,468			13,875,468
U.S. Government Agencies	542,075			542,075
Commercial Paper	1,358,116			1,358,116
U.S. Treasury Bills and Notes	830,925		\$530,212	1,361,137
Investment Agreements	27,450,141		5,470,926	32,921,067
Total Investments	\$186,549,449	\$28,597,035	\$6,001,138	\$221,147,622

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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2006 for each investment type as provided by Standard and Poor's investment rating system:

Investment Type	AAA / AAAm	AA+ to AA-	A + and A	A-1	Total
<i>Held by City:</i>					
U.S. Government Sponsored Obligations:					
Non-callable	\$29,973,184				\$29,973,184
Callable	15,843,511				15,843,511
Medium Term Notes	15,713,088	\$23,473,300			39,186,388
Negotiable Certificates of Deposit				\$29,213,109	29,213,109
Non-negotiable Certificates of Deposit			650,256		650,256
Commercial Paper				22,000,000	22,000,000
Money Market Mutual Funds (U.S. Securities)		85,356			85,356
<i>Held by Trustees:</i>					
Money Market Mutual Funds (U.S. Securities)	12,189,879				12,189,879
Commercial Paper				1,358,116	1,358,116
U.S. Government Agencies	542,075				542,075
Totals	\$74,261,737	\$23,558,656	\$650,256	\$52,571,225	151,041,874
<i>Not rated:</i>					
California Local Agency Investment Fund					34,137,955
<i>Exempt from credit rating disclosures:</i>					
U.S. Treasury Bills and Notes					1,361,137
Money Market Mutual Funds (U.S. Securities)					1,685,589
Investment Agreements					32,921,067
Total Investments					\$221,147,622

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual funds, are set forth below:

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity-wide:			
	GE Capital Corporation Notes	Corporation Notes	\$15,713,088
	FHLB	Federal Agency Securities	28,718,752
	FFCB	Federal Agency Securities	17,097,943
	Citibank National CD	CDs	15,000,000
	GE Capital Corporation	Commerical Paper	12,000,000
	MBIA, Inc	Guaranteed Investment Contract	27,450,141
Major Funds:			
Sewer	Wells Fargo Bank	Commercial Paper	1,358,116
Hayward Redevelopment Agency Capital Projects Fund	MBIA, Inc	Guaranteed Investment Contract	27,450,141
Non-major Funds in Aggregate:			
	AIG Matched Funding Corp	Guaranteed Investment Contract	3,374,432

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. Of the City's investment pool of \$171 million, the government has a custodial credit risk of \$9 million because the related securities are issued and held by the City's broker.

3. REDEVELOPMENT ACTIVITIES

Loans Receivable - In order to carry out low and moderate housing programs, Redevelopment low and moderate income housing funds were 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.

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.

3. REDEVELOPMENT ACTIVITIES (Continued)

Downtown Hayward Redevelopment Project (Renaissance Walk) - The Agency signed a Disposition and Development Agreement under which the Developer has constructed a residential project consisting of 24 two-story town homes and 22 one-story flats. The flats were sold to moderate-income families. The project was constructed on a site purchased from the Agency in fiscal 2003-04 for a promissory note, plus 50% of the net proceeds from the sale of housing units. The non-interest bearing promissory note in the amount of \$2,546,715 consists of the \$2 million sales price plus an additional \$546,715 representing deferred development fees. Repayments of \$55,363 are due upon the sale of each of the 46 housing units. During Fiscal Year 2006, the Agency collected the remaining outstanding balance of \$1,020,814 and the promissory note was paid in full.

Concurrently with the signing of the above development agreement, the City and Agency entered into a cooperation agreement under which the City agreed to defer development fees on the Project. Deferred developer fees in the amount of \$325,163, were also paid in full during Fiscal Year 2006.

Theater/Retail Complex and Parking Structure Projects (Cinema Place) - As of October 2005, the Agency had signed an agreement with a Developer which will construct a Theater/Retail Complex consisting of a twelve screen, 1,876 seat movie theater and approximately 19,500 square feet of restaurant/retail space. The Agency is obligated to construct, operate and maintain a proximate 241 stall, three level detached Parking Structure. The Developer is obligated to pay 50 percent of the net Parking Structure operating costs.

These projects are to be constructed on an Agency owned site consisting of a Theater/Retail Complex parcel to be leased to the Developer and a Parking Structure parcel to be retained by the Agency. Pursuant to a related agreement with an initial Movie Theater Operator, the Agency is contingently liable for \$5 million to be paid if a competing movie theater is open outside the Downtown Core Area.

Under the related ground lease for the Theater/Retail Complex parcel, rent due to the Agency began on January 1, 2006 consisting of monthly base rent of \$4,167, plus an annually remitted percentage rent equal to five percent of subtenant receipts received in excess of \$660,000. Base rent increases in the eleventh, twenty-fifth year and each tenth year anniversary thereafter as defined in the agreement. The term of the lease is 50 years, plus two 5-year renewal options.

As of June 30, 2005, the Agency transferred the \$3,443,016 cost for both parcels from Land Held for Resale to Governmental Activities capital assets. As of June 30, 2006, construction costs for the Parking Structure were estimated to be \$6.5 million with completion expected in June 2007.

Elementary School and Public Improvements (Cannery/Burbank Project) - Pursuant to an agreement between the Agency, City, the Hayward Area Park and Recreation District (HARD) and the Hayward Unified School District, the City has agreed to construct and the 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 the Agency. Upon completion of the school, the site and improvements are to be conveyed by the Agency to the School District. As part of this transaction, a portion of the current school site owned by the School District will be conveyed to the Agency. The Agency has also agreed to deconstruct the current school site and advance funds to HARD to finance the cost of certain improvements to the adjacent Cannery Park, to be jointly used by HARD and the School District.

3. REDEVELOPMENT ACTIVITIES (Continued)

To partially compensate the Agency for the above design and construction costs and repay the advances, the School District and City have agreed to assign certain school development fees and park in lieu fees, respectively, to the Agency. In addition, the School District has agreed that the Agency may retain pass-through payments due to the School District pursuant to the Health and Safety Code as partial compensation for the above costs. The original estimated commitments of the Agency per the agreement are presented below:

Construction of new Burbank School	\$31,700,000
Expansion of Cannery Park	4,700,000
New streets and infrastructure	<u>5,700,000</u>
Total Estimated Commitment	<u><u>\$42,100,000</u></u>

As of June 30, 2006, the Agency had accumulated land held for redevelopment and construction in progress amounting to \$3,885,295 and \$2,937,599, respectively.

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, 2006 were as follows:

FROM FUND:	TO FUND:	AMOUNT:	
General Fund	Non Major Governmental Funds	\$5,167,651	A
	Non Major Enterprise Fund	391,136	A
	Internal Service Fund	1,442,350	C
CDBG Special Revenue Fund	Internal Service Fund	11,104	C
Hayward Redevelopment Agency Capital Projects Fund	General Fund	485,000	D
	Non Major Governmental Funds	3,944,771	B
	Water Enterprise Fund	7,660	D
	Internal Service Fund	6,429	C
Sewer	General Fund	750,000	D
	Internal Service Fund	194,807	C
Water	General Fund	1,000,000	D
	Internal Service Fund	159,742	C
Airport	General Fund	180,000	D
	Non Major Governmental Funds	400,000	B
	Internal Service Fund	48,702	C
Non-Major Governmental Funds	General Fund	1,532,074	E
	Non Major Governmental Funds	720,000	B
	Internal Service Fund	6,428	C
Non -Major Enterprise Funds	General Fund	280,000	D
	Internal Service Funds	30,974	C
Internal Service Funds	General Fund	739,000	D
	Internal Service Funds	41,104	C
Governmental Activities	Sewer	1,690,000	F
	Water	500,000	F
		<u>\$19,728,932</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
- F To transfer capital assets to Enterprise Funds

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, 2006 interfund balances were as follows:

Due from Other Funds	Due To Other Funds	Amount
General Fund	Redevelopment Agency Capital Projects	\$275,673
	HOME Fund	25,487
	Non Major Governmental Funds	9,532
Redevelopment Agency Capital Projects	HOME Fund	1,000

Long-Term Interfund Advances - At June 30, 2006, the funds below had made advances that were not expected to be repaid within the next year.

	Long-Term Interfund Receivable	Long-Term Interfund Payable
General Fund		\$20,232
Capital Projects Funds		
Redevelopment Agency	\$20,232	4,360,696
Enterprise Funds		
Airport		2,555,000
Sewer	2,232,500	
Water	4,683,196	
Total	<u>\$6,935,928</u>	<u>\$6,935,928</u>

The General Fund owes \$20,232 to the Redevelopment Agency Capital Projects Fund.

In fiscal 2001-2002, the Water Enterprise Fund loaned \$2.89 million to the Airport Enterprise Fund bearing interest at between 3% to 4.75%, due in annual installments until October 2026. As of June 30, 2006 the outstanding loan balance is \$2,555,000.

During fiscal 2002-2003, the Sewer Enterprise Fund loaned \$2.35 million to the Redevelopment Agency pursuant to a City Council resolution to partially finance sidewalk improvements. This loan bears interest from 2.25% to 3.00% which is repaid quarterly. Principal is repayable over a five year period commencing the fourth quarter of fiscal year 2006. As of June 30, 2006, the outstanding loan balance is \$2,232,500.

In fiscal 1989-1990, the City's Water Enterprise Fund loaned \$5,946,333 to the Redevelopment Agency to finance the purchase of land for development. Scheduled debt service payments for the loan are being made from available incremental property tax revenues. As of June 30, 2006, the outstanding loan balance is \$2,128,196.

4. INTERFUND TRANSACTIONS (Continued)

During fiscal 2003-04, the Agency and City signed a cooperation agreement under which the Agency will remit deferred development fees totaling \$546,715 to the City, upon remittance by the developer. The outstanding balance was repaid during fiscal year 2006.

Interfund Commitments - In addition to the above amounts, funds have been advanced 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.

Amounts due under the Agreement are non-interest bearing, are repayable from available revenues of the Agency and are subordinated to the Tax Allocation Bonds. As a result, the final maturity date has not been determined and the timing of repayment is unknown. Therefore Repayment Agreement advances which amount to \$11,186,217 at June 30, 2006 have been excluded from the accompanying financial statements as required by generally accepted accounting principles.

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 \$1,000 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 Government-wide financial statements. In fiscal 2002-2003, as allowed under GASB Statement 34, the City implemented the retroactive accounting for its infrastructure assets acquired in prior years. Capital assets formerly in the Fixed Assets Account Group are now also recorded in the Government-wide financial statements.

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

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

5. CAPITAL ASSETS (Continued)

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.

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

	Balance at June 30, 2005	Additions	Retirements	Transfers	Balance at June 30, 2006
Governmental activities					
Capital assets not being depreciated:					
Land	\$10,539,524				\$10,539,524
Construction in progress	18,812,903	\$12,012,650		(\$10,168,978)	20,656,575
Total capital assets not being depreciated	29,352,427	12,012,650		(10,168,978)	31,196,099
Capital assets being depreciated:					
Buildings	52,879,678			1,229,300	54,108,978
Improvements other than buildings	6,497,932				6,497,932
Machinery and equipment	11,760,599	2,613,507	(\$2,000)	452,617	14,824,723
Streets	121,414,383			5,478,587	126,892,970
Traffic Signal	6,438,761			818,474	7,257,235
Conduits	1,540,569				1,540,569
Medians	3,425,279				3,425,279
Drains	2,994,000				2,994,000
Total capital assets being depreciated	206,951,201	2,613,507	(2,000)	7,978,978	217,541,686
Less accumulated depreciation for:					
Buildings	13,782,422	1,223,143			15,005,565
Improvements other than buildings	2,404,553	240,553			2,645,106
Machinery and equipment	7,873,904	675,559	(898)		8,548,565
Streets	23,058,655	3,087,396			26,146,051
Traffic signal	2,100,653	314,433			2,415,086
Conduits	595,364	71,779			667,143
Medians	988,237	86,181			1,074,418
Drains	231,382	159,491			390,873
Total accumulated depreciation	51,035,170	5,858,535	(898)		56,892,807
Net capital assets being depreciated	155,916,031	(3,245,028)	(1,102)	7,978,978	160,648,879
Net Governmental Fund Program Capital Assets Being Depreciated	185,268,458	8,767,622	(1,102)	(2,190,000)	191,844,978
Internal Service Fund Capital Assets					
Buildings	110,543				110,543
Improvements other than buildings	309,665				309,665
Machinery and equipment	17,324,506	799,763	(574,098)		17,550,171
Total capital assets being depreciated	17,744,714	799,763	(574,098)		17,970,379
Less accumulated depreciation for:					
Buildings	110,543				110,543
Improvements other than buildings	85,022	12,386			97,408
Machinery and equipment	10,770,759	1,328,628	(531,383)		11,568,004
Total accumulated depreciation	10,966,324	1,341,014	(531,383)		11,775,955
Net capital assets being depreciated	6,778,390	(541,251)	(42,715)		6,194,424
Internal Service capital assets, net	6,778,390	(541,251)			6,194,424
Governmental Activity Capital Assets, Net	\$192,046,848	\$8,226,371	(\$1,102)	(\$2,190,000)	\$198,039,402

5. CAPITAL ASSETS (Continued)

	Balance at June 30, 2005	Additions	Retirements	Transfers	Balance at June 30, 2006
<i>Business-type activities:</i>					
Capital assets not being depreciated:					
Land and improvements	\$3,533,920				\$3,533,920
Construction in progress	29,472,803	\$20,964,128	(\$273,646)	(\$15,676,844)	34,486,441
Total capital assets not being depreciated	33,006,723	20,964,128	(273,646)	(15,676,844)	38,020,361
Capital assets being depreciated:					
Buildings	25,887,766				25,887,766
Improvements other than buildings	58,417				58,417
Machinery and equipment	32,014,344	24,931		162,907	32,202,182
Sewer pipelines and other infrastructure assets	51,552,504			9,062,370	60,614,874
Water pipelines and other infrastructure assets	39,755,015			6,901,402	46,656,417
Airport hangers, tarmacs and other infrastructure assets	16,256,724			1,740,165	17,996,889
Total capital assets being depreciated	165,524,770	24,931		17,866,844	183,416,545
Less accumulated depreciation for:					
Buildings	15,470,829	572,467			16,043,296
Improvements other than buildings	58,417				58,417
Machinery and equipment	18,344,615	1,121,739			19,466,354
Sewer pipelines and other infrastructure assets	16,861,937	1,412,152			18,274,089
Water pipelines and other infrastructure assets	16,297,644	969,097			17,266,741
Airport hangers, tarmacs and other infrastructure assets	7,570,245	544,074			8,114,319
Total accumulated depreciation	74,603,687	4,619,529			79,223,216
Net capital assets being depreciated	90,921,083	(4,594,598)		17,866,844	104,193,329
Business-type activity capital assets, net	\$123,927,806	\$16,369,530	(\$273,646)	\$2,190,000	\$142,213,690

Governmental capital assets construction in progress was composed of the following at June 30, 2006:

	Project Budget	Expended to June 30, 2006	Encumbered	Committed
Land	\$3,443,016	\$3,443,016		
Buildings	13,817,042	5,351,117	\$7,573,013	\$892,912
Improvement other than buildings	1,820,000	1,723,820	90,163	6,017
Machinery and equipment	1,913,000	603,572	39,766	1,269,662
Streets	21,204,804	9,535,050	9,998,911	1,670,843
Total	\$42,197,862	\$20,656,575	\$17,701,853	\$3,839,434

5. CAPITAL ASSETS (Continued)

A summary of enterprise fund construction in progress at June 30, 2006 follows:

	Project Budget	Expended to June 30, 2006	Encumbered	Committed
Sewer Enterprise Fund Projects	\$39,422,830	\$18,455,870	\$16,919,678	\$4,047,282
Water Enterprise Fund Projects	17,201,000	12,183,835	904,075	4,113,088
Airport Enterprise Fund Projects	8,396,488	3,846,736	258,702	4,291,050
Total	<u>\$65,020,318</u>	<u>\$34,486,441</u>	<u>\$18,082,455</u>	<u>\$12,451,420</u>

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

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

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

Governmental Activities

General Government	\$3,745,794
Public Safety	684,822
Public works and Transportation	1,161,937
Community Development	178,818
Culture and Leisure	87,164
Internal Service Funds	1,341,014
	<u>\$7,199,549</u>

