CITY OF
HAYWARD
HEART OF THE BAY

Council Budget And Finance Committee

February 13, 2013

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2. Review FY 2013 mid-year update and General Fund 10-Year Plan update.

CITY OF HAYWARD
HEART OF THE BAY

CITY COUNCIL BUDGET AND FINANCE COMMITTEE
SPECIAL MEETING
Wednesday, February 13, 2013
Conference Room 4B 4:30 PM

CALL TO ORDER

ROLL CALL

PUBLIC COMMENTS: *(The Public Comment section provides an opportunity to address the City Council Committee on items not listed on the agenda. The Committee welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Committee is prohibited by State law from discussing items not listed on the agenda, your item will be taken under consideration and may be referred to staff.)*

DISCUSSION ITEMS

1. Presentation of Comprehensive Annual Financial Report (CAFR) for period ending 6/30/12; Cory Biggs from Maze & Associates will attend.

   Attachment 1 - CAFR FY 2012
   Attachment 2 - MOIC FY 2012

2. Review FY 2013 mid-year update and General Fund 10-Year Plan update.

COMMITTEE MEMBER ANNOUNCEMENTS AND REFERRALS

ADJOURNMENT

NEXT MEETING – 4:00PM, WEDNESDAY, MARCH 27, 2013

****Materials related to an item on the agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office, City Hall, 777 B Street, 4th Floor, Hayward, during normal business hours. An online version of this agenda and staff reports are available on the City's website.****

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans Disabilities Act of 1990. Interested persons must request the accommodation at least 48 hours in advance of the meeting by contacting the Assistant City Manager at (510) 583-4300 or TDD (510) 247-3340.

CITY OF

HAYWARD

CALIFORNIA

Comprehensive Annual Financial Report

for Fiscal Year Ended June 30, 2012

HEART OF THE BAY

CITY OF HAYWARD, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2012

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, 2012

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CITY OF
HAYWARD
HEART OF THE BAY

December 20, 2012

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

It is my pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Hayward for the fiscal year ended June 30, 2012. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. In the opinion of management, the data is accurate in all material respects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and contains all disclosures necessary to enable the reader to understand the City's financial affairs.

FINANCIAL STATEMENT PRESENTATION

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

The City's financial statements have been audited by Maze and Associates, a public accounting firm fully licensed and qualified to perform audits of local governments within the State of California. The goal of the independent auditor is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hayward, California's financial statements for the year ended June 30, 2012, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this Report.

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

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

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

CITY PROFILE & SERVICES

With a population currently estimated at 144,186, Hayward is the sixth largest city in the San Francisco Bay Area and the third largest city in Alameda County. Hayward is located fourteen miles south of Oakland in the San Francisco Bay Area. The City area includes sixty-one square miles lying between the eastern shore of San Francisco Bay and the southern Oakland-Berkeley Hills. Hayward serves as a major transportation hub and a center of commercial and industrial activity, with immediate access to major interstate freeways, rail lines, and public transit routes such as Bay Area Rapid Transit (BART). The community includes approximately 48,000 homes and residences of all types and considerable commercial and industrial development. Major institutional facilities include California State University-East Bay, Chabot Community College, two major hospitals, and state and county offices.

City Structure

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

City Services

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

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

Component Units

The City Council is also financially accountable for the Hayward Redevelopment Agency (through January 31, 2012, after which time the agency was dissolved pursuant to State law and transferred to the Successor Agency of the Hayward Redevelopment Agency), the Hayward Public Financing Authority, the Hayward Housing Authority, and the Hayward Business Improvement District; therefore, these component unit activities are included in the accompanying basic financial statements. Furthermore, the City participates in a number of joint ventures and authorities, which exist due to joint exercise of power agreements. An equity interest is reported for the East Bay Dischargers Authority (www.ebda.org/). The complete financial activities have not been included for this entity, as the City Council is not financially accountable for them. Other entities, which have been excluded, that do not meet the established criteria for inclusion in the reporting entity are the Hayward Area Recreation and Park District (www.haywardrec.org/) and Hayward Unified School District (www.husd.k12.ca.us/).

ECONOMIC CONDITION AND OUTLOOK

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

Local Economy

Hayward is a diverse city with a diverse economy – comprised of a growing business community that represents a balance of retail, industrial, and emerging technologies. Located midway between San Francisco and San Jose, in fiscal year 2012, the City of Hayward continued to experience the impacts of the down-turn in the economy like many other municipalities located in the San Francisco bay area. The recession resulting from the global financial and credit market meltdown in 2008 has had a direct and dramatic impact on Hayward's local revenues.

Economic reports indicate that the state of California's economy is slowly improving. The Employment Development Department released its latest figures, which show 11,700 new jobs were added in the Bay Area during the month of October 2012. Consequently, the State unemployment rate now stands below 10%, which is an improvement compared to a rate of 11.3% in November 2011. The East Bay jobless rate in November 2012 was 8.6 percent. While this is optimistic news, management has mixed views regarding the outlook for the future due to the expectation that major revenues will not rebound to prior year high levels in the immediate future.

The General Fund revenue outlook for the long-term future of the City is difficult to predict – yet is conservatively optimistic. The slow recovery of the housing market is expected to restrain property tax growth – but the City will likely see modest growth over the upcoming years. The City experienced a 1.5% decline in property tax revenues in fiscal years 2011 and 2012. According to the County Assessor, property assessed values have been leveling off and .15% growth is expected for fiscal year 2013. However, as the City's single largest revenue source, this has resulted in a dramatic loss of revenue of about $13.4 million between fiscal years 2009 and 2012.

Sales tax revenue declined by a cumulative loss of $12.4 million from 2008 to 2012, largely due to lagging automobile sales, along with business-to-business, construction, and other retail sectors. On a positive note, the City did see its sales tax revenues rebound in fiscal year 2012, experiencing a 3.3% increase over fiscal year 2011 revenues. While this does not achieve the level of sales tax revenues experienced in 2008, it does indicate economic improvement. Staff anticipates moderate growth in sales tax revenue for the foreseeable future.

On May 19, 2009, the voters of the City of Hayward approved Measure A allowing for the collection of a 5.5% utility users tax to maintain key essential services and prevent further reductions to basic City services. The utility users' tax revenue for fiscal year 2012 was $14.8 million and is estimated to be $15.1 million in fiscal year 2013.

Controlling expenditures has been key to responding to this economic recession. Management and employee groups have partnered to identify significant structural savings. Our challenge is to continue this partnership and to identify how to turn short-term savings measures, such as employee furloughs, into longer term, permanent, structural savings.

Factors Affecting the City's Financial Condition

The City has lost over $100 million in local revenues to the State since 1994. Thankfully Management is not aware of any additional direct local revenue losses in the most recent version of the State budget (excluding the local impact of State realignment). Given the Passage of Proposition 30 in November 2012, the State budget outlook is far more positive than in previous years. However, the State's ability to take local government revenues, the recent loss of redevelopment being a prime example, has significantly hampered the future plans of local government for years to come.

Loss of California Redevelopment Agencies:

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

Long-term Perspective

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

The City adopts a biennial budget and employs long-term planning as the framework for its fiscal decisions. The City utilizes ten-year planning tools for the General Fund as well as other key operating funds. While the General Fund structural budget gap has been greatly reduced, the City continues its efforts to entirely eliminate the remaining $5 - $6 million gap.