Business-Type Activities

Sewer Fund	\$2,625,693
Water Fund	1,293,418
Airport Fund	657,202
Centennial Hall Maintenance and Operations Fund	40,190
Stormwater Fund	3,026
	<u>\$4,619,529</u>

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, 2005	Additions	Retirements	Outstanding at June 30, 2006	Current Portion
Governmental Activity Debt:						
Certificates of Participation						
1996 Civic Center Project (a), 4.45-5.5%, due 8/1/26	\$32,595,000	\$28,980,000		\$710,000	\$28,270,000	\$745,000
1997 Refunding COP Capital Projects (a), 4.0-5.2%, due 8/1/17	7,045,000	5,180,000		300,000	4,880,000	310,000
Total certificates of participation		34,160,000		1,010,000	33,150,000	1,055,000
Lease Revenue Bonds						
ABAG Series 2001-2 (a), 3.0-5.0%, due 12/01/20	3,589,835	2,609,710		343,480	2,266,230	357,640
Capital Lease Obligations, for acquisition of:						
Boys and Girls Club (a), 4.660%, due 09/20/16	1,215,000	1,176,645		79,412	1,097,233	83,156
Solar Power Generator Equipment (a), 6%, due 03/01/30	1,035,000	1,035,000		10,000	1,025,000	25,000
Computer Mainframe Equipment, (a), 4%, due 03/30/11	491,602		\$491,602	22,047	469,555	90,707
Total capital lease obligations		2,211,645	491,602	111,459	2,591,788	198,863
Tax Allocation Bonds						
2004 Redevelopment Agency (b), 3.0-5.23% due 3/1/34	44,790,000	44,790,000		595,000	44,195,000	610,000
2006 Redevelopment Agency (b), 3.75-4.3% due 3/1/36	11,800,000		11,800,000		11,800,000	
Total tax allocation bonds		44,790,000	11,800,000	595,000	55,995,000	610,000
Subtotal		83,771,355	12,291,602	2,059,939	94,003,018	2,221,503
Internal Service Fund Long Term Debt (c)						
Revenue Bonds						
ABAG Series 2001, 3.0-5.0%, due 12/01/20	2,480,000	1,725,000		280,000	1,445,000	285,000
Capital Lease Obligations						
Public works vehicles, 3.03%, due 12/18/08	763,565	546,425		150,298	396,127	154,886
Trucks, Van, Loader & Cutter Equipment, 3.190%, due 10/28/09	508,094	460,826		96,810	364,016	99,924
Trucks, Pickup, Cars 3.920%, due 01/30/11	1,656,763		1,656,763		1,656,763	306,138
Total capital lease obligations		1,007,251	1,656,763	247,108	2,416,906	560,948
Subtotal		2,732,251	1,656,763	527,108	3,861,906	845,948
Total Governmental Activity Debt		\$86,503,606	\$13,948,365	\$2,587,047	\$97,864,924	\$3,067,451

6. LONG-TERM DEBT (Continued)

Type of Obligation	Authorized and Issued	Balance June 30, 2005	Additions	Retirements	Outstanding at June 30, 2006	Current Portion
Business-type Activity Debt:						
<i>Enterprise Long Term Debt</i>						
Revenue Bonds						
Hayward Public Financing Authority, Series 1996 (d), 3.0-5.2%, due 6/1/14	\$6,440,000	\$3,950,000		\$350,000	\$3,600,000	\$360,000
ABAG Series 2001-2 (d) & (e), 3.0-5.0%, due 12/01/20	1,405,165	1,015,290		111,520	903,770	117,360
Total Revenue Bonds		<u>4,965,290</u>		<u>461,520</u>	<u>4,503,770</u>	<u>477,360</u>
Certificates of Participation						
For acquisition of:						
Hayward Public Financing Authority						
1998 Sewer System Improvement Project (e), 4.0-5.0%, due 2/1/18	7,300,000	5,470,000		310,000	5,160,000	325,000
1996 Sewer System Refunding and Improvement Project (e), 3.7-5.625%, due 2/1/16	10,665,000	7,215,000		500,000	6,715,000	525,000
2001 Water System Improvement Project (d), 3.0-4.75%, due 10/1/26	5,030,000	4,195,000		285,000	3,910,000	295,000
2004 Water System Improvement Project (d), 2.0-4.375%, due 10/1/24	6,845,000	6,765,000		80,000	6,685,000	80,000
Total certificates of participation		<u>23,645,000</u>		<u>1,175,000</u>	<u>22,470,000</u>	<u>1,225,000</u>
State Water Resource Control Board Loan						
0%, due 9/30/28 (e)			\$13,163,350		13,163,350	
Total Business-type Activity Debt		<u>\$28,610,290</u>	<u>\$13,163,350</u>	<u>\$1,636,520</u>	<u>\$40,137,120</u>	<u>\$1,702,360</u>

Debt service payments are generally made from the following sources:

- (a) Revenues recorded in the General Fund.
- (b) Incremental property taxes recorded in the Redevelopment Agency Capital Projects Fund.
- (c) Operating revenues recorded in the Equipment Management Internal Service Fund.
- (d) Operating Revenues from the Water Enterprise Fund.
- (e) Operating revenues recorded in the Sewer Enterprise Fund.

In fiscal 2001-2002, 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.

6. LONG-TERM DEBT (Continued)

In Fiscal Year 2006, the City 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.

In June 2006, the City signed a loan agreement with the State Water Resources Control Board to finance the cost in improvements to the City's existing water pollution control facilities. The loan bears no interest, may not exceed \$54,550,018 and is due in equal annual installments each September 30 commencing 2009 until 2028. As of June 30, 2006, loan draw downs amounted to \$13,163,350.

In Fiscal Year 2006, the City entered into two lease agreements, one for acquiring computer mainframe equipment in the amount of \$491,602, which requires monthly payments and one in the amount of \$1,656,763 for acquiring various vehicles, which requires semi-annual payments.

At June 30, 2006, 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	
	Principal	Interest	Principal	Interest
2007	\$3,067,451	\$4,629,276	\$1,702,360	\$1,265,609
2008	3,809,337	4,666,040	1,788,620	1,191,706
2009	3,756,034	4,488,743	1,868,310	1,110,895
2010	3,528,629	4,318,286	2,622,258	1,024,067
2011	3,607,106	4,146,639	2,714,568	931,198
2012-2016	17,486,220	18,302,707	13,619,830	3,038,938
2017-2021	19,370,147	13,753,069	7,335,840	1,115,684
2022-2026	23,005,000	8,545,030	6,335,840	339,502
2027-2031	12,970,000	3,256,517	2,149,494	4,156
2032-2036	7,265,000	1,142,259		
Totals	<u>\$97,864,924</u>	<u>\$67,248,566</u>	<u>\$40,137,120</u>	<u>\$10,021,755</u>

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.

7. LEASING ARRANGEMENTS (Continued)

A summary of capital assets leased follows:

	Fund Activity	Cost
Fire Station #7	Governmental Activity	\$620,417
Land/fire trucks	Equipment Management	
	Internal Service Fund	462,464
Street lighting facilities	Governmental Activity	2,107,375
Civic Center	Governmental Activity	30,938,179
	Equipment Management	
	Internal Service Fund	521,360
Public Works Vehicles	Governmental Activity	230,000
Fire Apparatus	Governmental Activity	1,745,000
Sedan/Jeeps/Dump/Sweepers	Governmental Activity	765,233
Trucks/Van/Loader	Equipment Management	
	Internal Service Fund	508,094
Trucks,Pickup,Cars	Equipment Management	
	Internal Service Fund	1,656,763
Boys & Girls Club Site Lease	Governmental Activity	1,215,000
Solar Energy	Governmental Activity	1,035,000
Building Energy Retrofit	Governmental Activity	865,000
Computer Mainframe Upgrade	Governmental Activity	491,602

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 December 1987 the Local Improvement District No. 14, Whitesell Street, issued Limited Obligation Improvement Bonds in the original principal amount of \$1,330,000 to finance utility improvements within the District. Outstanding debt at June 30, 2006 was \$245,000.

In February 1989 the Local Improvement District No. 15 issued Limited Obligation Improvement Bonds in the original principal amount of \$6,214,297 to finance improvements within the District. Outstanding debt at June 30, 2006 was \$1,790,000.

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, 2006 was \$2,120,000. In July 1997 the Local Improvement District No. 16 issued additional Limited Obligation Improvement Bonds in the original principal amount of \$50,952. Outstanding debt at June 30, 2006 was \$25,000.

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, 2006 was \$315,000.

8. SPECIAL ASSESSMENT DEBT WITHOUT CITY COMMITMENT (Continued)

In July 2002 the Community Facilities District No. 1, Eden Shores, issued Special Tax Bonds in the original principal amount of \$9,965,000 to finance improvements within the District. Outstanding debt at June 30, 2006 was \$9,910,000.

9. NET ASSETS AND FUND BALANCES

GASB Statement 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Assets - Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, as described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets 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.

Restricted describes the portion of Net Assets 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:

Debt Service – These Net Assets are to be used for debt service in the event of default by the City. Net assets are held by a Trustee pursuant to applicable trust indentures.

Redevelopment Activities – These Net Assets are restricted by state law to operations of the Redevelopment Agency of the City of Hayward.

Special Revenue Projects - These Net Assets are to be used for various Special Revenue Programs operated by the City including state gasoline tax programs and projects, Alameda County Measure B programs, various housing rental and rehabilitation programs, recycling, Emergency Medical Services, various police grants, and other programs.

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

Fund balances/Net Assets - consist of reserved and unreserved amounts. Reserved fund balances/net assets represent that portion of fund balance/net assets which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved fund balance/net assets.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change, have not been legally authorized and may not result in expenditures.

9. NET ASSETS AND FUND BALANCES (Continued)

At June 30, 2006, fund balances for governmental fund types consisted of the following reservations and designations:

	General Fund	Community Development Block Grant	Hayward Redevelopment Agency Capital Projects	Other Governmental Funds
Reserved for:				
Encumbrances	\$873,630			
Debt service				\$6,119,804
Capital projects				3,301,202
Loans Receivable	20,232			
Parts and supplies	31,205			
Eminent domain deposits		\$345,000	\$22,000	
Long-term interfund receivables			20,232	
Low and moderate income housing			1,407,053	
Land held for resale			4,434,795	
Total reserved fund balances	<u>925,067</u>	<u>345,000</u>	<u>5,884,080</u>	<u>9,421,006</u>
Designated for:				
Capital improvement program			37,112,066	15,746,789
Social programs		424,039		5,118,244
Public safety				352
Economic uncertainty	7,000,000			
Liquidity	3,500,000			
Redevelopment Agency Loan	1,336,000			
Public Safety Radio System	380,000			
Hotel/Conference Center	1,250,000			
Contingencies	8,676,634			138,092
Total designated fund balances	<u>22,142,634</u>	<u>424,039</u>	<u>37,112,066</u>	<u>21,003,477</u>
Total reserved and designated fund balance	<u><u>\$23,067,701</u></u>	<u><u>\$769,039</u></u>	<u><u>\$42,996,146</u></u>	<u><u>\$30,424,483</u></u>

The Workers Compensation Insurance Internal Service Fund reflected accumulated deficits of \$3,108,448 at June 30, 2006. These deficits are expected to be eliminated through future revenues.

10. ACCRUED RECLAMATION COSTS

To comply with regulatory requirements imposed by the California Regional Water Quality Control Board and the Alameda County Department of Environmental Health, the City expects to incur reclamation costs associated with an abandoned 60 acre landfill site. Such costs represent placing an 18-inch vegetative cover over the landfill site as well as ongoing monitoring costs. As of June 30, 2006, the City expects to incur \$433,050 for remaining reclamation costs, funded from operating revenue of the Sewer Enterprise Fund. Reclamation payments totaled \$80,741 for the year ended June 30, 2006. 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.

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 separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2006, are summarized below:

	Safety		Miscellaneous
	Police	Fire	
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	50
Monthly benefits, as a % of annual salary	3%	3%	1.43% - 2.41%
Required employee contribution rates	9%	9%	8%
Required employer contribution rates	29.335%	29.115%	11.055%

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

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. 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.

12. CALPERS SAFETY AND MISCELLANEOUS EMPLOYEES 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
2003	\$144,119,426	\$116,581,555	\$27,537,871	80.9%	\$16,675,668	165.1%
2004	162,780,476	125,276,324	37,504,152	77.0%	18,945,037	198.0%
2005	173,282,219	134,967,636	38,314,583	77.9%	18,185,439	210.7%

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
2003	\$128,120,062	\$106,544,002	\$21,576,060	83.2%	\$12,257,949	176.0%
2004	136,707,410	112,460,952	24,246,458	82.3%	11,641,876	208.3%
2005	142,607,592	119,313,097	23,294,495	83.7%	11,747,946	198.3%

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
2003	\$177,044,198	\$164,770,197	\$12,274,001	93.1%	\$34,522,221	35.6%
2004	191,635,217	174,137,858	17,497,359	90.9%	34,987,564	50.0%
2005	214,466,629	190,027,743	24,438,886	88.6%	35,095,877	69.6%

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

Additional disclosures will be included when made available by PERS.

Actuarially required contributions for fiscal years 2006, 2005, and 2004 were \$18,778,846, \$16,530,003, and \$12,804,603, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee 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 3.750 % and the City contributes 3.750 % of the employees' salary each pay period. For the fiscal year ending June 30, 2006, total contributions of \$57,408 were made based on a total amount of covered compensation of \$765,440.

14. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 12 and Note 13, the City provides postretirement health care benefits, in accordance with memoranda of understanding between the City and various collective bargaining units. Employees in those collective bargaining units who retire from the City must have attained age 50 and be enrolled in a medical plan offered through the State of California Public Employees' Retirement System. Certain bargaining units also require at least 10 years of service to receive benefits. Currently, 468 retirees meet those eligibility requirements. The City reimburses Medicare retirees for medical premiums in amounts that range from \$21.06 to \$398.03 per month depending on the memorandum of understanding in effect for that particular collective bargaining unit. The City reimburses for the lesser of the actual premium or the retiree allowance. Expenditures for postretirement health care benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, approximately \$1,413,667 in expenditures was made for postretirement health care.

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	Coverages and Limits
General liability	\$0 - \$250,000 per occurrence	\$250,000-\$15,000,000
Workers' compensation	\$0 - statutory limits	None
Property	\$0 - \$500,000 per occurrence	\$250,000 - \$1000,000,000
Airport	\$0 - \$1,000 per occurrence	\$1,000- \$20,000,000
Boiler and machinery	\$0 - \$350,000 per occurrence	\$1,000,000 - \$100,000,000
Accidental medical expense	\$0 - \$350	\$250-\$250,000

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

15. RISK MANAGEMENT (Continued)

In fiscal 2003-2004, 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 know 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, 2006, the recorded liability was \$1,065,134. Charges to the General Fund and other funds are determined from an analysis of self-insured claim costs and recorded as operating 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, 2006, the recorded liability was \$4,587,349. Premiums are paid to the Insurance Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program.

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

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

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:

	2006	2005
Unpaid claims, beginning of fiscal year	\$5,653,726	\$5,315,018
Incurred claims	3,552,464	4,323,669
Claim payments	<u>(3,553,707)</u>	<u>(3,984,961)</u>
Unpaid claims, end of fiscal year	<u>\$5,652,483</u>	<u>\$5,653,726</u>

There are no outstanding claims for which an annuity contract has been purchased in the claimant's name, and therefore removed from the liability.

16. JOINT POWERS AGREEMENTS

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

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

- a) Payments related to the services which the City received during fiscal 2006 amounted to \$580,949 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 assets of EBDA and amounts to \$ 12,271,048 at June 30, 2006.

The investment in East Bay Dischargers Authority is valued as of June 30, 2005, the latest date for which financial information is available.

Summary financial information as of and for the year ended June 30, 2005 (the most recent audited financial information available) for EBDA's common use operations was as follows:

Assets	
Current	\$4,560,448
Fixed - net	33,201,962
Total	<u>\$37,762,410</u>
Liabilities	\$577,415
Net Assets	<u>37,184,995</u>
Total	<u>\$37,762,410</u>
Revenues	\$2,836,103
Expenses	(3,385,660)
Non-operating revenues	506,116
Non-operating expenses	<u>(407,629)</u>
Change in Net Assets	<u>(\$451,070)</u>

Complete financial statements of EBDA can be obtained from:

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

17. COMMITMENTS AND CONTINGENCIES

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

The City has line of credit agreements with its bank under which the bank is authorized to draw on the lines to cover overdrafts from the City's bank account and to cover liquidity requirements. The lines have a maximum amount of \$5,000,000; bear interest at the bank's reference rate (7 % as of June 30, 2006) and are due January 1, 2007.

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.

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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.

HCD Deferred Loans Fund - Accounts for funds granted by HUD and used for loans to rehabilitate properties of qualified homeowners.

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.

Federal Rental Rehabilitation Grant Program Fund - Accounts for grants from HUD used to rehabilitate rental property.

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.

Local Law Enforcement Block Grant - Accounts for funds received as block grant from the Department of Justice, Bureau of Justice Assistance, to support law enforcement.

Citizens' Option For Public Safety Fund - Accounts for funds received pursuant to State legislation, which provides resources, to fight crime and protect public safety at the local level.

Gates Learning Foundation Grant - Accounts for funds received from the Bill & Melinda Gates Foundation to provide access to digital information for public library patrons in low-income communities by providing PCs and software, NT servers, and network printers.

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Measure B Retail Sales Tax Fund - Accounts for revenue apportioned to the City from locally collected retail sales taxes and expended for street maintenance projects.

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

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

DEBT SERVICE FUNDS

Certificates of Participation - Accounts for transfers of revenue from the capital projects funds for payment of interest and principal of certificates of participation.

Redevelopment Agency - Accounts for resources used for the payment of interest and principal of the Redevelopment Agency's 2004 tax allocation bonds.

Unisys Computer Lease - Accounts for transfers of revenue from the General Fund for payment of interest and principal of Unisys computer lease obligation.

Hayward Public Financing Authority Fund - Accounts for debt issuance's used to finance capital improvements within the City.

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.

Route 238 Fund - Accounts for the City's increment of state right-of-way rentals for state property within the City and other City monies set aside for City projects connected with freeway development.

Local Improvement District 16 Fund - Accounts for bond proceeds expended for construction of public improvements in designated zones.

Special Assessments - Accounts for revenue received from special assessments against benefited property for payment of interest and principal of special assessment bonds.

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CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2006

SPECIAL REVENUE FUNDS

	Special Gasoline Tax	HCD Deferred Loans	Housing Mortgage Revenue Bonds	Park Dedication Ordinance	Business Improvement
ASSETS					
Cash and investments available for operations	\$2,101,777	\$29,654	\$1,612,886	\$2,367,610	\$153,257
Restricted cash and cash equivalents					
Restricted investments					
Accounts receivable	88,925			2,300	
Loans receivable		73,631			
Interest receivable	17,804	287	6,836	15,623	1,566
Due from other governments	243,046				
Other					68
Total Assets	<u><u>\$2,451,552</u></u>	<u><u>\$103,572</u></u>	<u><u>\$1,619,722</u></u>	<u><u>\$2,385,533</u></u>	<u><u>\$154,891</u></u>
LIABILITIES					
Accounts payable	\$196,460		\$326		\$11,000
Accrued liabilities					
Due to other funds					
Deferred revenue		\$73,631			
Refundable deposits					
Total Liabilities	<u>196,460</u>	<u>73,631</u>	<u>326</u>		<u>11,000</u>
FUND EQUITY					
Fund balances					
Reserved for debt service					
Reserved for capital projects					
Unreserved					
Special Revenue Funds	2,255,092	29,941	1,619,396	\$2,385,533	143,891
Capital Projects Funds					
TOTAL FUND BALANCES	<u>2,255,092</u>	<u>29,941</u>	<u>1,619,396</u>	<u>2,385,533</u>	<u>143,891</u>
Total Liabilities and Fund Balances	<u><u>\$2,451,552</u></u>	<u><u>\$103,572</u></u>	<u><u>\$1,619,722</u></u>	<u><u>\$2,385,533</u></u>	<u><u>\$154,891</u></u>

SPECIAL REVENUE FUNDS

<u>Donation</u>	<u>Federal Rental Rehabilitation Grant Program</u>	<u>Recycling</u>	<u>Narcotics Asset Seizure</u>	<u>Local Law Enforcement Block Grant</u>	<u>Citizens' Option For Public Safety Fund</u>	<u>Gates Learning Foundation Grant</u>
\$108,980	\$28,456	\$3,864,135	\$102,435	\$57,395		\$2,910
1,134	163,622	19,525	921	371	\$106	
<u>\$110,114</u>	<u>\$192,078</u>	<u>\$3,883,660</u>	<u>\$103,356</u>	<u>\$57,766</u>	<u>\$106</u>	<u>\$2,910</u>
\$352		\$8,157				
	\$163,622					
<u>352</u>	<u>163,622</u>	<u>8,157</u>				
109,762	28,456	3,875,503	\$103,356	\$57,766	\$106	\$2,910
<u>109,762</u>	<u>28,456</u>	<u>3,875,503</u>	<u>103,356</u>	<u>57,766</u>	<u>106</u>	<u>2,910</u>
<u>\$110,114</u>	<u>\$192,078</u>	<u>\$3,883,660</u>	<u>\$103,356</u>	<u>\$57,766</u>	<u>\$106</u>	<u>\$2,910</u>

(Continued)

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2006

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUND
	Park Maintenance District	Measure B Retail Sales Tax	Measure B Paratransit	Measure B Pedestrian	Certificates of Participation
ASSETS					
Cash and investments available for operations	\$1,390,928	\$2,447,245		\$218,604	\$290,264
Restricted cash and cash equivalents					2,538
Restricted investments					194,389
Accounts receivable				37,700	
Loans receivable					
Interest receivable	8,269	13,754		1,826	
Due from other governments		286,726	\$164,221	59,512	
Total Assets	<u>\$1,399,197</u>	<u>\$2,747,725</u>	<u>\$164,221</u>	<u>\$317,642</u>	<u>\$487,191</u>
LIABILITIES					
Accounts payable	\$141,482	\$185,910	\$44,735		
Accrued liabilities					
Due to other funds			6,532		
Deferred revenue					
Refundable deposits	20,000				
Total Liabilities	<u>161,482</u>	<u>185,910</u>	<u>51,267</u>		
FUND EQUITY					
Fund balances					
Reserved for debt service					\$487,191
Reserved for capital projects					
Unreserved					
Special Revenue Funds	1,237,715	2,561,815	112,954	\$317,642	
Capital Projects Funds					
TOTAL FUND BALANCES	<u>1,237,715</u>	<u>2,561,815</u>	<u>112,954</u>	<u>317,642</u>	<u>487,191</u>
Total Liabilities and Fund Balances	<u>\$1,399,197</u>	<u>\$2,747,725</u>	<u>\$164,221</u>	<u>\$317,642</u>	<u>\$487,191</u>

DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
Redevelopment	Unisys Computer Lease	Hayward Public Financing Authority	Solar Panel Electric Generator	General Capital Projects	Traffic Signal Construction
\$806,917		\$214,940		\$12,715,948	\$614,177
666,500		9,880	\$102,231	5,010	
3,374,432				110,095	
				50,746	
				69,025	2,779
				183,308	
<u>\$4,847,849</u>		<u>\$224,820</u>	<u>\$102,231</u>	<u>\$13,134,132</u>	<u>\$616,956</u>
				\$101,883	\$28,719
				3,443	
			\$3,000		
				1,977,582	
			3,000	2,082,908	28,719
\$4,847,849		\$224,820	99,231	2,873,650	427,552
				8,177,574	160,685
<u>4,847,849</u>		<u>224,820</u>	<u>99,231</u>	<u>11,051,224</u>	<u>588,237</u>
<u>\$4,847,849</u>		<u>\$224,820</u>	<u>\$102,231</u>	<u>\$13,134,132</u>	<u>\$616,956</u>

(Continued)

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2006

	CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
	Route 238	Local Improvement District 16	Special Assessments	
Cash and investments available for operations	\$17,208,616	\$7,259	\$460,742	\$46,805,135
Restricted cash and cash equivalents				786,159
Restricted investments				3,678,916
Accounts receivable				179,671
Loans receivable				237,253
Interest receivable	91,931	70	4,463	256,290
Due from other governments				936,813
Other				68
Total Assets	\$17,300,547	\$7,329	\$465,205	\$52,880,305
Accounts payable	\$72,865			\$791,537
Accrued liabilities			\$4,492	8,287
Due to other funds				9,532
Deferred revenue				237,253
Refundable deposits				1,997,582
Total Liabilities	72,865		4,492	3,044,191
FUND EQUITY				
Fund balances				
Reserved for debt service			460,713	6,119,804
Reserved for capital projects				3,301,202
Unreserved, undesignated				
Special Revenue Funds				14,841,838
Capital Projects Funds	17,227,682	\$7,329		25,573,270
TOTAL FUND BALANCES	17,227,682	7,329	460,713	49,836,114
Total Liabilities and Fund Balances	\$17,300,547	\$7,329	\$465,205	\$52,880,305

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CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS				
	Special Gasoline Tax	HCD Deferred Loans	Housing Mortgage Revenue Bonds	Park Dedication Ordinance	Business Improvement
REVENUES					
Fines and forfeitures					
Use of money and property	\$77,079	\$953	\$42,961	\$60,612	\$5,210
Intergovernmental	2,655,583				
Charges for services	102,011				
Park development fees				670,914	
Special assessments					
Other taxes					
Other	2,032		285,542		54,766
Total Revenues	2,836,705	953	328,503	731,526	59,976
EXPENDITURES					
Current					
Public safety					
Community development			87,409	76,380	132,483
Nondepartmental					
Capital outlay	1,610,834				
Debt Service					
Principal repayment					
Interest and fiscal charges					
Total Expenditures	1,610,834		87,409	76,380	132,483
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,225,871	953	241,094	655,146	(72,507)
OTHER FINANCING SOURCES (USES)					
Issuance of long term debt					
Transfers in					35,000
Transfers (out)	(1,757,000)		(1,558)		
Total Other Financing Sources (Uses)	(1,757,000)		(1,558)		35,000
NET CHANGE IN FUND BALANCES	(531,129)	953	239,536	655,146	(37,507)
BEGINNING FUND BALANCES	2,786,221	28,988	1,379,860	1,730,387	181,398
ENDING FUND BALANCES	\$2,255,092	\$29,941	\$1,619,396	\$2,385,533	\$143,891

SPECIAL REVENUE FUNDS

Donation	Federal Rental Rehabilitation Grant Program	Recycling	Narcotics Asset Seizure	Local Law Enforcement Block Grant	Citizens' Option For Public Safety Fund	Gates Learning Foundation Grant
			\$26,313			
\$3,661		\$108,567	3,155	(\$148)	\$1,270	
		786,482		56,946	210,700	
25,397		7,200				
29,058		902,249	29,468	56,798	211,970	
8,519			69,434			
21,063		1,116,210				
29,582		1,116,210	69,434			
(524)		(213,961)	(39,966)	56,798	211,970	
		(44,870)		(3,207)	(211,867)	
		(44,870)		(3,207)	(211,867)	
(524)		(258,831)	(39,966)	53,591	103	
110,286	\$28,456	4,134,334	143,322	4,175	3	\$2,910
\$109,762	\$28,456	\$3,875,503	\$103,356	\$57,766	\$106	\$2,910

(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, 2006

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUND
	Park Maintenance District	Measure B Retail Sales Tax	Measure B Paratransit	Measure B Pedestrian	Certificates of Participation
REVENUES					
Fines and forfeitures					
Use of money and property	\$23,539	\$53,999	\$253	\$2,579	\$8,113
Intergovernmental		1,846,590	800,467	487,011	
Charges for services		143			
Park development fees					
Special assessments	685,832				
Other taxes					
Other				37,700	
Total Revenues	709,371	1,900,732	800,720	527,290	8,113
EXPENDITURES					
Current					
Public safety					
Community development			788,278		
Nondepartmental	571,587				2,368
Capital outlay		1,265,111		634,070	
Debt Service					
Principal repayment					768,480
Interest and fiscal charges					1,554,890
Total Expenditures	571,587	1,265,111	788,278	634,070	2,325,738
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	137,784	635,621	12,442	(106,780)	(2,317,625)
OTHER FINANCING SOURCES (USES)					
Issuance of long term debt					
Transfers in					2,325,619
Transfers (out)					
Total Other Financing Sources (Uses)					2,325,619
NET CHANGE IN FUND BALANCES	137,784	635,621	12,442	(106,780)	7,994
BEGINNING FUND BALANCES	1,099,931	1,926,194	100,512	424,422	479,197
ENDING FUND BALANCES	\$1,237,715	\$2,561,815	\$112,954	\$317,642	\$487,191

DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
Redevelopment	Unisys Computer Lease	Hayward Public Financing Authority	Solar Panel Electric Generator	General Capital Projects	Traffic Signal Construction
\$90,345		\$408	\$19,642	\$299,102 696,683 37,116	\$13,674 901
				104,700 267,713	59,099
90,345		408	19,642	1,405,314	73,674
		1,915	674,603	6,608,272	162,989
595,000 2,647,374	\$22,047 5,448	300,000 246,686	10,000 49,400	220,000 34,975	
3,242,374	27,495	548,601	734,003	6,863,247	162,989
(3,152,029)	(27,495)	(548,193)	(714,361)	(5,457,933)	(89,315)
3,909,771	16,007	548,601	107,424	491,602 3,040,000	250,000
3,909,771	16,007	548,601	107,424	3,531,602	250,000
757,742	(11,488)	408	(606,937)	(1,926,331)	160,685
4,090,107	11,488	224,412	706,168	12,977,555	427,552
<u>\$4,847,849</u>		<u>\$224,820</u>	<u>\$99,231</u>	<u>\$11,051,224</u>	<u>\$588,237</u>

(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, 2006

	CAPITAL PROJECTS FUNDS			
	Route 238	Local Improvement District 16	Special Assessments	Total Nonmajor Governmental Funds
REVENUES				
Fines and forfeitures				\$26,313
Use of money and property	\$484,844	\$235	\$14,898	1,314,951
Intergovernmental				7,540,462
Charges for services	900			141,071
Park development fees				670,914
Special assessments				685,832
Other taxes				104,700
Other	2,452,815			3,192,264
Total Revenues	2,938,559	235	14,898	13,676,507
EXPENDITURES				
Current				
Public safety				77,953
Community development				2,221,823
Nondepartmental				1,250,473
Capital outlay	324,199			10,605,475
Debt Service				
Principal repayment				1,915,527
Interest and fiscal charges				4,538,773
Total Expenditures	324,199			20,610,024
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	2,614,360	235	14,898	(6,933,517)
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt				491,602
Transfers in				10,232,422
Transfers (out)	(240,000)			(2,258,502)
Total Other Financing Sources (Uses)	(240,000)			8,465,522
NET CHANGE IN FUND BALANCES	2,374,360	235	14,898	1,532,005
BEGINNING FUND BALANCES	14,853,322	7,094	445,815	48,304,109
ENDING FUND BALANCES	\$17,227,682	\$7,329	\$460,713	\$49,836,114

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CITY OF HAYWARD, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	SPECIAL GASOLINE TAX			HCD DEFERRED LOANS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Fines and forfeitures						
Use of money and property	\$42,000	\$77,079	\$35,079	\$1,200	\$953	(\$247)
Intergovernmental	2,758,000	2,655,583	(102,417)			
Charges for services		102,011	102,011			
Park development fees						
Special assessments						
Other		2,032	2,032			
Total Revenues	2,800,000	2,836,705	36,705	1,200	953	(247)
EXPENDITURES						
Current						
Public safety						
Community development						
Nondepartmental						
Debt Service						
Principal repayment						
Interest and fiscal charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,800,000	2,836,705	36,705	1,200	953	(247)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(1,757,000)	(1,757,000)				
Total Other Financing Sources (Uses)	(1,757,000)	(1,757,000)				
NET CHANGE IN FUND BALANCES	\$1,043,000	1,079,705	\$36,705	\$1,200	953	(\$247)
Adjustments to budgetary basis:						
Capital outlay		(1,610,834)				
BEGINNING FUND BALANCES		2,786,221			28,988	
ENDING FUND BALANCES		\$2,255,092			\$29,941	