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

MAJOR INITIATIVES & ACCOMPLISHMENTS

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

Overarching Priorities:	**SAFE** **CLEAN** **GREEN**
Supporting Priorities:	Organizational Health Land Use Fiscal Stability

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

Capital Improvement Program

An example of one of the strategies to meet Council priorities is the City's Capital Improvement Program, which for FY 2012 was budgeted at $85.9 million, and over the Ten-Year Planning Cycle, the Capital Improvement Program totals $373 million in project allocations. These projects will improve the economic base of the City as well as improving the safety and reliability of City infrastructure for residents, businesses, and visitors.

Neighborhood Services/Cleanliness

Neighborhood Partnership Program: In fiscal year 2012, the City conducted eight Phase I Neighborhood Partnership meetings in eighteen Hayward neighborhoods, and an additional 13 neighborhoods on Phase II initiatives; and continued the Hayward Blight Busters Program to clean up neighborhoods and provide graffiti removal.

Neighborhood Stabilization Program: Worked in collaboration with various partner agencies on the Hayward Promise Neighborhoods initiative, resulting in the successful application for the regional $25 million federal implementation grant.

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

webinars on the program for the Alliance of Innovation; and has been asked by other cities in the Bay Area to assist them in developing a similar program.

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

Land Use and Sustainability

Route 238 Settlement: Route 238 stretches north to south from one end of the City of Hayward to the other and involves several projects related to this corridor. One major project relates to the disposition of over four hundred parcels of property accumulated by the State Department of Transportation (Caltrans) in preparation for the old 238 bypass freeway, which was abandoned by Caltrans through pressure by the community and housing advocates. The City and Caltrans worked with housing advocates to develop a settlement agreement that outlines how the residents of State-owned properties will be accommodated as property disposition progresses. In previous years, the City conducted a land use study on these 238 properties and now continues to work towards implementing the terms of the Settlement Agreement in conformance with the results of the Land Use Study.

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

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

Sustainability Efforts: The City Council adopted an aggressive and thorough Climate Action Plan, a Green Building Ordinance and a Bay Friendly Landscaping Ordinance for private development; as well as an ordinance banning smoking in public areas and banning use of Styrofoam containers for restaurants. Staff has begun development of a residential and commercial energy conservation ordinance. The Council Sustainability Committee has also been

very active in seeking out various other ways to "Green" the City, including actively promoting use of both solar for hot water heating and photovoltaic solar in both existing and new residences.

Organizational Health and Fiscal Stability

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

Long-term Debt Ratings

Recently Fitch Ratings assigned the City's $26.1 million 2007 refunding of its certificates of participation (COPs) for the Civic Center building and other capital improvement projects with a AA rating and an implied General Obligation rating of AA+. Standard and Poor's Rating Services (S&P) also recently reviewed Hayward's series 2001 and 2004 COPs for water improvement projects (outstanding debt totaling $8.1 million) and assigned a AA+ rating with a Stable Outlook. The fact that the City was able to maintain such high ratings in the face of its fiscal challenges is recognition of a proven record of sound fiscal management by the Mayor, City Council and City staff.

FINANCIAL INFORMATION

Internal Controls

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

Budgetary Controls & Financial Policies

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

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

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

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

Debt Administration: Even as a charter city, Hayward has adopted a comprehensive debt management policy that guides the issuance and management of City debt. The policy includes establishing the legal debt limits (per State law this equates to 15% of assessed value of all real and personal property of the city); identifying the types of debt that can be issued and purposes for which debt proceeds can be used; establishing financial limits affecting debt issuance; and identifying guidelines regarding the structuring of debt (such as term). At the end of fiscal year 2012, the City had total debt outstanding of $97 million, which complies with the current policy. This is further detailed in the accompanying Management Discussion and Analysis section of this document.

Cash Management: Cash temporarily idle during the year was mainly invested in U.S. Government securities and with the State Treasurer's Local Agency Investment Fund (L.A.I.F.). FY 2012 unaudited portfolio interest totaled $742,000, which was a decline of approximately 51% or $772,000 from the previous year. FY 2012 annual portfolio yield was 0.46%, which was a decline of approximately 42% from the previous year. Besides the reduction in interest rates, the City's interest bearing assets dropped by 3% compared to last year. FY 2012 average monthly cash available for investment was $162 million.

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

Reserve Policies: As the City complies with the provisions of GASB 54 (fund balance reporting and fund type definitions), some of the current reserve designations may change. For FY 2012, the policy states that General Fund reserves for economic uncertainty and liquidity should be 15% of the annual General Fund operating appropriations. The policy also sets forth a $10 million reserve for disaster-related emergencies to be established over a ten year planning period, which is critical given the risk of a major earthquake or other natural disaster affecting the City.

While further delineated in the accompanying MD&A, at the end of fiscal year 2012, the unassigned fund balance of the General Fund was $27.76 million, while the total fund balance was

$34.9 million. The unassigned fund balance represents 22.6% of total General Fund expenditures of $123.1 million (including Transfers Out).

AWARDS AND ACKNOWLEDGEMENTS

Award Recognition

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Hayward for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the twenty-fifth consecutive year that the City of Hayward has received this prestigious national award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This Report must also satisfy both GAAP and applicable legal requirements.

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

Acknowledgements

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

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

Respectfully Submitted,

Tracy A. Vesely
Director of Finance
City of Hayward

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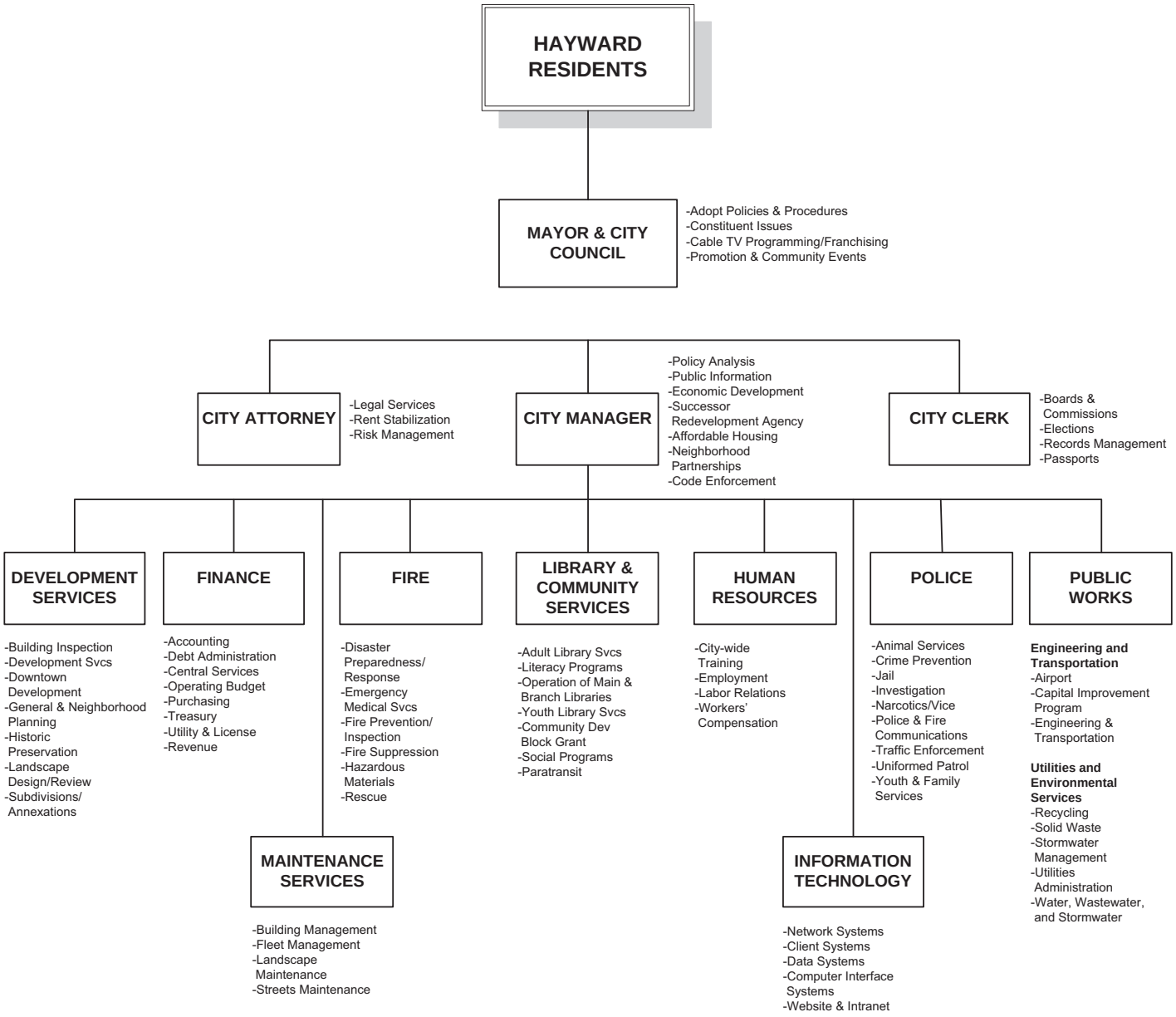
CITY OF HAYWARD ORGANIZATION