HOUSING MORTGAGE REVENUE BONDS			PARK DEDICATION ORDINANCE			BUSINESS IMPROVEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$34,100	\$42,961	\$8,861	\$59,900	\$60,612	\$712	\$4,800	\$5,210	\$410
			670,914	670,914				
85,625	285,542	199,917				55,000	54,766	(234)
119,725	328,503	208,778	730,814	731,526	712	59,800	59,976	176
163,141	87,409	75,732	76,380	76,380		133,731	132,483	1,248
163,141	87,409	75,732	76,380	76,380		133,731	132,483	1,248
(43,416)	241,094	284,510	654,434	655,146	712	(73,931)	(72,507)	1,424
(1,558)	(1,558)					35,000	35,000	
(1,558)	(1,558)					35,000	35,000	
(\$44,974)	239,536	\$284,510	\$654,434	655,146	\$712	(\$38,931)	(37,507)	\$1,424
	1,379,860			1,730,387			181,398	
	<u>\$1,619,396</u>			<u>\$2,385,533</u>			<u>\$143,891</u>	

(Continued)

CITY OF HAYWARD, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	DONATION			RECYCLING		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Fines and forfeitures						
Use of money and property	\$2,400	\$3,661	\$1,261	\$99,100	\$108,567	\$9,467
Intergovernmental				760,000	786,482	26,482
Charges for services						
Park development fees						
Special assessments						
Other		25,397	25,397	8,600	7,200	(1,400)
Total Revenues	<u>2,400</u>	<u>29,058</u>	<u>26,658</u>	<u>867,700</u>	<u>902,249</u>	<u>34,549</u>
EXPENDITURES						
Current						
Public safety		8,519	(8,519)			
Community development	65,940	21,063	44,877	1,963,675	1,116,210	847,465
Nondepartmental						
Debt Service						
Principal repayment						
Interest and fiscal charges						
Total Expenditures	<u>65,940</u>	<u>29,582</u>	<u>36,358</u>	<u>1,963,675</u>	<u>1,116,210</u>	<u>847,465</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(63,540)</u>	<u>(524)</u>	<u>63,016</u>	<u>(1,095,975)</u>	<u>(213,961)</u>	<u>882,014</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(44,870)	(44,870)	
Total Other Financing Sources (Uses)				<u>(44,870)</u>	<u>(44,870)</u>	
	<u>(\$63,540)</u>	<u>(524)</u>	<u>\$63,016</u>	<u>(\$1,140,845)</u>	<u>(258,831)</u>	<u>\$882,014</u>
Adjustments to budgetary basis:						
Capital outlay						
BEGINNING FUND BALANCES		<u>110,286</u>			<u>4,134,334</u>	
ENDING FUND BALANCES		<u>\$109,762</u>			<u>\$3,875,503</u>	

NARCOTICS ASSET SEIZURE			LOCAL LAW ENFORCEMENT GRANT			CITIZENS' OPTION FOR PUBLIC SAFETY FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$20,000	\$26,313	\$6,313						
100	3,155	3,055		(\$148)	(\$148)		\$1,270	\$1,270
			\$20,355	56,946	36,591	\$212,311	210,700	(1,611)
<u>20,100</u>	<u>29,468</u>	<u>9,368</u>	<u>20,355</u>	<u>56,798</u>	<u>36,443</u>	<u>212,311</u>	<u>211,970</u>	<u>(341)</u>
20,673	69,434	(48,761)						
<u>20,673</u>	<u>69,434</u>	<u>(48,761)</u>						
(573)	(39,966)	(39,393)	20,355	56,798	36,443	212,311	211,970	(341)
			(24,528)	(3,207)	21,321	(212,311)	(211,867)	444
			(24,528)	(3,207)	21,321	(212,311)	(211,867)	444
<u>(\$573)</u>	<u>(39,966)</u>	<u>(39,393)</u>	<u>(\$4,173)</u>	53,591	<u>\$57,764</u>		103	<u>\$103</u>
	143,322			4,175			3	
	<u>\$103,356</u>			<u>\$57,766</u>			<u>\$106</u>	

(Continued)

CITY OF HAYWARD, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	PARK MAINTENANCE DISTRICT			MEASURE B RETAIL SALES TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Fines and forfeitures						
Use of money and property		\$23,539	\$23,539	\$13,000	\$53,999	\$40,999
Intergovernmental				1,640,000	1,846,590	206,590
Charges for services					143	143
Park development fees						
Special assessments	\$592,267	685,832	93,565			
Other						
Total Revenues	<u>592,267</u>	<u>709,371</u>	<u>117,104</u>	<u>1,653,000</u>	<u>1,900,732</u>	<u>247,732</u>
EXPENDITURES						
Current						
Public safety						
Community development						
Nondepartmental	665,670	571,587	94,083			
Debt Service						
Principal repayment						
Interest and fiscal charges						
Total Expenditures	<u>665,670</u>	<u>571,587</u>	<u>94,083</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(73,403)</u>	<u>137,784</u>	<u>211,187</u>	<u>1,653,000</u>	<u>1,900,732</u>	<u>247,732</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)	<u>(73,403)</u>	<u>137,784</u>	<u>\$211,187</u>	<u>\$1,653,000</u>	<u>1,900,732</u>	<u>\$247,732</u>
Adjustments to budgetary basis:						
Capital outlay					(1,265,111)	
BEGINNING FUND BALANCES		<u>1,099,931</u>			<u>1,926,194</u>	
ENDING FUND BALANCES		<u>\$1,237,715</u>			<u>\$2,561,815</u>	

MEASURE B PEDESTRIAN			MEASURE B PARATRANSIT			CERTIFICATES OF PARTICIPATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,000	\$2,579	\$1,579	\$2,030	\$253	(\$1,777)		\$8,113	\$8,113
493,000	487,011	(5,989)	803,466	800,467	(2,999)			
	37,700	37,700	51,877		(51,877)			
494,000	527,290	33,290	857,373	800,720	(56,653)		8,113	8,113
			857,373	788,278	69,095	\$2,469	2,368	101
						768,480	768,480	
						1,554,891	1,554,890	1
			857,373	788,278	69,095	2,325,840	2,325,738	102
494,000	527,290	33,290		12,442	12,442	(2,325,840)	(2,317,625)	8,215
						2,325,742	2,325,619	(123)
						2,325,742	2,325,619	(123)
\$494,000	527,290	\$33,290		12,442	\$12,442	(\$98)	7,994	\$8,092
	(634,070)							
	424,422			100,512			479,197	
	\$317,642			\$112,954			\$487,191	

(Continued)

CITY OF HAYWARD, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	REDEVELOPMENT			UNISYS COMPUTER LEASE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Fines and forfeitures						
Use of money and property		\$90,345	\$90,345			
Intergovernmental						
Charges for services						
Park development fees						
Special assessments						
Other						
Total Revenues		90,345	90,345			
EXPENDITURES						
Current						
Public safety						
Community development						
Nondepartmental						
Debt Service						
Principal repayment	\$595,000	595,000		\$22,047	\$22,047	
Interest and fiscal charges	2,647,374	2,647,374		5,448	5,448	
Total Expenditures	3,242,374	3,242,374		27,495	27,495	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,242,374)	(3,152,029)	90,345	(27,495)	(27,495)	
OTHER FINANCING SOURCES (USES)						
Transfers in	3,910,024	3,909,771	(253)	27,495	16,007	(\$11,488)
Transfers (out)						
Total Other Financing Sources (Uses)	3,910,024	3,909,771	(253)	27,495	16,007	(11,488)
	<u>\$667,650</u>	<u>757,742</u>	<u>\$90,092</u>	<u></u>	<u>(11,488)</u>	<u>(\$11,488)</u>
Adjustments to budgetary basis:						
Capital outlay						
BEGINNING FUND BALANCES		4,090,107			11,488	
ENDING FUND BALANCES		<u>\$4,847,849</u>			<u></u>	

HAYWARD PUBLIC FINANCING AUTHORITY			SOLAR PANEL ELECTRIC GENERATOR		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$408	\$408		\$19,642	\$19,642
	408	408		19,642	19,642
\$1,915	1,915		\$674,603	674,603	
300,000	300,000		10,000	10,000	
246,686	246,686		49,400	49,400	
548,601	548,601		734,003	734,003	
(548,601)	(548,193)	408	(734,003)	(714,361)	19,642
548,601	548,601		107,431	107,424	(7)
548,601	548,601		107,431	107,424	(7)
	408	\$408	(\$626,572)	(606,937)	\$19,635
	224,412			706,168	
	\$224,820			\$99,231	

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NON-MAJOR ENTERPRISE FUNDS

Centennial Hall Maintenance and Operation Fund – Accounts for rental of the public facilities of Centennial Hall and the use of rental revenue to support Centennial Hall operation and maintenance.

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

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2006

	Centennial Hall Maintenance and Operation	Stormwater	Total
ASSETS			
Current Assets:			
Cash and investments available for operations	\$67,821	\$686,481	\$754,302
Accounts receivable (net of allowance for uncollectibles)	990		990
Interest receivable		7,904	7,904
	68,811	694,385	763,196
Total Current Assets			
Noncurrent Assets:			
Capital assets:			
Land and construction in progress	372,748		372,748
Capital assets being depreciated, net of accumulated depreciation	607,521	14,785	622,306
	980,269	14,785	995,054
Total Noncurrent Assets			
	1,049,080	709,170	1,758,250
Total Assets			
LIABILITIES			
Current Liabilities:			
Accounts payable	8,026	10,236	18,262
Accrued liabilities	62,278	1,000	63,278
Refundable deposits	8,177		8,177
Compensated absences	13,121	82,227	95,348
	91,602	93,463	185,065
Total Current Liabilities			
	91,602	93,463	185,065
Total Liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	980,269	14,785	995,054
Unrestricted	(22,791)	600,922	578,131
	\$957,478	\$615,707	\$1,573,185
Total Net Assets			

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	Centennial Hall Maintenance and Operation	Stormwater	Total
OPERATING REVENUES			
Charges for services	\$331,591	\$1,892,172	\$2,223,763
Miscellaneous	3,488	589	4,077
	<u>335,079</u>	<u>1,892,761</u>	<u>2,227,840</u>
OPERATING EXPENSES			
Salaries and related expenses	422,516	1,263,152	1,685,668
Materials, supplies and services	83,222	638,896	722,118
Repairs and maintenance	92,132	21,298	113,430
Depreciation	40,190	3,026	43,216
	<u>638,060</u>	<u>1,926,372</u>	<u>2,564,432</u>
Total Operating Expenses	<u>638,060</u>	<u>1,926,372</u>	<u>2,564,432</u>
Operating Income (Loss)	<u>(302,981)</u>	<u>(33,611)</u>	<u>(336,592)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income		21,698	21,698
		<u>21,698</u>	<u>21,698</u>
Total Nonoperating Revenues (Expenses)		<u>21,698</u>	<u>21,698</u>
Income (Loss) Before Transfers	<u>(302,981)</u>	<u>(11,913)</u>	<u>(314,894)</u>
Transfers in	391,136		391,136
Transfers (out)	<u>(111,883)</u>	<u>(199,091)</u>	<u>(310,974)</u>
Net transfers	<u>279,253</u>	<u>(199,091)</u>	<u>80,162</u>
Change in net assets	(23,728)	(211,004)	(234,732)
BEGINNING NET ASSETS	<u>981,206</u>	<u>826,711</u>	<u>1,807,917</u>
ENDING NET ASSETS	<u>\$957,478</u>	<u>\$615,707</u>	<u>\$1,573,185</u>

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	Centennial Hall Maintenance and Operation	Stormwater	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$333,609	\$1,892,761	\$2,226,370
Payments to suppliers	(189,751)	(631,110)	(820,861)
Payments to employees	(422,516)	(1,263,152)	(1,685,668)
Cash Flows from Operating Activities	(278,658)	(1,501)	(280,159)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in	391,136		391,136
Transfer out	(111,883)	(199,091)	(310,974)
Cash Flows from Noncapital Financing Activities	279,253	(199,091)	80,162
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		17,056	17,056
Cash flows from investing activities		17,056	17,056
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Acquisition of capital assets	1		1
Cash flows from capital financing activities	1		1
Net increase (decrease) in cash and cash equivalents	596	(183,536)	(182,940)
Cash and investments at beginning of period	67,225	870,017	937,242
Cash and investments at end of period	<u>\$67,821</u>	<u>\$686,481</u>	<u>\$754,302</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(\$302,981)	(\$33,611)	(\$336,592)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	40,190	3,026	43,216
Change in assets and liabilities:			
Accounts receivable	(270)		(270)
Accounts payable and other accrued expenses	(13,485)	1,019	(12,466)
Compensated absences	(912)	28,065	27,153
Refundable deposits	(1,200)		(1,200)
Cash Flows from Operating Activities	(\$278,658)	(\$1,501)	(\$280,159)

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 introduced by GASB Statement 34 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 Assets.

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.

Equipment Management Fund - Accounts for operation, maintenance and replacement of vehicles and mobile radio units.

CITY OF HAYWARD, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2006

	Workers' Compensation Insurance	General Liability	Equipment Management	Total
ASSETS				
Current Assets:				
Cash and investments available for operations	\$1,480,552	\$3,296,410	\$2,286	\$4,779,248
Restricted cash and cash equivalents			1,696,796	1,696,796
Restricted investments			171,530	171,530
Accounts receivable (net of allowance for uncollectibles)			26,410	26,410
Interest receivable	7,544	20,781	2,366	30,691
Total Current Assets	1,488,096	3,317,191	1,899,388	6,704,675
Noncurrent Assets:				
Other assets				
Capital assets, net of accumulated depreciation			6,194,424	6,194,424
Total Noncurrent Assets			6,194,424	6,194,424
Total Assets	1,488,096	3,317,191	8,093,812	12,899,099
LIABILITIES				
Current Liabilities:				
Accounts payable	13	52,969	75,719	128,701
Long term debt - Due within one year			845,948	845,948
Total Current Liabilities	13	52,969	921,667	974,649
Noncurrent Liabilities:				
Compensated absences	9,182	24,661	101,069	134,912
Accrued liabilities	4,587,349	1,065,134	210	5,652,693
Long term debt - Due in more than one year			3,015,958	3,015,958
Total Noncurrent Liabilities	4,596,531	1,089,795	3,117,237	8,803,563
Total Liabilities	4,596,544	1,142,764	4,038,904	9,778,212
NET ASSETS				
Invested in capital assets, net of related debt			2,332,518	2,332,518
Restricted for debt service			171,530	171,530
Unrestricted	(3,108,448)	2,174,427	1,550,860	616,839
Total Net Assets (Deficits)	(\$3,108,448)	\$2,174,427	\$4,054,908	\$3,120,887

CITY OF HAYWARD, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	Workers' Compensation Insurance	General Liability	Equipment Management	Total
OPERATING REVENUES				
Charges for services	\$4,293,352		\$3,414,812	\$7,708,164
Other		\$279,878	34,293	314,171
Total Operating Revenues	4,293,352	279,878	3,449,105	8,022,335
OPERATING EXPENSES				
Salaries and related expenses	195,339	491,728	1,256,330	1,943,397
Materials, supplies and services	3,643,405	1,342,395	1,129,281	6,115,081
Repairs and maintenance		228	255,432	255,660
Self-funded insurance expense		309,552		309,552
Depreciation			1,360,605	1,360,605
Total Operating Expenses	3,838,744	2,143,903	4,001,648	9,984,295
Operating Income (Loss)	454,608	(1,864,025)	(552,543)	(1,961,960)
NONOPERATING REVENUES (EXPENSES)				
Interest income	39,784	94,244	80,679	214,707
Interest (expense)			(99,374)	(99,374)
Total Nonoperating Revenues (Expenses)	39,784	94,244	(18,695)	115,333
Income (Loss) Before Transfers	494,392	(1,769,781)	(571,238)	(1,846,627)
Transfers in		1,941,640		1,941,640
Transfers (out)	(122,117)	(485,000)	(172,987)	(780,104)
Net transfers	(122,117)	1,456,640	(172,987)	1,161,536
Change in Net Assets	372,275	(313,141)	(744,225)	(685,091)
BEGINNING NET ASSETS (DEFICITS)	(3,480,723)	2,487,568	4,799,133	3,805,978
ENDING NET ASSETS (DEFICITS)	(\$3,108,448)	\$2,174,427	\$4,054,908	\$3,120,887

CITY OF HAYWARD, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	Workers' Compensation Insurance	General Liability	Equipment Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$4,311,542	\$279,878	\$3,422,695	\$8,014,115
Payments to suppliers	(3,644,635)	(1,501,991)	(1,419,955)	(6,566,581)
Payments to employees	(211,136)	(492,661)	(1,227,646)	(1,931,443)
Claims paid		(309,552)		(309,552)
Cash Flows from Operating Activities	455,771	(2,024,326)	775,094	(793,461)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in		1,941,640		1,941,640
Transfers out	(122,117)	(485,000)	(172,987)	(780,104)
Cash Flows from Noncapital Financing Activities	(122,117)	1,456,640	(172,987)	1,161,536
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets			(776,639)	(776,639)
Proceeds from long term debt			1,656,763	1,656,763
Principal payments on capital debt			(527,108)	(527,108)
Interest paid on capital debt			(99,374)	(99,374)
Cash Flows from Capital and Related Financing Activities			253,642	253,642
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	36,505	84,810	69,341	190,656
Cash Flows from Investing Activities	36,505	84,810	69,341	190,656
Net increase (decrease) in cash and cash equivalents	370,159	(482,876)	925,090	812,373
Cash and cash equivalents at beginning of period	1,110,393	3,779,286	773,992	5,663,671
Cash and cash equivalents at end of period	<u>\$1,480,552</u>	<u>\$3,296,410</u>	<u>\$1,699,082</u>	<u>\$6,476,044</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$454,608	(\$1,864,025)	(\$552,543)	(\$1,961,960)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation			1,360,605	1,360,605
Change in assets and liabilities:				
Receivables, net	18,190		(26,410)	(8,220)
Other assets		25,000		25,000
Accounts and other payables	13	(184,368)	(35,452)	(219,807)
Compensated absences	(15,797)	(933)	28,684	11,954
Other accrued expenses	(1,243)		210	(1,033)
Cash Flows from Operating Activities	\$455,771	(\$2,024,326)	\$775,094	(\$793,461)

AGENCY FUNDS

GASB Statement 34 requires that Agency Funds, the only fiduciary funds the City has, to be presented separately from the Government-wide and Fund financial statements.