City of Hayward
Elected Officials

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

Michael Sweeney
Mayor
Term Expires 2014

Barbara Halliday
Council Member
Term Expires 2016

Olden Henson
Council Member
Term Expires 2012

Marvin Peixoto
Council Member
Term Expires 2014

Bill Quirk
Council Member
Term Expires 2012

Mark Salinas
Council Member
Term Expires 2014

Francisco Zermeño
Council Member
Term Expires 2016

City of Hayward Administrative Staff

Appointed by City Council

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

Department Directors

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

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, 2011

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

MAZE & ASSOCIATES

INDEPENDENT AUDITORS' OPINION

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, 2012 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. 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 a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly in all material respects the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hayward at June 30, 2012 and the results of its operations and the cash flows of its proprietary funds 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.

As disclosed in Note 19, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Redevelopment Agency has been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012.

As discussed in note 19H, the Redevelopment Agency repaid certain interfund loans in the amount of $1.8 million in fiscal 2010-11. ABx1 26 directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and the sponsoring public agency occurred on or after January 1, 2011 and if such a transfer occurred, the State Controller is to require that the transfer be reversed. As of the date of our report, the review has not been completed and the amount of repayment to be returned, if any, is not determinable at this time.

The City’s position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012 on our consideration of the City of Hayward's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise City of Hayward, financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maze & Associates

December 20, 2012

CITY OF HAYWARD, CALIFORNIA
Management's Discussion and Analysis

As management of the City of Hayward (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information furnished in the Letter of Transmittal, which can be found in the preceding Introductory section of this Report, and with the City's basic financial statements and accompanying notes to those financial statements.

Financial Highlights

- At the close of the most recent fiscal year, the assets of the City exceeded its liabilities by $591.0 million (*net assets*). Of this amount, $170.5 million (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors within the restrictions set forth by the various funding sources.

- The City's total *net assets* increased by $37.1 million during the current fiscal year. Governmental activities, including the General Fund, increased by $31.7 million due to capital contributions and grants as well as a slight uptick in sales tax revenues over the prior fiscal year; while business-type activities such as Sewer, Water, and Airport Funds, increased by $5.4 million largely due to water activities.

- As of June 30, 2012, the City's governmental funds reported combined fund balances of $91.3 million, an increase of $6.9 million from the prior year.

- At the end of fiscal year 2012, total fund balance for the General Fund was $34.9 million, of which $7.05 million was nonspendable (illiquid reserves), largely comprised of $7.0 million in long-term Interfund receivables. The remainder of the $27.8 million fund balance was designated for specific purposes, including contingencies, by the City Council. The fund balance designated by City Council for contingencies of $10.7 million represents 8.7% of total General Fund expenditures ($123.1 million, including Transfers Out).

- Fiscal year 2012 ended with net decrease to the General Fund reserve of $2.5 million (less non-liquid assets), which indicates the structural budget gap the City is struggling with.

- As of June 30, 2012, the City's proprietary funds (Sewer, Water, and Airport) reported combined net assets of $252.0 million, an increase of $5.5 million from the previous year.

Overview of the Basic Financial Statements

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

Government-wide Financial Statements. (pages 16-17) The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* (see Table 1 below on page 6) presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. 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. It should be noted that net assets includes liquid and illiquid assets (cash and non-cash).

The *statement of activities and change in net assets* (see Table 2 below on page 8) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow impacts in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

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

Governmental Funds. (pages 20-25) Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

Because the focus of governmental funds are more narrow than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.
The City maintains thirty individual government funds for financial reporting. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, HOME investment in Affordable Housing Program (HOME), and Housing Authority Low & Moderate, and Route 238 Corridor Improvement Fund, all of which are considered to be major funds. Data from the other twenty-six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the *Non-major Governmental Funds* section of this Report. *Combining statements* present and summarize all the details of the non-major funds.

The City adopts an annual appropriated budget for all its governmental funds. A budgetary comparison statement is provided for all governmental funds with annually adopted budgets. The budget comparison statement for the General Fund is located in the basic financial statements on page 24 of this Report. All other major and non-major funds with legally adopted annual budgets are located in the supplementary information section.

Proprietary Funds. (pages 28-30) The City maintains two different types of *proprietary funds*, the Enterprise Funds and the Internal Service Funds. The *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water, storm water runoff, and airport operations. The *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Workers Compensation, General Liability, Fleet Management, Facilities, Technology Services, and Employee Benefits Funds. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

Fiduciary Funds. (pages 32-33) Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs.

Notes to the Basic Financial Statements. (pages 35-79) The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, supplementary information on major and non-major governmental funds and internal service funds are presented in this report. Combining and individual fund statements and schedules can be found beginning on page 81 of this Report.

Government-wide Financial Analysis

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

Statement of Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $591 million at the close of the current fiscal year.

The largest portion of the City's net assets, $362 million or 61%, reflects its investment in capital assets (e.g. land, buildings, street infrastructure, sewer and water pipelines, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 - City of Hayward Statement of Net Assets

(Amounts expressed in millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$133.9	$158.3	$143.3	$140.4	$277.2	$298.7
Capital assets	281.1	275.5	176.3	180.0	$457.4	$455.5
Total assets	415.0	433.8	319.6	320.4	734.6	754.2
Long term liabilities outstanding	33.8	84.2	63.3	68.2	97.1	152.4
Other liabilities	42.2	42.2	4.3	5.7	46.5	47.9
Total liabilities	76.0	126.4	67.6	73.9	143.6	200.3
Net assets:						
Invested in capital assets, net of debt	249.0	198.1	113.0	111.8	362.0	309.9
Restricted	58.5	49.4	0.0	0.0	58.5	49.4
Unrestricted	31.5	59.9	139.0	134.7	170.5	194.6
Total net assets	$339.0	$307.4	$252.0	$246.5	$591.0	$553.9

Another portion of the City's net assets, $58.5 million or 9.9%, represent resources that are subject to external restrictions on how they may be used. Almost all of these restricted net assets are related to restrictions on the City's special revenue and capital projects funds. The remaining balance of unrestricted net assets, $170.5 million or 29%, may be used to meet the City's ongoing obligations to citizens and creditors within the restrictions set forth by the various funding sources.

Governmental activities – the two charts illustrate the City's revenues by source and governmental activities by function, including the Redevelopment Agency.

Chart 1 – Revenues by Source – Governmental Activities

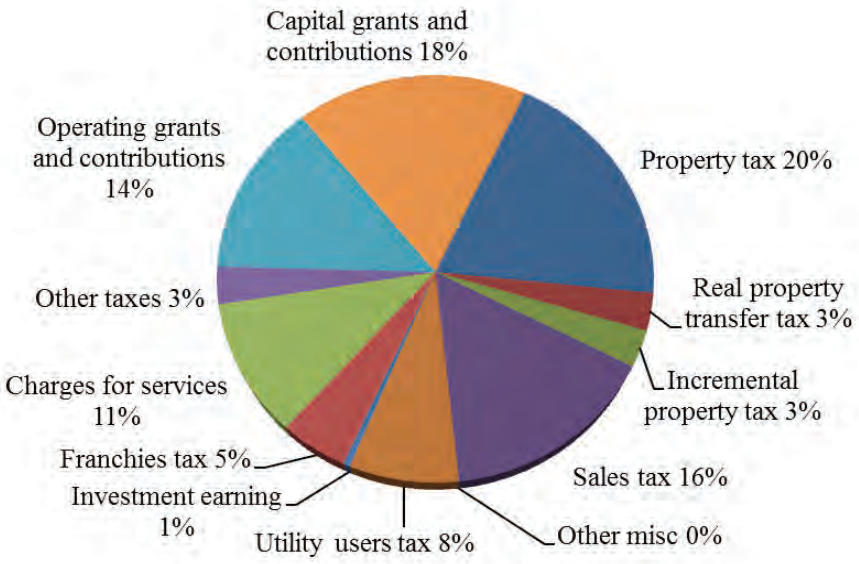
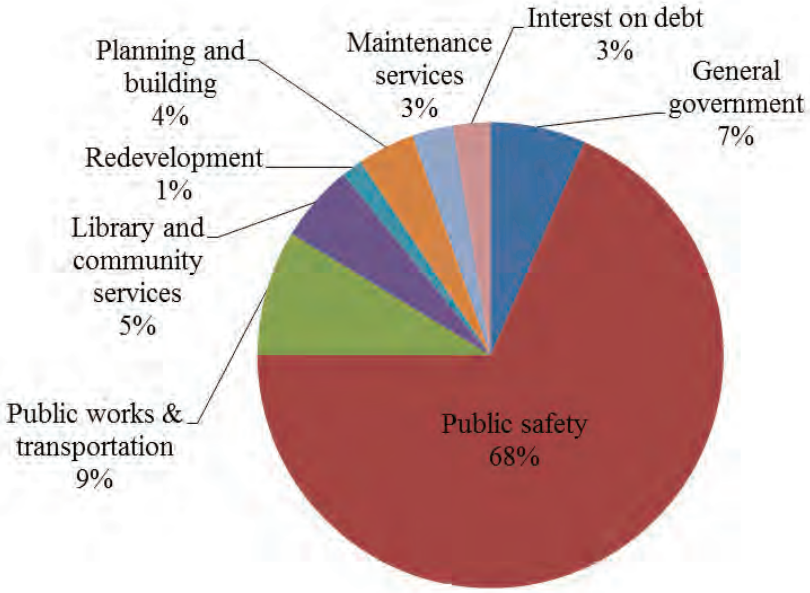


Chart 2 – Expenses by Function – Governmental Activities



Statement of Activities. The Statement of Activities provides information about all the City's revenues and all its expenses, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

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

(Amounts expressed in millions)

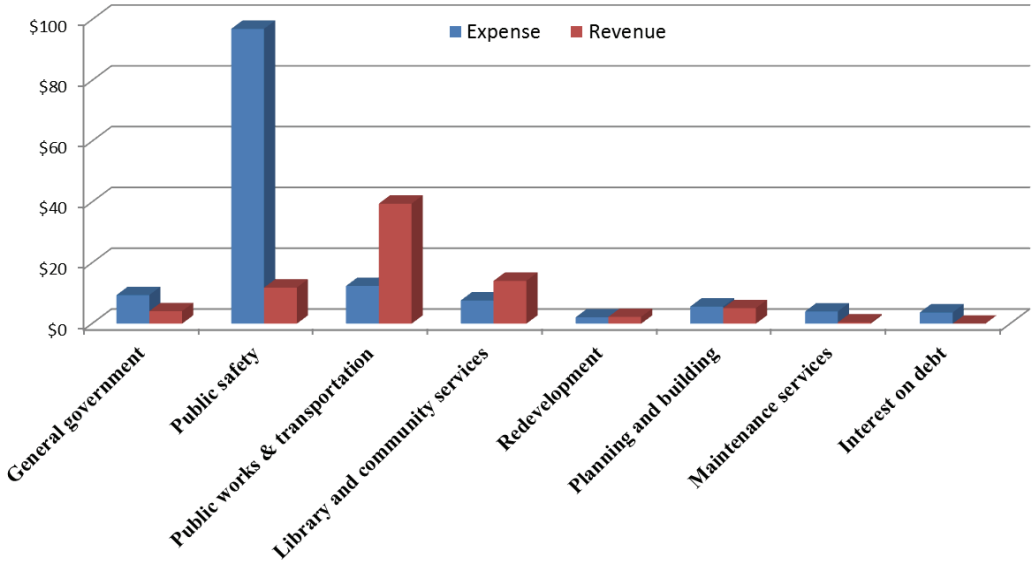
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues						
Charges for services	$19.6	$15.9	$66.4	$57.5	$86.0	$73.4
Operating contributions and grants	25.2	12.9	0.1		25.3	12.9
Capital contributions and grants	32.6	30.7		1.3	32.6	32.0
	77.4	59.5	66.5	58.8	143.9	118.3
General revenues						
Property tax	35.7	35.7			35.7	35.7
Incremental property tax	4.7	10.4			4.7	10.4
Sales tax	26.3	25.5			26.3	25.5
Utility user tax	14.8	14.7			14.8	14.7
Real property transfer tax	4.8	3.8			4.8	3.8
Franchise tax	9.9	9.1			9.9	9.1
Other taxes	5.9	6.5			5.9	6.5
Motor vehicle in lieu	0.0	0.7			0.0	0.7
Investment earnings	0.4	0.4	0.5	0.8	0.9	1.2
Miscellaneous	0.7	1.5			0.7	1.5
General revenues subtotal	103.2	108.3	0.5	0.8	103.7	109.1
Total Revenues	180.6	167.8	67.0	59.6	247.6	227.4
Expenses by activity						
General Government	9.4	9.7			9.4	9.7
Public safety	96.9	97.8			96.9	97.8
Public works and transportation	12.4	12.1			12.4	12.1
Library and neighborhood services	7.6	8.8			7.6	8.8
Redevelopment	2.1	7.8			2.1	7.8
Planning and building	5.7	5.9			5.7	5.9
Maintenance services	4.0	4.0			4.0	4.0
Interest on long term debt	3.7	4.5			3.7	4.5
Sewer			18.0	19.4	18.0	19.4
Water			36.0	29.8	36.0	29.8
Airport			3.2	3.1	3.2	3.1
Stormwater			2.2	2.3	2.2	2.3
Centennial Hall					0.0	0.0
Total expenses	141.8	150.6	59.4	54.6	201.2	205.2
Increase (decrease) before transfers	38.8	17.2	7.6	5.0	46.4	22.2
Centennial Hall transfer to Facility		0.8		(0.8)	0.0	0.0
Extraordinary Item (Note 19)	(9.3)				(9.3)	0.0
Transfers	2.2	2.1	(2.2)	(2.1)	0.0	0.0
Increase (decrease) in net assets	31.7	20.1	5.4	2.1	37.1	22.2
Net assets - July 1	307.4	287.3	246.6	244.5	554.0	531.8
Net Assets - June 30	$339.1	$307.4	$252.0	$246.6	$591.1	$554.0