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.

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

CITY OF HAYWARD, CALIFORNIA
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
LOCAL IMPROVEMENT DISTRICTS				
Assets:				
Cash and investments available for operations	\$1,633,927	\$409,742		\$2,043,669
Restricted cash and cash equivalent	824,854	67,925		892,779
Interest receivable	4,530	18,052	\$4,530	18,052
Total Assets	\$2,463,311	\$495,719	\$4,530	\$2,954,500
Liabilities:				
Accounts payable	\$499	\$2,337	\$499	\$2,337
Refundable deposits	20,000			20,000
Due to assessment districts	2,442,812	493,382	4,031	2,932,163
Total Liabilities	\$2,463,311	\$495,719	\$4,530	\$2,954,500
OTHER AGENCY FUNDS				
Assets:				
Cash and investments available for operations	\$509,388	\$526,500	\$3,872	\$1,032,016
Interest receivable	1,606	4,977	1,606	4,977
Total Assets	\$510,994	\$531,477	\$5,478	\$1,036,993
Liabilities:				
Due to others	\$508,039	\$531,122	\$5,478	\$1,033,683
Refundable deposits	2,955	355		3,310
Total Liabilities	\$510,994	\$531,477	\$5,478	\$1,036,993
TOTAL				
Assets:				
Cash and investments available for operations	\$2,143,315	\$936,242	\$3,872	\$3,075,685
Restricted investments	824,854	67,925		892,779
Interest receivable	6,136	23,029	6,136	23,029
Total Assets	\$2,974,305	\$1,027,196	\$10,008	\$3,991,493
Liabilities:				
Accounts payable	\$499	\$2,337	\$499	\$2,337
Refundable deposits	22,955	355		23,310
Due to assessment districts	2,950,851	1,024,504	9,509	3,965,846
Total Liabilities	\$2,974,305	\$1,027,196	\$10,008	\$3,991,493

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about 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 Assets by Component
2. Changes in Net Assets
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 Waste Water Revenue Bonds
5. Bonded Debt Pledged Revenue Coverage, Redevelopment Agency 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:

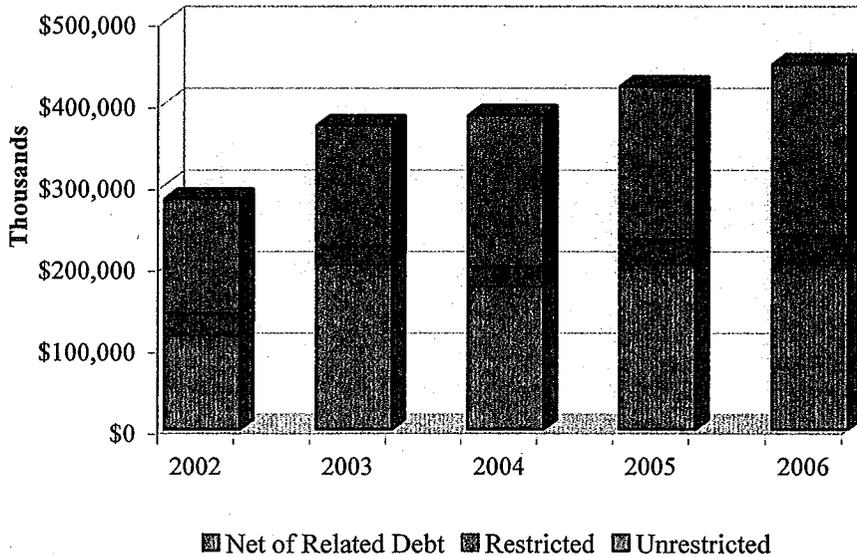
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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CITY OF HAYWARD
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)



	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$34,404,373	\$123,266,895	\$87,010,579	\$105,543,242	\$100,174,478
Restricted	23,255,514	17,056,861	19,969,088	26,607,973	31,759,679
Unrestricted	60,341,267	59,737,294	97,124,330	91,426,581	100,340,730
Total governmental activities net assets	\$118,001,154	\$200,061,050	\$204,103,997	\$223,577,796	\$232,274,887
Business-type activities					
Invested in capital assets, net of related debt	\$81,190,427	\$79,137,435	\$88,717,547	\$96,826,953	\$102,076,570
Restricted	2,972,654	4,803,294	3,633,608	3,740,371	4,066,211
Unrestricted	80,663,050	88,799,008	88,951,145	96,273,748	109,237,767
Total business-type activities net assets	\$164,826,131	\$172,739,737	\$181,302,300	\$196,841,072	\$215,380,548
Primary government					
Invested in capital assets, net of related debt	\$115,594,800	\$202,404,330	\$175,728,126	\$202,370,195	\$202,251,048
Restricted	26,228,168	21,860,155	23,602,696	30,348,344	35,825,890
Unrestricted	141,004,317	148,536,302	186,075,475	187,700,329	209,578,497
Total primary government net assets	\$282,827,285	\$372,800,787	\$385,406,297	\$420,418,868	\$447,655,435

Source: City of Hayward Comprehensive Annual Financial Report (CAFR)

CITY OF HAYWARD
Changes in Net Assets
Last Five Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Expenses					
Governmental Activities:					
General Government	\$9,510,213	\$11,895,649	\$12,177,247	\$13,654,224	\$14,609,331
Public Safety	56,552,717	56,775,787	64,331,055	67,222,703	70,477,309
Public Works and Transportation	15,340,440	14,788,124	13,800,927	17,390,733	14,323,266
Community Development	5,850,205	9,719,606	11,900,314	7,984,954	8,865,415
Culture and Leisure	3,878,784	3,576,397	3,477,318	3,596,431	3,672,910
Nondepartmental	1,078,434	729,191	652,406	1,433,854	1,874,955
Interest on Long Term Debt	3,334,762	2,855,330	3,605,614	5,505,758	4,377,655
Total Governmental Activities Expenses	<u>95,545,555</u>	<u>100,340,084</u>	<u>109,944,881</u>	<u>116,788,657</u>	<u>118,200,841</u>
Business-Type Activities:					
Sewer	11,300,934	11,158,694	12,039,604	12,392,848	13,266,648
Water	16,705,326	16,643,862	22,242,953	22,701,995	30,543,073
Airport	2,579,014	2,658,604	2,760,572	2,299,811	2,628,720
Centennial Hall Maintenance and Operation	553,945	574,082	572,039	655,943	638,060
Stormwater	1,749,779	1,936,600	1,877,223	1,898,390	1,926,372
Total Business-Type Activities Expenses	<u>32,888,998</u>	<u>32,971,842</u>	<u>39,492,391</u>	<u>39,948,987</u>	<u>49,002,873</u>
Total Primary Government Expenses	<u>\$128,434,553</u>	<u>\$133,311,926</u>	<u>\$149,437,272</u>	<u>\$156,737,644</u>	<u>\$167,203,714</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$634,527	\$1,337,041	\$833,861	\$953,629	\$898,607
Public Safety	3,506,424	3,682,729	3,892,046	4,254,278	4,366,551
Public Works and Transportation	4,718,422	3,678,382	5,095,192	6,582,192	5,442,263
Community Development	481,642	534,447	537,193	936,424	439,991
Culture and Leisure	79,783	86,620	90,359	109,454	112,009
Nondepartmental				115,163	
Operating Grants and Contributions	11,840,929	11,469,965	13,148,844	17,200,534	14,349,003
Capital Grants and Contributions	10,118,453	12,970,191	9,182,567	14,963,874	3,800,451
Total Governmental Activities Program Revenues	<u>31,380,180</u>	<u>33,759,375</u>	<u>32,780,062</u>	<u>45,115,548</u>	<u>29,408,875</u>
Business-Type Activities:					
Charges for Services:					
Sewer	11,709,370	12,182,686	14,534,334	14,418,438	13,803,163
Water	19,094,664	20,436,927	27,448,531	29,781,593	32,666,971
Airport	2,691,211	3,083,235	2,565,353	2,567,609	2,863,279
Centennial Hall Maintenance & Operation	348,502	327,908	293,508	325,606	335,079
Stormwater	1,888,041	1,890,135	1,847,674	1,875,879	1,892,761
Operating Grants and Contributions	2,853,247	2,127,585	1,474,610	2,002,317	2,486,029
Capital Grants and Contributions	384,088	238,917	211,414	4,558,307	3,399,012
Total Business-Type Activities Program Revenue	<u>38,969,123</u>	<u>40,287,393</u>	<u>48,375,424</u>	<u>55,529,749</u>	<u>57,446,294</u>
Total Primary Government Program Revenues	<u>\$70,349,303</u>	<u>\$74,046,768</u>	<u>\$81,155,486</u>	<u>\$100,645,297</u>	<u>\$86,855,169</u>
Net (Expense)/Revenue					
Governmental Activities	(\$64,165,375)	(\$66,580,709)	(\$77,164,819)	(\$71,673,109)	(\$88,791,966)
Business-Type Activities	6,080,125	7,315,551	8,883,033	15,580,762	8,443,421
Total Primary Government Net Expense	<u>(\$58,085,250)</u>	<u>(\$59,265,158)</u>	<u>(\$68,281,786)</u>	<u>(\$56,092,347)</u>	<u>(\$80,348,545)</u>

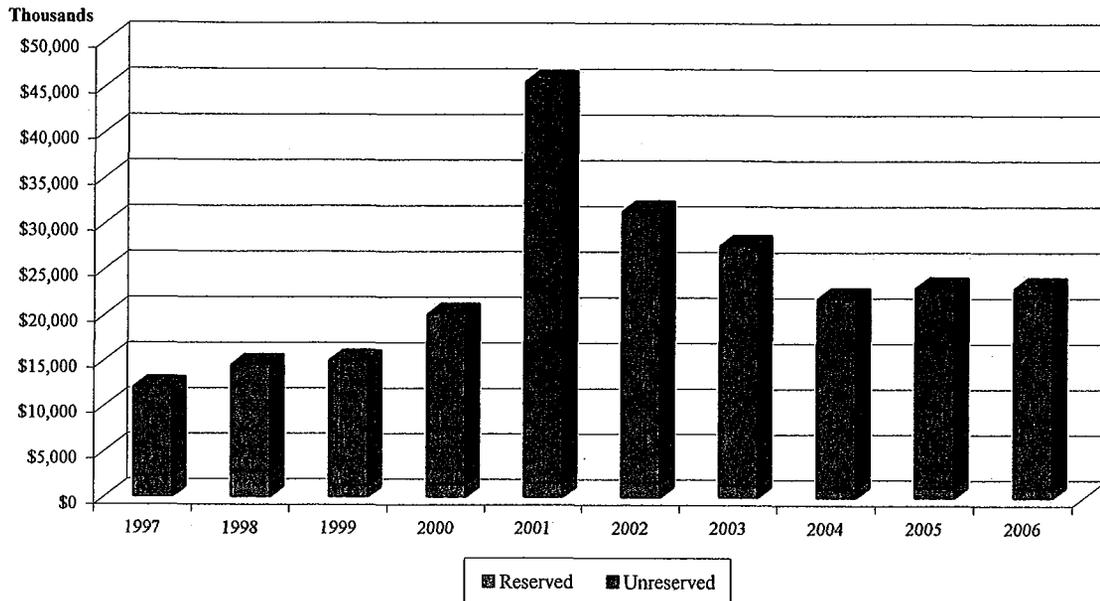
Source: City of Hayward Comprehensive Annual Financial Report (CAFR)

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

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Total Primary Government Net Expense from prior page	<u>(\$58,085,250)</u>	<u>(\$59,265,158)</u>	<u>(\$68,281,786)</u>	<u>(\$56,092,347)</u>	<u>(\$80,348,545)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Property Taxes	\$17,491,443	\$18,728,438	\$19,577,399	\$18,979,828	\$21,644,158
Incremental Property Tax	3,728,171	5,113,404	6,138,632	7,035,684	9,154,816
Special Assessments	331,974	248,175	547,431	435,625	487,740
Sales Taxes	30,040,064	25,779,520	25,412,984	27,155,334	26,685,813
Real Property Transfer Tax	4,199,638	4,971,171	6,868,993	9,726,317	9,707,512
Franchise Tax	4,179,641	4,163,954	4,025,269	4,573,497	4,772,210
Business Tax	2,127,630	2,103,418	2,048,226	2,244,517	2,331,639
Excise Tax	1,761,855	1,658,398	1,593,025	1,682,266	1,942,949
Other Taxes	4,567,526	3,162,762	4,646,800	4,377,074	4,739,437
Motor Vehicle in lieu	7,947,191	8,529,787	6,445,650	9,336,645	12,886,423
Investment Earnings	1,490,767	884,860	1,098,659	1,378,102	1,976,795
Gain (Loss) from disposal of capital assets	(1,071,281)				
Miscellaneous	2,681,232	3,045,565	897,242	1,980,050	704,136
Transfers	1,974,123	1,740,407	1,907,456	2,241,969	455,429
Total Governmental Activities General Revenues and Transfers	<u>81,449,974</u>	<u>80,129,859</u>	<u>81,207,766</u>	<u>91,146,908</u>	<u>97,489,057</u>
Business-Type Activities:					
Investment Earnings	3,267,071	2,338,462	1,586,986	2,199,979	2,702,484
Gain (Loss) from disposal of capital assets	(665,608)				7,849,000
Transfers	(1,974,123)	(1,740,407)	(1,907,456)	(2,241,969)	(455,429)
Total Business-Type Activities General Revenues and Transfers	<u>627,340</u>	<u>598,055</u>	<u>(320,470)</u>	<u>(41,990)</u>	<u>10,096,055</u>
Total Primary Government General Revenues and Transfers	<u>\$82,077,314</u>	<u>\$80,727,914</u>	<u>\$80,887,296</u>	<u>\$91,104,918</u>	<u>\$107,585,112</u>
Change in Net Assets					
Governmental Activities	\$17,284,599	\$13,549,150	\$4,042,947	\$19,473,799	\$8,697,091
Business-Type Activities	6,707,465	7,913,606	8,562,563	15,538,772	18,539,476
Total Primary Government	<u>\$23,992,064</u>	<u>\$21,462,756</u>	<u>\$12,605,510</u>	<u>\$35,012,571</u>	<u>\$27,236,567</u>

Source: City of Hayward Comprehensive Annual Financial Report (CAFR)

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



	Fiscal Year Ended June 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$2,197,926	\$2,766,617	\$1,158,145	\$1,346,708	\$1,514,988	\$1,550,636	\$1,267,228	\$913,353	\$1,063,439	\$925,067
Unreserved	9,886,409	11,757,273	13,881,528	18,776,161	44,061,822	29,878,057	26,401,209	20,983,427	22,021,325	22,142,634
Total General Fund (a)	<u>\$12,084,335</u>	<u>\$14,523,890</u>	<u>\$15,039,673</u>	<u>\$20,122,869</u>	<u>\$45,576,810</u>	<u>\$31,428,693</u>	<u>\$27,668,437</u>	<u>\$21,896,780</u>	<u>\$23,084,764</u>	<u>\$23,067,701</u>
All Other Governmental Funds										
Reserved	\$28,025,292	\$16,710,073	\$13,681,508	\$14,119,508	\$12,208,419	\$12,359,973	\$16,130,182	\$53,422,372	\$14,518,466	\$15,650,086
Unreserved-designated	\$16,625,816	\$18,410,998	\$18,718,615	\$21,130,205	\$19,838,903	\$18,952,712	\$18,642,397			
Unreserved, reported in:										
Debt Service funds							11,488	11,488	11,488	
Special revenue funds	(115,405)	140,195	57,942	521,293	2,394,910	419,182	6,117,979	12,410,301	15,497,821	16,667,600
Capital project funds	56,676	(13,323)	(1,335,079)	567,159	3,560,750	9,486,892	4,629,077	24,301,396	59,893,389	72,579,733
Undesignated funds	149,991	143,529	288,660	436,893	491,708	5,008,134				
Total all other governmental funds	<u>\$44,742,370</u>	<u>\$35,391,472</u>	<u>\$31,411,646</u>	<u>\$36,775,058</u>	<u>\$38,494,690</u>	<u>\$46,226,893</u>	<u>\$45,531,123</u>	<u>\$90,145,557</u>	<u>\$89,921,164</u>	<u>\$104,897,419</u>

Source: City of Hayward Comprehensive Annual Financial Report (CAFR)
(a) The change in total fund balance for the General Fund and All Other Governmental Funds is explained in Management's Discussion and Analysis.

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

	Fiscal Year Ended June 30,				
	1997	1998	1999	2000	2001
Revenues					
Property Taxes	\$11,797,284	\$12,906,899	\$13,755,263	\$14,739,372	\$16,548,863
Property Tax Increment	2,421,464	2,199,504	2,378,779	2,404,938	2,599,452
Special Assessments	552,027	497,351	352,001	58,333	58,515
Sales Taxes	23,676,820	24,975,318	26,535,664	29,484,139	34,434,023
Other Taxes	10,999,465	12,993,338	15,779,506	15,671,931	18,404,266
Licenses, permits	1,529,088	1,724,348	2,401,021	2,318,115	2,122,084
Fines and forfeitures	422,605	499,446	927,466	727,615	938,720
Use of money and property	3,176,546	3,875,898	2,587,530	2,990,081	5,908,916
Intergovernmental revenues	18,099,489	17,910,462	17,410,611	16,617,791	19,536,031
Charges for services	3,627,993	2,485,693	2,801,032	2,832,853	3,212,084
Park Development Fees	251,177	136,242	246,250	1,221,717	566,601
Reimbursement from Developer				1,183,749	772,472
Other	3,779,937	3,214,173	4,245,976	4,044,819	13,630,131
Total Revenues	80,333,895	83,418,672	89,421,099	94,295,453	118,732,158
Expenditures					
Current:					
General government	6,552,338	6,954,053	7,244,499	7,797,012	7,892,720
Public safety	38,516,796	42,586,007	45,764,761	44,438,857	48,556,109
Public works and transportation	8,385,988	9,159,496	9,109,643	9,046,513	9,264,448
Community development	5,263,346	4,906,993	5,897,149	4,634,372	4,972,441
Culture and leisure	2,293,190	2,419,420	2,547,019	2,644,211	2,799,749
Nondepartmental	277,275	314,145	325,153	648,217	483,824
Capital outlay	27,567,596	23,450,365	26,346,684	12,752,301	13,099,823
Debt service:					
Principal repayment	2,430,066	2,085,283	1,297,311	4,695,042	1,843,425
Interest and fiscal charges	1,236,067	2,639,157	2,605,294	2,944,662	2,649,656
Issuance Costs	2,506,035				
Total Expenditures	95,028,697	94,514,919	101,137,513	89,601,187	91,562,195
Excess (deficiency) of revenues over (under) expenditures	(14,694,802)	(11,096,247)	(11,716,414)	4,694,266	27,169,963
Other Financing Sources (Uses)					
Gain on Sale					
Transfer of land held for resale to cap assets					
Proceeds of refunding bonds	32,595,000	3,600,631			
Payment to refunded bond escrow agent					
Proceeds of repayment agreement			5,491,093	5,702,124	
Proceeds from long term debt			2,900,000		380,154
Contributions from assessment district					
Operating transfers in	9,811,404	10,872,571	12,959,003	12,803,751	11,556,084
Operating transfers out	(9,857,037)	(10,281,837)	(13,242,856)	(12,901,766)	(12,301,406)
Total other financing sources (uses)	32,549,367	4,191,365	8,107,240	5,604,109	(365,168)
Net Change in fund balances	\$17,854,565	(\$6,904,882)	(\$3,609,174)	\$10,298,375	\$26,804,795
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	(a)	(a)

NOTE:

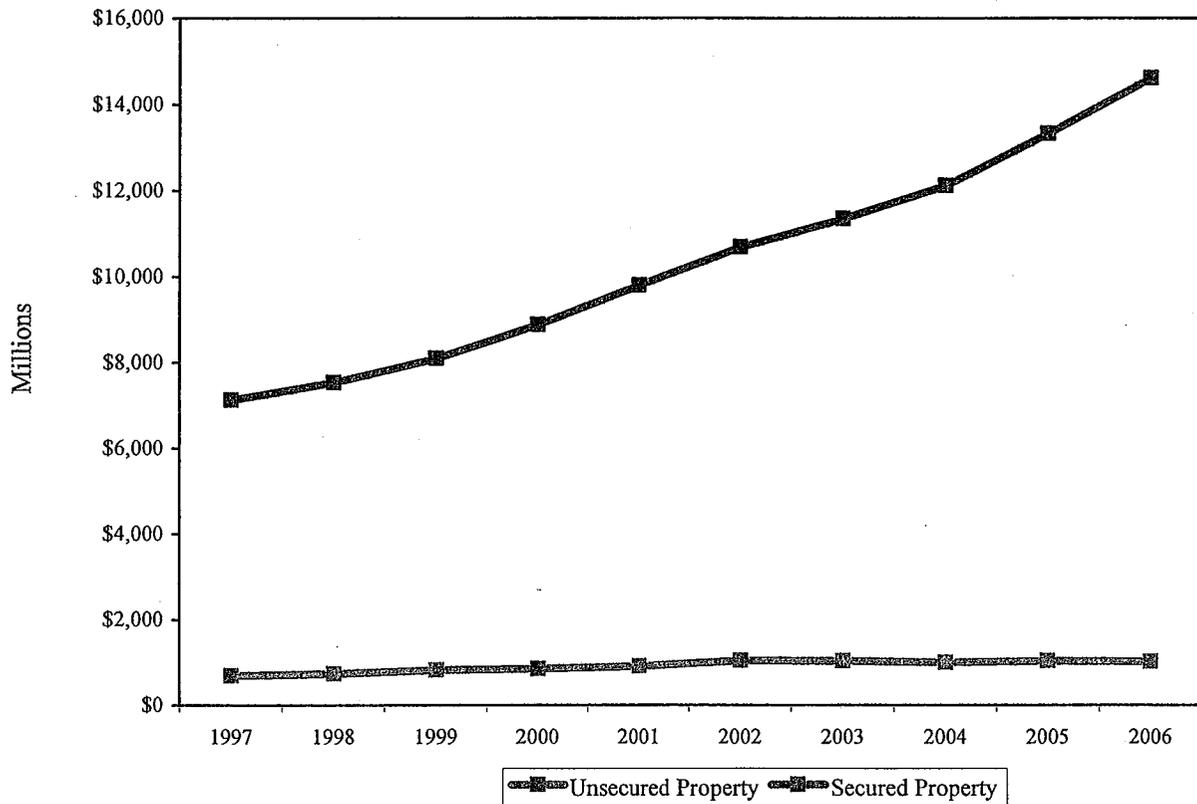
(a) The City implemented GASB Statement 34 in fiscal year 2002. Therefore this calculation is included only for fiscal years subsequent to that date.

Source: City of Hayward Comprehensive Annual Financial Report

Fiscal Year Ended June 30,

2002	2003	2004	2005	2006
\$17,491,441	\$18,728,438	\$19,577,399	\$18,859,966	\$21,446,064
3,728,173	5,113,404	6,138,632	7,035,685	9,154,816
331,974	248,175	547,431	555,487	685,832
30,040,063	25,779,520	25,412,984	27,155,333	26,685,812
16,993,758	16,059,700	19,182,313	22,603,671	23,493,746
2,268,159	2,474,133	3,501,299	3,198,850	3,058,982
671,481	1,512,510	989,574	1,807,424	1,369,873
3,905,886	2,889,938	1,231,361	3,059,783	3,663,298
27,428,038	21,876,919	26,655,486	26,328,946	26,099,613
5,013,107	3,333,000	4,215,041	4,215,345	4,388,585
206,100	548,800	137,150	170,571	670,914
52,386	75,000			
4,208,662	5,373,302	4,799,061	7,092,766	7,418,334
<u>112,339,228</u>	<u>104,012,839</u>	<u>112,387,731</u>	<u>122,083,827</u>	<u>128,135,869</u>
9,018,411	8,826,326	8,985,611	10,083,636	10,595,772
55,367,946	56,707,431	62,511,746	63,399,896	67,486,231
10,136,455	10,989,386	11,310,705	11,728,493	12,282,568
6,819,730	6,931,533	7,046,871	10,378,197	6,880,898
3,835,139	3,529,115	3,386,153	3,421,821	3,520,852
1,078,434	729,191	652,406	1,433,854	1,874,955
20,289,015	25,862,483	16,310,072	17,942,515	17,426,130
1,579,128	1,720,103	5,809,203	1,338,715	2,059,939
3,073,252	2,750,879	3,499,130	3,890,878	4,824,827
<u>111,197,510</u>	<u>118,046,447</u>	<u>119,511,897</u>	<u>123,618,005</u>	<u>126,952,172</u>
<u>1,141,718</u>	<u>(14,033,608)</u>	<u>(7,124,166)</u>	<u>(1,534,178)</u>	<u>1,183,697</u>
			2,500,000	
			(3,443,016)	
(3,409,396)				
3,589,835		44,790,000	2,250,000	12,291,602
	8,693,706			
28,066,581	13,242,059	17,676,689	10,616,069	15,198,496
<u>(28,031,509)</u>	<u>(12,358,183)</u>	<u>(16,499,746)</u>	<u>(9,425,284)</u>	<u>(13,714,603)</u>
<u>215,511</u>	<u>9,577,582</u>	<u>45,966,943</u>	<u>2,497,769</u>	<u>13,775,495</u>
<u>\$1,357,229</u>	<u>(\$4,456,026)</u>	<u>\$38,842,777</u>	<u>\$963,591</u>	<u>\$14,959,192</u>
4.4%	3.9%	8.4%	4.4%	5.7%

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



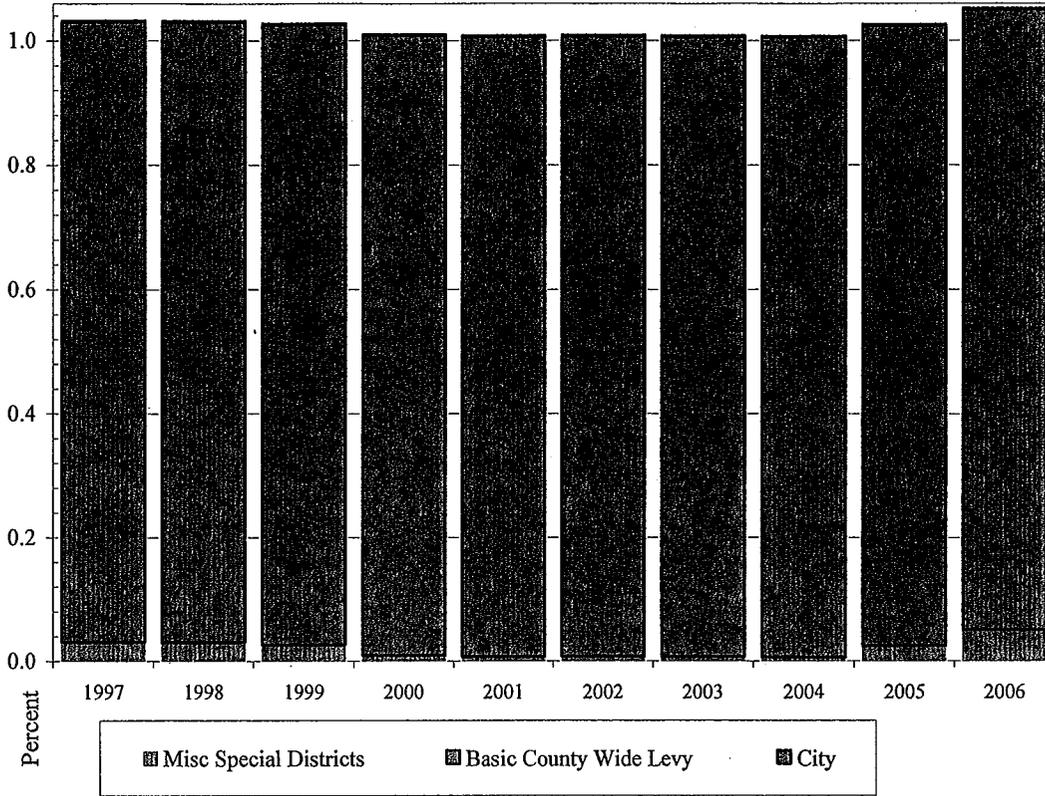
<u>Fiscal Year</u>	<u>Total Secured Property</u>	<u>Total Unsecured Property</u>	<u>Total Assessed</u>	<u>Estimated Full Market (a)</u>	<u>Direct Tax Rate (b)</u>
1997	\$6,444,298,529	\$679,642,913	\$7,123,941,442	\$7,123,941,442	1%
1998	6,801,949,376	725,866,095	7,527,815,471	7,527,815,471	1%
1999	7,277,164,857	813,485,606	8,090,650,463	8,090,650,463	1%
2000	8,032,875,841	842,933,934	8,875,809,775	8,875,809,775	1%
2001	8,886,868,948	908,109,523	9,794,978,471	9,794,978,471	1%
2002	9,648,053,727	1,030,843,430	10,678,897,157	10,678,897,157	1%
2003	10,319,487,654	1,024,667,076	11,344,154,730	11,344,154,730	1%
2004	11,122,042,996	986,816,539	12,108,859,535	12,108,859,535	1%
2005	12,288,165,552	1,027,365,069	13,315,530,621	13,315,530,621	1%
2006	13,597,846,461	1,007,627,707	14,605,474,168	14,605,474,168	1%

Source: Alameda County Auditor Controller Office Certificate of Assessed Valuations

(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.