The City's governmental activities net assets increased by $31.7 million. Governmental revenues increased by a total of $12.8 million. This is largely attributed to a $17.9 million increase in program revenues, primarily driven by capital contributions and grants. These increases are offset by a net decrease in general revenues of $5.1 million mainly due to a reduction in Incremental Property Tax of $5.7 million – due to the dissolution of the Hayward Redevelopment Agency. Revenues captured are through January 31, 2012.

This category continues to see the impacts of the economic recession and has been slow to recover. Property tax revenues remained flat, miscellaneous revenues decreased by $.8 million (-53%), and investment earnings remained flat. Other revenue increases offset these reductions, including sales (+$800,000) and property transfer taxes (+1 million).

The governmental expenses decreased by $8.8 million to $141.8 million, of which the decrease is attributed to the loss of the Hayward Redevelopment Agency and the resultant transfer of expenses to the Successor Agency.

Table 3 – Expenses and Program Revenues - Governmental Activities
(expressed in millions)



The above *Expenses by Function* chart illustrates the City's governmental expenses by major activity and the related program revenue generated to support that activity. Program revenue includes charges for services such as traffic safety fines, licenses, permits, plan check fees, building inspection and other construction related fees. Contributions and grants include amounts contributed by developers and grants from state and federal government, of which the majority is public works capital grants.

Business-Type Activities. The net assets of business-type activities were $252 million at June 30, 2012, an increase of $5.4 million over last fiscal year. The increase in business-type assets is attributed to an increase over the prior fiscal year for charges for services, largely related to water costs. Program revenues totaled $67 million, while program expenditures totaled $59.4 million. Investment earnings totaled $0.5 million. As the *Revenues by Source* chart indicates, charges for utility services account for 99% of the revenue for the City's enterprise funds.

Table 4 – Revenues by Source – Business-type Activities

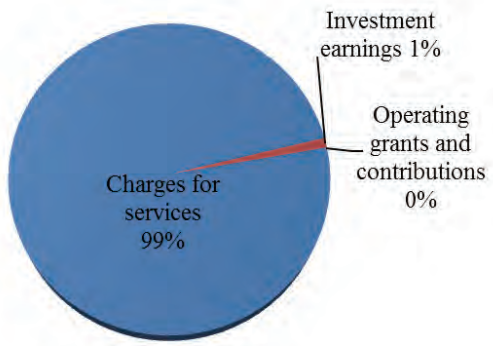
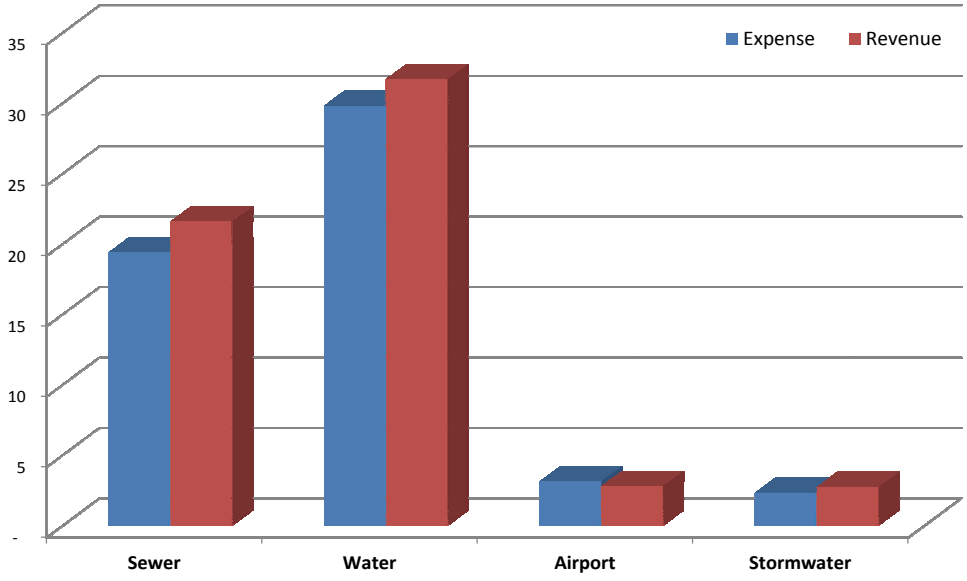


Table 5 – Expenses and Program Revenues – Business-type Activities
(expressed in millions)



As the *Expenses and Program Revenues* chart above shows, the Sewer and Water Funds include both operations and capital improvements. These funds were able to increase their reserve balances with program revenues exceeding expenses by $5.5 million and $2.9 million respectively. Given future capital expenses to be borne by these funds, this is an appropriate level of revenue growth. Airport experienced a decrease in net assets of $364,992 due to an increase in operating expenses over the year before. Stormwater Funds increased their net assets balances by $387,142.

Financial Analysis of the Government's Funds

Governmental Funds. The focus of the City governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's funding requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of fiscal year 2012, the City's governmental funds reported combined ending fund balances of $91.3 million, an increase of $6.8 million comparison with the prior year. Approximately 69.5% of the fund balance or $63.5 million represents Non-Spendable, Restricted, and Assigned fund balances; and 30.5% or $27.8 million is Unassigned and is available for spending at the government's discretion, this amount represents the General Fund Reserve balance.

General Fund. The General Fund, by definition, is a major governmental fund and represents all funds not required to be accounted for in other funds. The General Fund accounted for 64% of the total governmental revenues and 69% of the total expenditures. A number of primary City services are accounted for in the General Fund, including public safety, general government, development services, maintenance services, and library and community services.

At the end of fiscal year 2012, the unassigned fund balance of the General Fund was $27.8 million, while the total fund balance was $34.94 million. This is a reduction for the prior fiscal year due to the loss of the Hayward Redevelopment Agency and a continued General Fund structural gap. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The unassigned fund balance represents 22.6% of total General Fund expenditures of $123.1 million (including Transfers Out). The unassigned fund balance has been designated for the following purposes:

- $10.7 million for contingencies
- $9.35 million for economic uncertainty
- $4.67 million for liquidity
- $1 million for public safety
- $190,000 for hotel/conference center*
- $522,000 for a retirement reserve
- $1.3 million for emergencies

**Previously established at $1 million, but $810,000 was spent on eligible expenses in FY 2012.*

At the end of fiscal year 2012 the total General Fund total fund balance decreased by $12.9 million. The change in fund balance is due primarily to the transfer of Land Held for Redevelopment from the City's General Fund to the Successor Agency of the Hayward in the amount of $10.3 million (an illiquid asset) and $2.5 million use of the cash reserve.

General Fund Budgetary Highlights. FY 2012 ended with a net $2.5 million gap and resultant use of the General Fund reserve (revenues less expenditures). The chart below compares fiscal year 2012 actuals to fiscal year 2012 Adjusted Budget to gauge performance against expectations. The net variance between the actual revenues and expenditures compared to the Adjusted Budget is $1.86 million, and is largely attributed to unexpected revenues – about half of which are non-recurring (i.e., one-time in nature).

Table 6 – FY 2012 General Fund Budget Summary (expressed in thousands)

($ in 1,000's)	FY 2012 Adopted	FY 2012 Adjusted	FY 2012 Actual	Variance (Adjusted to Actual)	Variance %
Revenues	112,134	112,850	115,465	2,615	2.3%
Expenditures	113,625	113,574	113,994	(420)	-0.4%
Transfers In/Out	(2,722)	(3,660)	(4,000)	(340)	9.3%
Net Change in Fund Balance	**(4,213)**	**(4,384)**	**(2,529)**	**1,855**	-42.3%

The net variance between FY 2012 actuals and the Adjusted Budget is $1.86 million, and is largely attributed to revenues. Of the $2.6 million in revenue variance from the Adjusted Budget, about $1.3 million is considered to be non-recurring. The $420,000 in expenditure variance from the Adjusted Budget was caused by various factors, the most predominant being labor costs. The $340,000 variance in transfers is due to adjustments to grant revenues and the loss of cost allocation revenues from the former Redevelopment Agency.

This fund balance summary on page 24 reflects the Net Change in Fund Balance on a budget basis. Generally accepted accounting principles (GAAP Basis) require that all funds not required to be accounted for in other funds be included in the General Fund, resulting in several general ledger funds being combined and reported as the General Fund in the financial statements. The table on page 24 of the document also reflects the additional amount of $139,893 that represents perspective differences due to the inclusion of sub-funds with the General Fund; and $10.3 million that represents a non-cash land transfer from the General Fund to the Successor Agency of the Hayward Redevelopment Agency in compliance with State law. These adjustments represent the GAAP Basis Fund balance.

Other Major Governmental funds. In addition to the General Fund, there are three other governmental funds considered to be major due to significant balances or activities in the current year and warrant a separate discussion in the management discussion and analysis: HOME investment in Affordable Housing Program (HOME), and Housing Authority Low & Moderate Income Housing Capital Fund, and Route 238 Corridor Improvement Fund.

The HOME Investment in Affordable Housing Special Revenue Fund accounts outstanding loans receivable for redevelopment activities. These loans include receivables as a result of the City's First Time Homebuyer Program – as well as a loan agreement with Eden Housing, Inc. for rehabilitation of low-income rental housing.

The Housing Authority Low & Moderate Income Housing Capital Fund provided loans (approximately $1.7 million) to developers for affordable housing in the South Hayward BART area.

The Route 238 Corridor Improvements Project Fund accounts for various roadway improvements along Foothill and Mission Boulevard between the northern and southern city limits, including a downtown one-way loop system, peak hour traffic lanes, pedestrian and bicycle improvements, and landscaping enhancements. During fiscal year 2012, the City received $21 million in grant funding from the Alameda County Transportation Commission. Construction began in August 2010 and completion is expected in June 2013. The ending fund balance is $12.3 million, of which $2.4 million is *reserved* for land held for resale.

Proprietary Funds. The City's proprietary-enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of fiscal year 2012, the unrestricted net assets of the Sewer and Water Funds amounted to $70.4, $54.3 million, respectively. Sewer net assets increased $3.2 million and Water net assets increased $2.2 million. The increase to Sewer net assets was primarily due to an increase in charges for service, which in turn was due to a 3% increase to sewer rates. Similarly, revenues from the sale of water increased by 5.1 million due to an approximate 20% increase in Water rates in fiscal year 2012.

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

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2012, the City's investments in capital assets for its governmental and business-type activities are $457.5 million (net of accumulated depreciation) as presented below in Table 7. The investment in capital assets includes land, buildings, land improvements, machinery and equipment, vehicles, and street infrastructure such as roads, bridges, street lights, traffic signals, airport hangers, sewer, and water pipelines. The City's investment in capital assets for the current fiscal year increased by 4%, which is mainly attributed mostly to the Route 238 Corridor Improvements Project.

Table 7 - City of Hayward Capital Assets
(Net of depreciation / amounts expressed in millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$9.4	$14.7	$4.8	$4.8	$14.2	$19.5
Construction in progress	71.7	47.9	6.8	4.9	78.5	52.8
Buildings	29.3	43.0	11.0	11.6	40.3	54.6
Improvements other than buildings	3.3	4.9			3.3	4.9
Machinery and equipment	13.9	12.1	17.8	16.8	31.7	28.9
Street infrastructure	153.6	152.9			153.6	152.9
Sewer infrastructure			88.3	91.7	88.3	91.7
Water infrastructure			35.1	36.8	35.1	36.8
Airport infrastructure			12.5	13.4	12.5	13.4
Total	$281.2	$275.5	$176.3	$180.0	$457.5	$455.5

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

Debt Administration. At the end of fiscal year 2012, the City had total debt outstanding of $97.0 million as presented in Table 8. Of this amount, $26.2 million represents certificates of participation debt for Civic Center Project (City Hall); $13.4 million represents certificates of participation for sewer and water system improvements; $4.2 million represents lease revenue

bonds for capital improvements; $6.6 million represents capital leases for a solar power generator, fleet vehicles, computer, and telephone equipment; and $46.4 million represents State Water Board financing for a water pollution control facility. Deductions to long-term debt include payments of $7.9 million.

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

Table 8 - City of Hayward Outstanding Debt

(Amounts expressed in millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Certificates of Participation	$26.2	$27.6	$13.4	$14.8	$39.6	$42.4
Promissory Note	$0.2	$0.2			$0.2	$0.2
Lease Revenue Bonds	0.7	1.1	3.5	4.3	$4.2	$5.4
Capital Lease Obligations	6.6	5.1			$6.6	$5.1
Tax Allocation Bonds *		50.2			$0.0	$50.2
State Water Resources Control Board Loan			46.4	49.1	$46.4	$49.1
Total Long-Term Debt	$33.7	$84.2	$63.3	$68.2	$97.0	$152.4

* Tax Allocation Bonds now reported under Redevelopment Successor Agency in Fiduciary Fund.

Local Improvement Districts (LIDS) in different parts of the City and a Community Facilities District #1 (Eden Shores) have also issued debt to finance infrastructure and facilities construction in their respective districts. As described in Note 8 to the financial statements, the City has sponsored special assessment debt issues, but has no legal liability for repayment. Therefore, these are not included in the City's governmental debt. As of June 30, 2012, a total of $9.17 million in special assessment district debt was outstanding by three special assessment districts. (Further detail regarding the City debt can be found in Note 8 to the financial statements.)