**CITY OF HAYWARD
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS**



Fiscal Year	Basic County Wide Levy	City	Misc Special Districts	Total
1997	1.0000	0.0018	0.0305	1.0323
1998	1.0000	0.0018	0.0301	1.0319
1999	1.0000	0.0018	0.0259	1.0277
2000	1.0000	0.0018	0.0088	1.0106
2001	1.0000	0.0018	0.0065	1.0083
2002	1.0000	0.0018	0.0072	1.0090
2003	1.0000	0.0018	0.0065	1.0083
2004	1.0000	0.0018	0.0057	1.0075
2005	1.0000	0.0018	0.0243	1.0261
2006	1.0000	0.0018	0.0502	1.0520

Source: Alameda County Assessor's Office

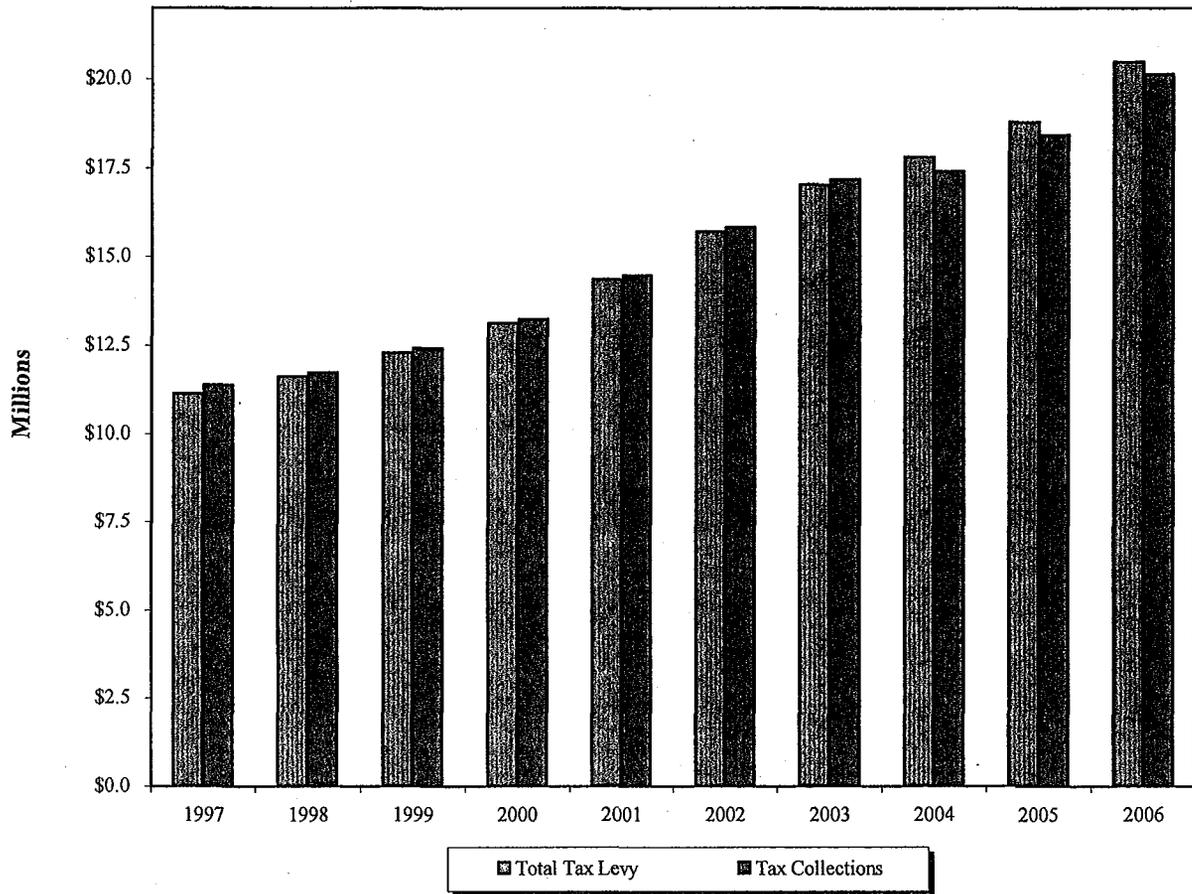
CITY OF HAYWARD
Principal Property Tax Payers
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2005-06</u>			<u>1996-97</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>
Berkeley Farm Inc.	\$133,848,585	1	0.9%	\$132,128,600	2	1.9%
Southland Mall LP	131,917,488	2	0.9%	105,385,117	3	1.5%
SCI Limited Partnership I	78,722,553	3	0.5%	75,493,671	5	1.1%
RREEF America REIT II Corp LLL	78,616,500	4	0.5%			0.0%
Bottling Group LLC	74,778,195	5	0.5%	60,112,894	8	0.8%
Hayward Point Eden I Ltd Partnership	68,232,275	6	0.5%	65,217,328	7	0.9%
RREEF America REIT II Corp DDD	61,658,999	7	0.4%			0.0%
Impax Laboratories	51,486,049	8	0.4%			0.0%
Essex Wimbledon Woods Apts LLC	51,243,285	9	0.4%	49,737,022	10	0.7%
GE Credit Auto Auctions Inc.	21,742,868	10	0.1%	19,524,235	6	0.3%
SPK Industrial Porfolio LLC				149,512,134	1	2.1%
Standard Pacific Group				83,868,936	4	1.2%
Calwest Industrial				51,203,086	9	0.7%
Subtotal	<u>\$752,246,797</u>		<u>5.2%</u>	<u>\$792,183,023</u>		<u>11.1%</u>

Total Net Assessed Valuation:
Fiscal Year 2005-2006 \$14,605,474,168
Fiscal Year 1996-1997 \$7,123,941,442

Source: Alameda County Assessor Fiscal Year Combined Tax Rolls.

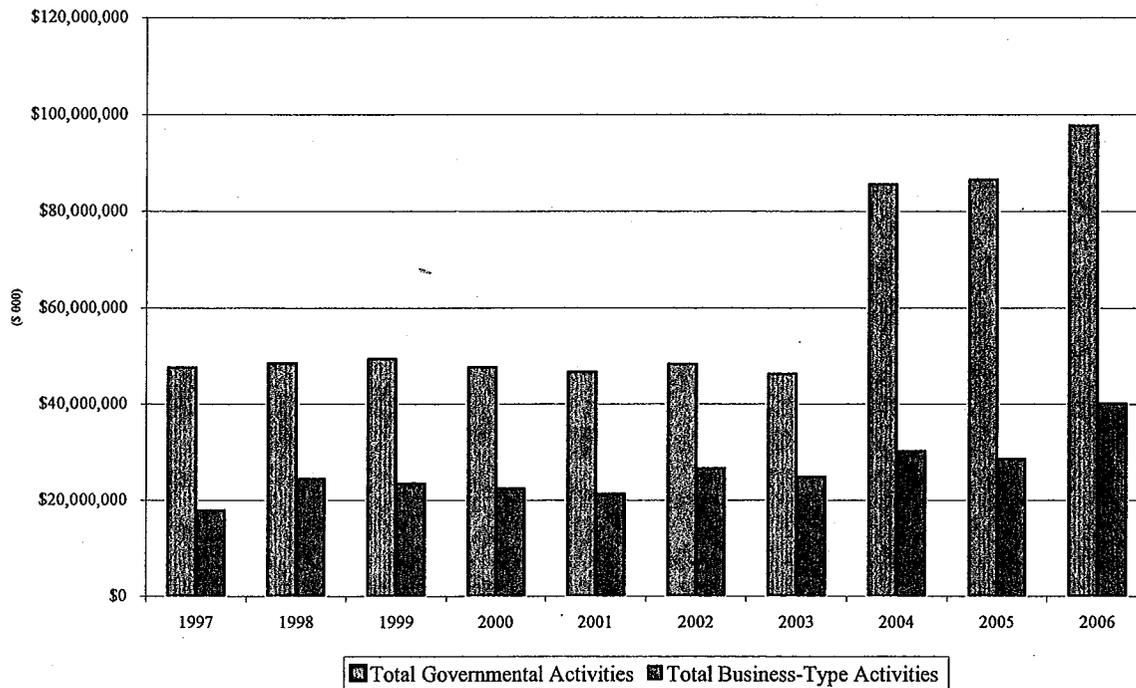
**CITY OF HAYWARD
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
1997	\$11,111,346	\$10,810,870	97.30%	\$552,616	\$11,363,486	102.27%
1998	11,600,925	11,319,242	97.57%	404,916	11,724,158	101.06%
1999	12,286,537	11,983,302	97.53%	419,229	12,402,531	100.94%
2000	13,121,398	12,858,874	98.00%	358,324	13,217,198	100.73%
2001	14,345,461	14,043,529	97.90%	421,843	14,465,372	100.84%
2002	15,690,705	15,281,762	97.39%	535,586	15,817,348	100.81%
2003	17,024,389	16,558,946	97.27%	628,813	17,187,759	100.96%
2004	17,798,479	16,847,330	94.66%	549,264	17,396,594	97.74%
2005	18,777,530	17,834,790	94.98%	585,811	18,420,601	98.10%
2006	20,479,673	19,465,790	95.05%	657,640	20,123,430	98.26%

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
1997	\$6,005,000	\$39,640,000		\$1,913,197	\$47,558,197
1998	5,780,000	39,640,000		3,047,971	48,467,971
1999	5,540,000	39,340,000		4,529,026	49,409,026
2000	5,290,000	38,570,000		3,793,821	47,653,821
2001	5,025,000	37,765,000		3,888,592	46,678,592
2002	4,750,000	36,930,000	6,069,835	576,332	48,326,167
2003	4,460,000	36,050,000	5,513,235	236,367	46,259,602
2004	44,790,000	35,125,000	4,935,070	692,271	85,542,341
2005	44,790,000	34,160,000	4,334,710	3,218,896	86,503,606
2006	55,995,000	33,150,000	3,711,230	4,857,110	97,713,340

Business-Type Activities

Fiscal Year	Water Revenue Bonds	Sewer Revenue Bonds	Total	Total Government	Total Government Debt Per Capita (a)
1997	\$7,381,077	\$10,515,000	\$17,896,077	\$65,454,274	528.14
1998	7,000,751	17,460,000	24,460,751	72,928,722	576.73
1999	6,590,424	16,860,000	23,450,424	72,859,450	570.49
2000	6,160,098	16,235,000	22,395,098	70,048,919	540.46
2001	5,699,771	15,585,000	21,284,771	67,963,363	471.85
2002	10,937,028	15,607,583	26,544,611	74,870,778	518.84
2003	10,040,001	14,810,883	24,850,884	71,110,486	491.36
2004	16,154,965	14,019,965	30,174,930	115,717,271	800.08
2005	15,417,645	13,192,645	28,610,290	115,113,896	788.31
2006	14,646,885	25,490,235	40,137,120	137,850,460	941.61

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

(a) Per Capita based on City population; see Schedule 13 Demographic and Statistics for population data.

Sources: City of Hayward
 State of California, Department of Finance (population)
 U.S. Department of commerce, Bureau of the Census (income)

CITY OF HAYWARD
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2006

2005-06 Assessed Valuation:	\$13,011,000,500
Redevelopment Incremental Valuation:	<u>\$759,867,460</u>
Adjusted Assessed Valuation:	<u>\$12,251,133,040</u>

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>	Net Debt Outstanding	Percentage Applicable to City of Hayward	Amount Applicable to City of Hayward
Bay Area Rapid Transit District	\$100,000,000	3.387%	\$3,387,000
Chabot-Las Positas Community College District	89,275,849	18.285%	16,324,089
Miscellaneous Unified School District	85,363,156	38.215%	32,621,530
East Bay Municipal Utility District	2,100,000	0.370%	7,770
East Bay Regional Park District	111,170,004	4.954%	5,507,362
City of Hayward Community Facilities District No. 1	9,910,000	100.000%	9,910,000
City of Hayward 1915 Act Bonds	4,520,000	100.000%	4,520,000
Alameda County Combined Reassessment District	1,095,000	100.000%	1,095,000
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			<u>73,372,751</u>
Less: East Bay Municipal Utility District (100% self-supporting)			<u>7,770</u>
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			<u>73,364,981</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Alameda County General Fund Obligations	\$611,306,004	8.477%	51,820,410
Alameda County Pension Obligations	282,077,929	8.477%	23,911,746
Alameda County Board of Education Certificates of Participation	1,284,995	8.477%	108,929
Alameda-Contra Costa Transit District Certificates of Participation	19,855,004	10.141%	2,013,496
Chabot-Las Positas Community College District Certificates of Participation	7,820,000	18.285%	1,429,887
Hayward Unified School District Certificates of Participation	25,110,000	85.647%	21,505,962
San Lorenzo Unified School District Certificates of Participation	4,284,999	19.025%	815,221
Castro Valley and Pleasanton Unified School District Certificates of Participation	21,150,000	0.034 & 0.171%	8,880
City of Hayward General Fund Obligations	42,400,000	100.000%	42,400,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$144,014,531</u>
Less: City of Hayward Public Financing Authority Lease Revenue Bonds (100% self-supporting) and Association of Bay Area Governments, Series 2001-2 (18.50% self-supporting)			<u>4,453,775</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>139,560,756</u>
GROSS COMBINED TOTAL DEBT			<u>\$217,387,282</u>
NET COMBINED TOTAL DEBT			<u>\$212,925,737</u>

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

<u>RATIOS TO 2005-06 ASSESSED VALUATION:</u>	
Total Gross Direct and Overlapping Tax and Assessment Debt	0.56%
Total Net Direct and Overlapping Tax and Assessment Debt	0.56%

Source: California Municipal Statistics, Inc.

**CITY OF HAYWARD
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2006**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$14,605,474,168
---	------------------

BONDED DEBT LIMIT (15.% OF ASSESSED VALUE)	\$2,190,821,125
--	-----------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$97,864,924
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Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	97,864,924
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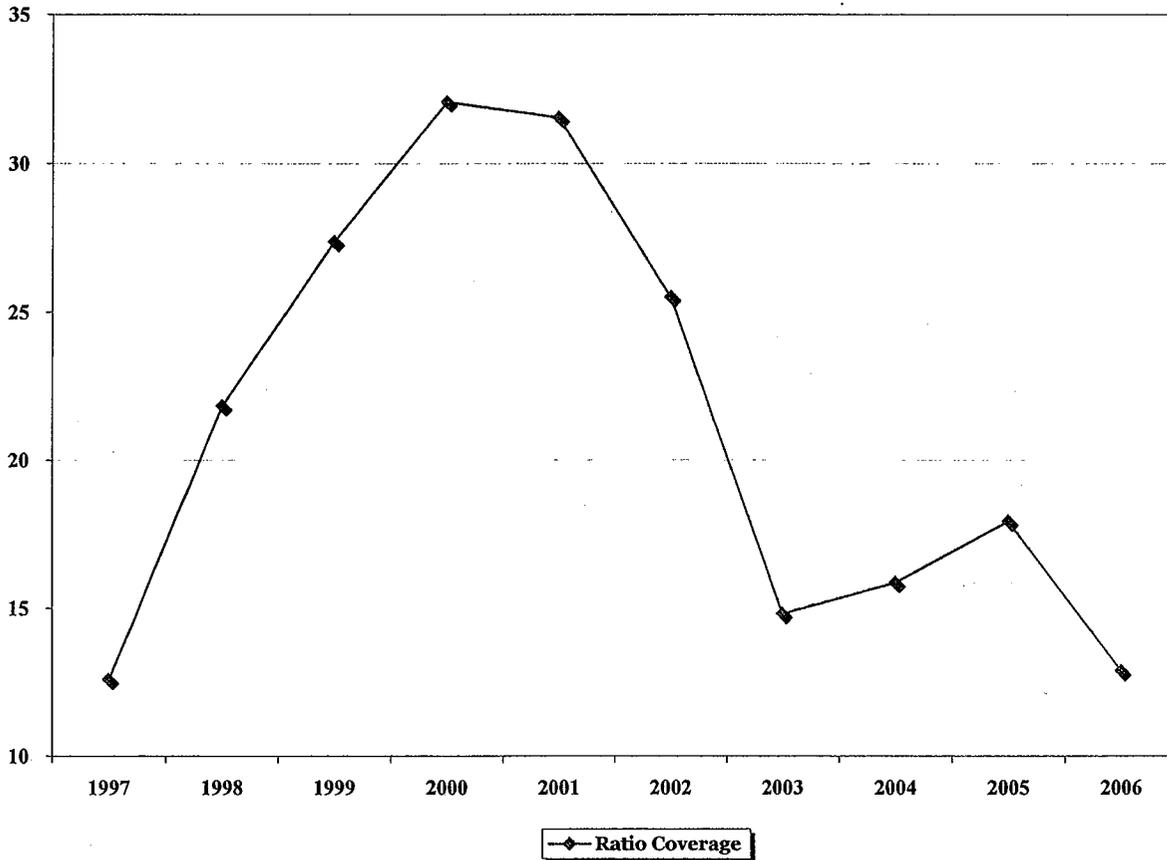
Amount of debt subject to limit	0
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LEGAL BONDED DEBT MARGIN	\$2,190,821,125
--------------------------	-----------------

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
1997	\$993,933,157	0	\$993,933,157	0.00%
1998	1,129,172,321	0	1,129,172,321	0.00%
1999	1,213,597,569	0	1,213,597,569	0.00%
2000	1,331,371,466	0	1,331,371,466	0.00%
2001	1,469,246,771	0	1,469,246,771	0.00%
2002	1,601,834,574	0	1,601,834,574	0.00%
2003	1,701,623,210	0	1,701,623,210	0.00%
2004	1,816,328,930	0	1,816,328,930	0.00%
2005	1,997,329,593	0	1,997,329,593	0.00%
2006	2,190,821,125	0	2,190,821,125	0.00%