Economic Outlook and Major Initiatives

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

Contacting the City's Financial Management

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

CITY OF HAYWARD, CALIFORNIA

STATEMENT OF NET 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 using the full accrual basis of accounting, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

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

CITY OF HAYWARD
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments (Note 2)	$79,230,631	$109,777,022	$189,007,653
Cash and investments with fiscal agents (Note 2)	4,279,845	1,691,992	5,971,837
Accounts receivable, net	7,284,057	10,820,946	18,105,003
Due from other governments	7,141,686	20,381	7,162,067
Interest receivable	61,071	79,843	140,914
Internal balances (Note 4)	(2,142,857)	2,142,857	
Loans receivable (Note 3)	21,808,302		21,808,302
Long-term advance to the Private Purpose Trust Fund (Note 4)	10,892,958		10,892,958
Land held for redevelopment (Note 1)	5,176,270		5,176,270
Deposits, parts, supplies and other	97,070	7,153,818	7,250,888
Investment in East Bay Dischargers Authority (Note 16)		11,579,324	11,579,324
Capital assets (Note 5):			
Land	9,413,427	4,757,492	14,170,919
Construction in progress	71,702,973	6,768,451	78,471,424
Depreciable capital assets, net	200,079,852	164,785,954	364,865,806
Total assets	415,025,285	319,578,080	734,603,365
LIABILITIES:			
Accounts payable	2,706,620	850,988	3,557,608
Accrued interest	444,576	677,560	1,122,136
Accrued liabilities	8,992,909	352,333	9,345,242
Unearned revenue	79,814	684,337	764,151
Refundable deposits	5,727,296	175,538	5,902,834
Compensated absences (Note 1):			
Due within one year	5,323,404	737,622	6,061,026
Due in more than one year	4,055,089	585,454	4,640,543
Accrued reclamation costs (Note 10)			
Due in more than one year		200,083	200,083
Net OPEB obligation (Note 14)	14,965,278		14,965,278
Long-term debt (Note 6):			
Due within one year	2,919,088	5,026,271	7,945,359
Due in more than one year	30,762,732	58,298,263	89,060,995
Total liabilities	75,976,806	67,588,449	143,565,255
NET ASSETS (Note 9):			
Invested in capital assets, net of related debt	249,020,221	112,987,363	362,007,584
Restricted for:			
Public safety	737,894		737,894
Public Works and Transportation	18,579,003		18,579,003
Planning and Building	16,175,282		16,175,282
Redevelopment Activities	22,990,225		22,990,225
Total restricted net assets	58,482,404		58,482,404
Unrestricted	31,545,854	139,002,268	170,548,122
Total net assets	$339,048,479	$251,989,631	$591,038,110

See accompanying notes to basic financial statements

CITY OF HAYWARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	$9,567,493	$2,162,950	$1,945,622		($5,458,921)		($5,458,921)
Public safety	96,991,346	8,139,780	3,730,574	$5,579	(85,115,413)		(85,115,413)
Public works and transportation	12,250,448	4,382,791	2,569,461	32,538,366	27,240,170		27,240,170
Library and community services	7,645,958	110,465	13,955,092	17,764	6,437,363		6,437,363
Redevelopment	2,078,030	77,251	2,148,509		147,730		147,730
Planning and building	5,642,610	4,312,438	793,167		(537,005)		(537,005)
Maintenance services	4,030,146	399,721	21,020		(3,609,405)		(3,609,405)
Interest on long term debt	3,685,703				(3,685,703)		(3,685,703)
Total Governmental Activities	141,891,734	19,585,396	25,163,445	32,561,709	(64,581,184)		(64,581,184)
BUSINESS-TYPE ACTIVITIES:							
Sewer	17,977,438	22,333,628				$4,356,190	4,356,190
Water	36,010,696	38,463,759				2,453,063	2,453,063
Airport	3,271,942	2,917,614				(354,328)	(354,328)
Stormwater	2,235,721	2,738,050	119,629			621,958	621,958
Total Business-type Activities	59,495,797	66,453,051	119,629			7,076,883	7,076,883
Total	$201,387,531	$86,038,447	$25,283,074	$32,561,709	(64,581,184)	7,076,883	(57,504,301)
GENERAL REVENUES:							
Taxes:							
Property taxes					35,715,527		35,715,527
Incremental property tax					4,721,491		4,721,491
Sales taxes					26,346,354		26,346,354
Utility users tax					14,796,979		14,796,979
Real property transfer tax					4,777,989		4,777,989
Franchise tax					9,891,601		9,891,601
Business tax					2,483,442		2,483,442
Excise tax					1,742,210		1,742,210
Other taxes					1,761,478		1,761,478
Motor vehicle in lieu, unrestricted					75,744		75,744
Investment earnings					369,203	549,982	919,185
Miscellaneous					685,054		685,054
Gain (Loss) on disposal of capital assets					(9,687)		(9,687)
TRANSFERS (Note 4)					2,167,125	(2,167,125)	
EXTRAORDINARY ITEM (Note 19)					(9,342,122)		(9,342,122)
Total General Revenues And Transfers					96,182,388	(1,617,143)	94,565,245
CHANGE IN NET ASSETS					31,601,204	5,459,740	37,060,944
BEGINNING NET ASSETS					307,447,275	246,529,891	553,977,166
ENDING NET ASSETS					$339,048,479	$251,989,631	$591,038,110

See accompanying notes to basic financial statements

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CITY OF HAYWARD, CALIFORNIA

FUND FINANCIAL STATEMENTS

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

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2012. Individual non-major funds are reported in the Supplemental Section.

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

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.

HA Low & Moderate Income Housing Fund – Under a cooperation agreement with the Redevelopment Agency, the Housing Authority will use resources for purposes consistent with the California Redevelopment Law. The fund accounts for the activities financed by grants of the mandated 20% set-aside of tax increment revenue from the Redevelopment Agency.

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

CITY OF HAYWARD
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

		Special Revenue Fund	Capital Projects Funds			
	General	HOME	HA Low & Moderate Income Housing	Route 238 Corridor Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and investments (Note 2)	$25,099,229		$453,818	$3,664,842	$39,717,940	$68,935,829
Cash and investments with fiscal agents (Note 2)	15,837			2,760,350	78,034	2,854,221
Accounts receivable, net	4,203,021			2,288,589	617,225	7,108,835
Due from other governments	3,128,846	$68,241		2,353,577	1,591,022	7,141,686
Interest receivable	20,676		507	2,500	30,068	53,751
Due from other funds (Note 4)	243,139		1,477,344		335,903	2,056,386
Loans receivable (Note 3)		6,950,000	9,664,989		4,306,161	20,921,150
Long-term advance to the Private Purpose Trust Fund (Note 4)	7,016,442		3,876,516			10,892,958
Land held for redevelopment (Note 1)			707,539	4,468,731		5,176,270
Deposits, parts, supplies and other	30,600				68	30,668
Total Assets	$39,757,790	$7,018,241	$16,180,713	$15,538,589	$46,676,421	$125,171,754
LIABILITIES:						
Accounts payable	$1,072,720	$20,874	$2,229	$466,139	$640,469	$2,202,431
Accrued liabilities	2,853,105		113		41,211	2,894,429
Due to other funds (Note 4)		65,214			1,991,172	2,056,386
Deferred revenue	79,834	6,950,000	9,664,989		4,306,161	21,000,984
Refundable deposits	807,525		300,000	2,760,350	1,859,421	5,727,296
Total Liabilities	4,813,184	7,036,088	9,967,331	3,226,489	8,838,434	33,881,526
FUND BALANCES (Note 9):						
Nonspendable	7,047,042				68	7,047,110
Restricted						
Public Safety					737,894	737,894
Public works and transportation				12,312,100	6,266,903	18,579,003
Planning and Building					16,175,282	16,175,282
Redevelopment Projects & Programs			6,213,382		7,021,804	13,235,186
Debt Service					80,165	80,165
Assigned	133,571				7,460,751	7,594,322
Unassigned	27,763,993	(17,847)			95,120	27,841,266
Total Fund Balances (Deficit)	34,944,606	(17,847)	6,213,382	12,312,100	37,837,987	91,290,228
Total Liabilities and Fund Balances	$39,757,790	$7,018,241	$16,180,713	$15,538,589	$46,676,421	$125,171,754

See accompanying notes to basic financial statements

CITY OF HAYWARD
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total Fund Balances reported on the governmental funds balance sheet	$91,290,228

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:

CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

Land	9,040,679
Construction in progress	68,599,318
Depreciable capital assets, net	188,422,517

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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.