Source: County of Alameda Auditors Office

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

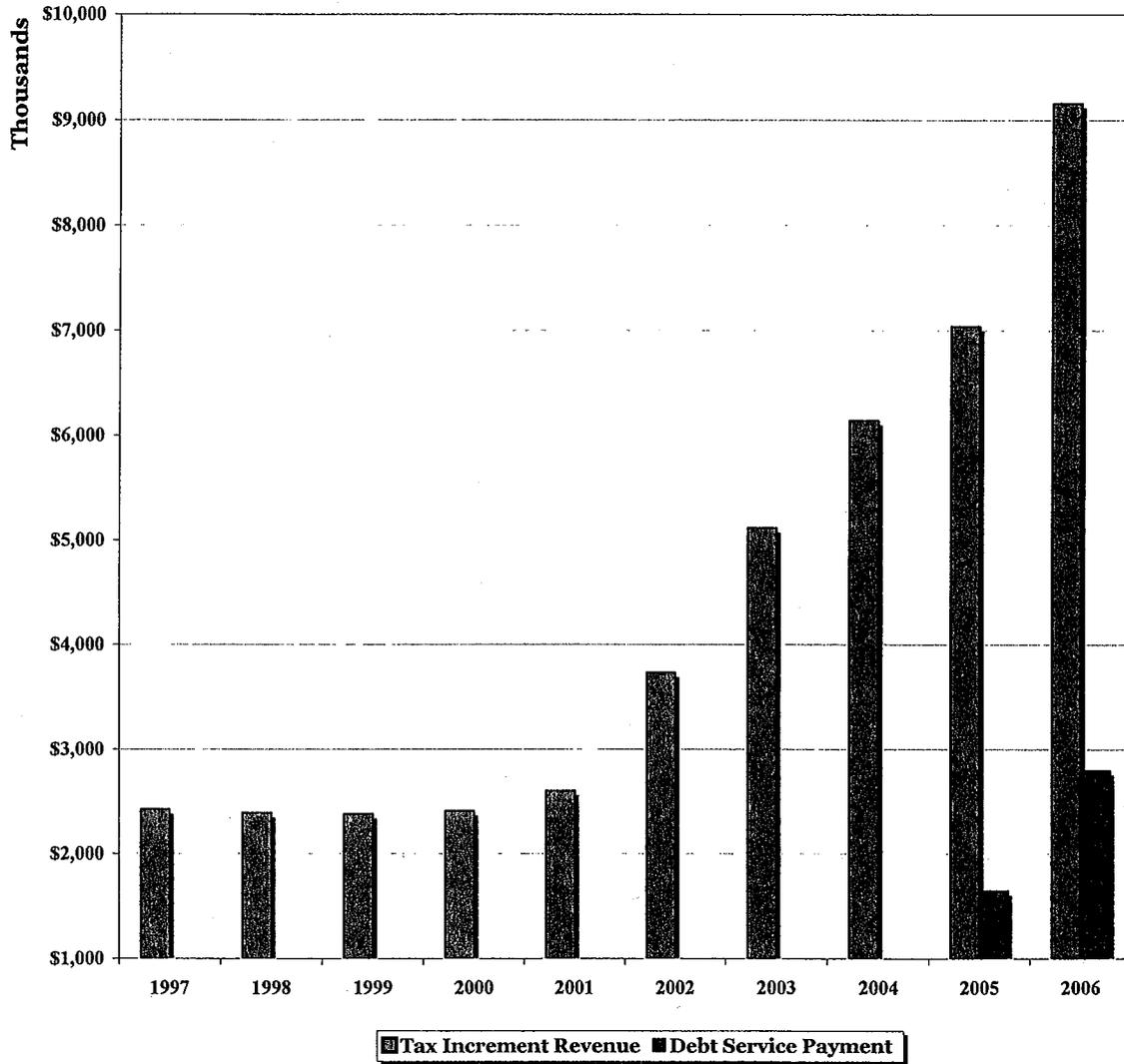


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Ratio Coverage
				Principal	Interest	Total	
1997	\$28,093,046	\$16,281,269	\$11,811,777	\$375,000	\$563,032	\$938,032	12.59
1998	27,729,739	16,387,274	11,342,465	235,000	284,410	519,410	21.84
1999	31,625,348	17,226,281	14,399,067	250,000	275,950	525,950	27.38
2000	36,970,003	20,241,739	16,728,264	255,000	266,450	521,450	32.08
2001	38,043,354	21,431,811	16,611,543	270,000	256,505	526,505	31.55
2002	37,008,979	22,336,686	14,672,293	260,000	315,000	575,000	25.52
2003	37,117,660	21,657,598	15,460,062	550,000	493,240	1,043,240	14.82
2004	45,157,589	28,749,172	16,408,417	560,000	474,167	1,034,167	15.87
2005	48,501,867	29,848,059	18,653,808	575,000	464,851	1,039,851	17.94
2006	40,424,483	27,212,260	13,212,223	595,000	429,960	1,024,960	12.89

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 Statements

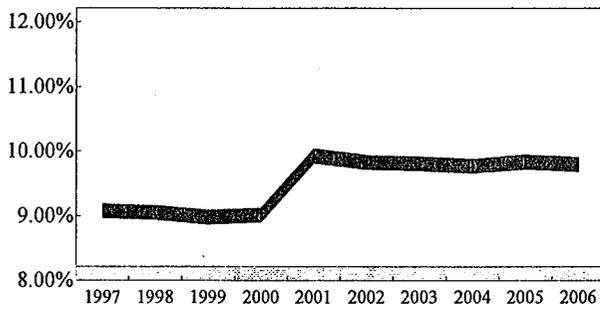
**CITY OF HAYWARD
 BONDED DEBT PLEDGED REVENUE COVERAGE
 TAX ALLOCATION BONDS
 LAST TEN FISCAL YEARS**



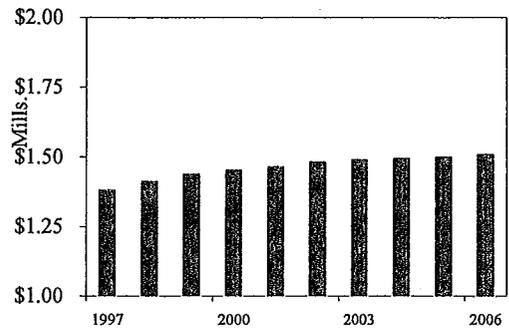
Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1997	\$2,421,464	\$190,000	\$341,812	\$531,812	4.55
1998	2,387,460	225,000	307,919	532,919	4.48
1999	2,378,779	240,000	298,919	538,919	4.41
2000	2,404,938	250,000	289,019	539,019	4.46
2001	2,599,452	265,000	278,081	543,081	4.79
2002	3,728,173	275,000	266,156	541,156	6.89
2003	5,113,404	290,000	253,506	543,506	9.41
2004	6,138,632	305,000	239,876	544,876	11.27
2005	7,035,685	0	1,643,576	1,643,576	4.28
2006	9,154,816	595,000	2,199,581	2,794,581	3.28

Source: City of Hayward Annual Financial Statements

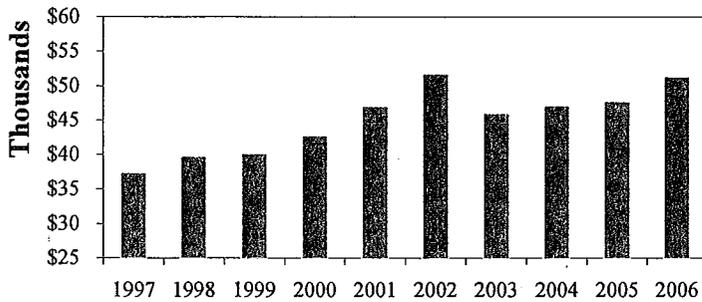
**CITY OF HAYWARD
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



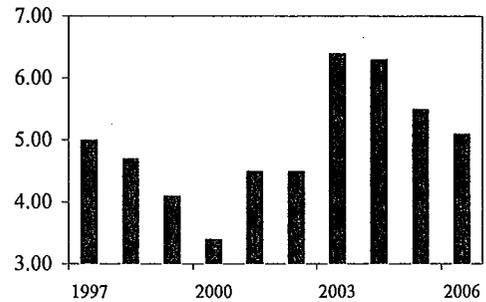
■ City Population as a % of County Population



■ Alameda County Population



■ Net Effective Buying Income Per Family



■ Unemployment Rate (%)

Fiscal Year	City Population	Net Effective Buying Income Per Family	City Unemployment Rate	Alameda County Population	City Population % of County
1997	123,934	\$37,222	5.0	1,381,705	8.97%
1998	126,452	39,643	4.7	1,413,371	8.95%
1999	127,713	39,989	4.1	1,438,516	8.88%
2000	129,610	42,615	3.4	1,454,302	8.91%
2001	144,037	46,919	4.5	1,465,669	9.83%
2002	144,304	51,588	4.5	1,483,438	9.73%
2003	144,721	45,899	6.4	1,491,247	9.70%
2004	144,633	46,994	6.3	1,495,775	9.67%
2005	146,027	47,606	5.5	1,500,228	9.73%
2006	146,398	51,177	5.1	1,510,303	9.69%

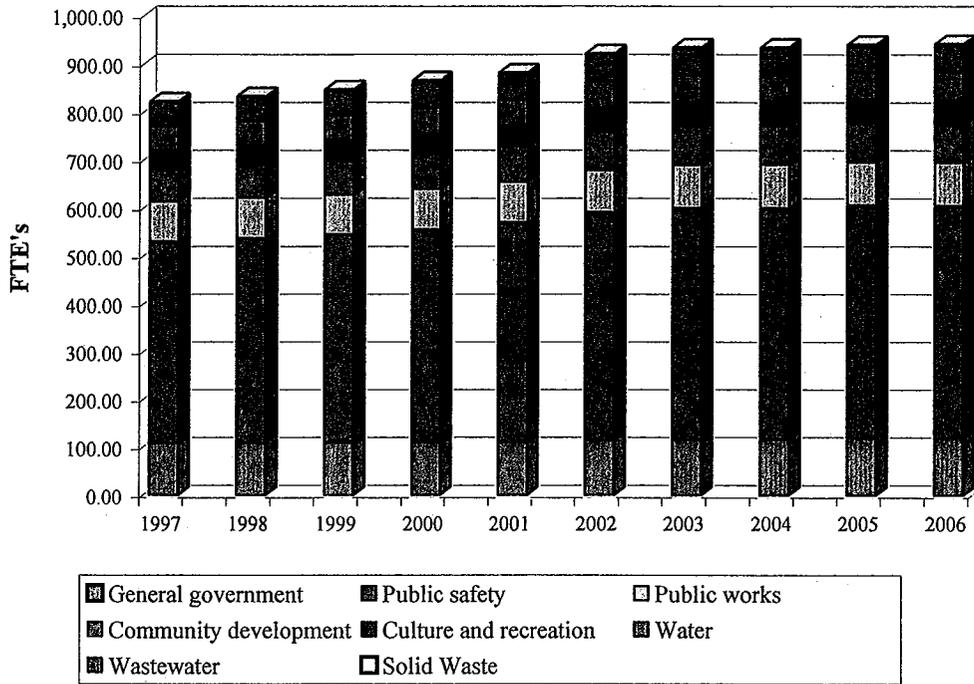
Source: California State Department of Finance

CITY OF HAYWARD
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2005-06</u>			<u>1996-97</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Kaiser Permanente Medical Group	2,200	1	1.5%	2,000	2	1.6%
Hayward Unified School District	2,100	2	1.4%	2,000	2	1.6%
California State University	1,600	3	1.1%	1,550	3	1.2%
Mervyn's Dept Store Headquarters	1,300	4	0.9%	3,200	1	2.6%
City of Hayward	943	5	0.6%	824	7	0.7%
SBC	940	6	0.6%	940	5	0.8%
Chabot College	763	7	0.5%	1,150	4	0.9%
St. Rose Hospital	660	8	0.4%	850	6	0.7%
Berkeley Farms	640	9	0.4%			
Gillig Corporation	474	10	0.3%			
Alameda Newspaper	405	11	0.3%	400	12	0.3%
Pepsi Cola	400	12	0.3%	400	12	0.3%
Cell Genesys, Inc.	375	13	0.3%			0.0%
Injex Industries, Inc.	350	14	0.2%			0.0%
Morgan Advanced Ceramics	250	15	0.2%			0.0%
Subtotal	<u>13,400</u>		<u>9.1%</u>	<u>13,314</u>		<u>10.7%</u>
Total City Day Population Using Census Data	<u>147,210</u>			<u>124,452</u>		

Source: City of Hayward Community Development Department

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



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Function										
General government	109.60	110.00	110.00	111.00	110.50	116.00	117.00	117.00	121.00	121.00
Public safety	421.50	427.50	436.00	445.00	460.20	476.20	484.20	484.20	486.20	485.20
Public works	84.25	86.25	83.75	85.75	85.75	88.75	90.75	91.75	90.75	90.75
Community development	66.10	67.50	70.00	72.50	74.00	79.50	80.50	80.50	80.50	79.50
Culture and recreation	39.15	39.15	41.65	41.95	41.95	49.85	49.85	49.85	49.85	49.85
Water	51.00	52.00	54.00	55.00	55.00	56.00	56.00	56.00	57.00	59.00
Wastewater	50.50	50.50	50.50	53.50	53.50	54.50	55.50	54.50	54.50	55.50
Solid Waste	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total	824.10	834.90	848.90	867.70	883.90	923.80	936.80	936.80	942.80	943.80

Source: City of Hayward Adopted Operating Budget Book

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CITY OF HAYWARD
Operating Indicators by Function/Program

Function/Program	Fiscal Year 2006
Public safety:	
Fire alarms	13,400
Police: (Uniform Crime Reporting Statistics)	
Property crime calls	5,761
Violent crime calls	729
Arson calls	74
Public works	
Pavement Condition Index (PCI)*	74
*Industry measure of street condition with 100 ideal score	
Annual pavement improvement projects	9
Airport operations count/flights	133,462
Airport reported based aircraft	477
Community and Economic Development	
Housing Units Developed in the Vicinity of Downtown Hayward BART Station	305
Active Subdivisions	12
Active Parcel Maps	14
Building Permits	2,386
Residential Rental Inspections	4,076
Community Preservation Cases	1,259
Social Services Projects Funded	23
Facilities Projects Funded	9
Economic Development Projects Funded	1
New Housing/Rehab Projects Funded	2
Public Services Projects Funded	10
Culture and recreation:	
Library Materials in Collection	175,030
Library Circulation (Items checked out)	727,500
Water	
Water service connections	31,679 (a)
Water main breaks	50 (a)
Average daily consumption (thousands of gallons)	18,000 (a)
Wastewater	
Sewer service connections	28,817 (a)
Average daily treatment (thousands of gallons)	13,200 (a)
Solid Waste	
Landfilled waste recycled and diversion rate*	50% (b)
*Measurement of City effort to comply with state law requiring 25% of all landfilled waste to be recycled and 50% diverted	

Source: City of Hayward

(a) Best annualized estimate using partial year data

(b) Best estimate--data needed to determine rate is not available from state

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

Function/Program	Fiscal Year				
	1997	1998	1999	2000	2001
Public safety:					
Fire stations (a)	8	8	9	9	9
Number of firefighters and officers (b)	135	134	119	120	127
Police stations	1	1	1	1	1
Number of police officers (c)	167	176	173	182	197
Public works					
Miles of streets	248	248	251	252	253
Street lights	6,700	6,750	6,800	6,850	6,900
Traffic Signals	96	97	98	99	100
Airport	1	1	1	1	1
Community Development					
City Libraries	2	2	2	2	2
Water					
Number of consumers	120,000	126,000	126,000	126,000	126,000
Average daily consumption (gallons)	15,700,000	17,100,000	17,920,000	18,717,410	18,360,735
Miles of water mains	300	300	300	300	325
Storage capacity (gallons)	25,250,000	25,250,000	25,250,000	25,250,000	25,250,000
Wastewater					
Miles of sewers	301	301	301	301	325
Number of treatment plants	1	1	1	1	1
Treatment capacity (gallons)	13,100,000	13,100,000	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

Fiscal Year				
2002	2003	2004	2005	2006
9	9	9	9	9
128	125	115	119	118
1	1	1	1	1
204	204	196	188	192
255	258	258	258	258
6,950	7,000	7,000	7,300	7,300
101	103	105	106	107
1	1	1	1	1
2	2	2	2	2
130,000	130,000	130,000	140,000	140,000
17,608,073	17,688,993	19,647,860	18,500,000	18,300,000
325	325	325	325	325
25,250,000	25,250,000	25,250,000	28,100,000	28,100,000
325	325	325	325	325
1	1	1	1	1
16,500,000	16,500,000	16,500,000	16,500,000	16,500,000

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