Cash and investments	11,720,426
Accounts receivable	175,222
Interest receivable	7,320
Deposits, parts, supplies and other	66,402
Land	372,748
Construction in progress	3,103,655
Depreciable capital assets, net	11,657,335
Loan receivable	887,152
Accounts payable	(504,189)
Accrued liabilities	(5,602,795)
Long-term interfund payables	(2,142,857)
Compensated absences	(540,642)
Long term debt	(6,200,917)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.

Deferred revenue	20,921,170
Interest payable	(444,576)

LONG TERM ASSETS AND LIABILITIES
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt	(27,480,903)
Long-term liability	(495,685)
Compensated absences	(8,837,851)
Net OPEB Obligation	(14,965,278)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$339,048,479

See accompanying notes to basic financial statements

CITY OF HAYWARD
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

		Special Revenue Fund	Capital Projects Funds			
	General	HOME	HA Low & Moderate Income Hosing	Route 238 Corridor Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes	$35,715,527					$35,715,527
Property tax increment					$4,721,491	4,721,491
Sales taxes	26,346,354					26,346,354
Utility users tax	14,796,979					14,796,979
Other taxes	20,627,099				121,039	20,748,138
Licenses and permits	3,177,816					3,177,816
Fines and forfeitures	2,403,333				547,735	2,951,068
Special assessments					817,210	817,210
Investment income	75,126		$123,895	$11,511	164,841	375,373
Rental income	435,197			263,004	25,000	723,201
Intergovernmental	6,165,651	$180,595	944,298	20,982,914	26,900,103	55,173,561
Fees and charges for services	4,842,439			3,750,548	258,487	8,851,474
School District reimbursement					344,375	344,375
Other revenue	1,307,497		75,935	2,056,827	3,125,693	6,565,952
Total Revenues	115,893,018	180,595	1,144,128	27,064,804	37,025,974	181,308,519
EXPENDITURES:						
Current:						
General government	7,883,869	150,349				8,034,218
Public safety	89,831,282				359,654	90,190,936
Public works and transportation	2,506,683				7,983,741	10,490,424
Library and community services	5,181,184				1,745,667	6,926,851
Redevelopment			219,766		4,176,903	4,396,669
Planning and building	5,219,611				126,870	5,346,481
Maintenance services	3,827,181					3,827,181
Capital outlay				23,050,574	8,054,702	31,105,276
Debt service						
Principal					1,751,366	1,751,366
Interest and fiscal charges	111,939				3,243,071	3,355,010
Pass-through payments			1,546			1,546
Total Expenditures	114,561,749	150,349	221,312	23,050,574	27,441,974	165,425,958
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,331,269	30,246	922,816	4,014,230	9,584,000	15,882,561
OTHER FINANCING SOURCES (USES):						
Transfers in (Note 4)	4,514,195				10,004,532	14,518,727
Transfers (out) (Note 4)	(8,514,357)		(1,149,946)	(450,000)	(5,434,160)	(15,548,463)
Total Other Financing Sources (Uses)	(4,000,162)		(1,149,946)	(450,000)	4,570,372	(1,029,736)
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	(2,668,893)	30,246	(227,130)	3,564,230	14,154,372	14,852,825
EXTRAORDINARY ITEM (Note 19)						
Assets transferred to/ liabilities assumed by the Successor Agency/ Housing Successor	(10,272,570)		4,343,164		(2,079,990)	(8,009,396)
NET CHANGE IN FUND BALANCES	(12,941,463)	30,246	4,116,034	3,564,230	12,074,382	6,843,429
BEGINNING FUND BALANCES	47,886,069	(48,093)	2,097,348	8,747,870	25,763,605	84,446,799
ENDING FUND BALANCES (DEFICITS)	$34,944,606	($17,847)	$6,213,382	$12,312,100	$37,837,987	$91,290,228

See accompanying notes to basic financial statements

CITY OF HAYWARD

RECONCILIATION OF THE
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
WITH THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

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	$6,843,429
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures are therefore added back to fund balance	30,601,040
Non-capitalized capital outlay expenditures were reclassified to various governmental activities	(640,072)
Depreciation expense is deducted from fund balance	
(Depreciation expense is net of internal service fund depreciation of $1,512,288 which has already been allocated to service funds.)	(7,584,398)
Capital assets sold or retired	(377,689)
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 principal is an expenditure in governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance	1,751,366
Reduction of long term liabilities	143,584
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	(665,884)
New loans made	2,710,901
Compensated absences	(127,643)
Net OPEB Obligation	(3,772,015)
Interest payable	(274,259)
Net assets transferred to/ liabilities assumed by Successor Agency	
Capital Assets transferred	(19,004,504)
Long term debt assumed	50,170,000
Interest Payable	1,028,759
Deferred revenue elimination	(33,526,981)
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	4,325,570
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$31,601,204

See accompanying notes to basic financial statements

CITY OF HAYWARD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Adjusted Budget
	Adopted	Adjusted	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES:				
Property taxes	$36,654,000	$35,960,000	$35,716,000	($244,000)
Real property transfer tax	3,491,000	3,500,000	4,778,000	1,278,000
Sales taxes	23,647,000	25,777,000	26,346,000	569,000
Utility user tax	14,800,000	14,800,000	14,797,000	(3,000)
Business license tax	2,400,000	2,400,000	2,483,000	83,000
Other tax	12,049,000	12,193,000	13,366,000	1,173,000
Licenses and permits	3,056,000	3,056,000	3,178,000	122,000
Fines and forfeitures	2,410,000	2,488,000	2,403,000	(85,000)
Investment and rental income	526,000	450,000	510,000	60,000
Intergovernmental	4,490,000	4,233,000	3,716,000	(517,000)
Fees and charges for services	4,918,000	4,265,000	4,375,000	110,000
Other revenue	3,693,000	3,728,000	3,797,000	69,000
Total Revenues	112,134,000	112,850,000	115,465,000	2,615,000
EXPENDITURES:				
Current:				
General government	9,909,000	9,189,000	8,801,000	388,000
Public safety	88,135,000	89,082,000	89,879,000	(797,000)
Public works and transportation	1,732,000	1,576,000	1,539,000	37,000
Library and community services	4,856,000	5,032,000	4,763,000	269,000
Planning and building	5,157,000	5,063,000	5,059,000	4,000
Maintenance services	3,762,000	3,548,000	3,830,000	(282,000)
Debt Service:				
Interest and fiscal charges	74,000	84,000	123,000	(39,000)
Total Expenditures	113,625,000	113,574,000	113,994,000	(420,000)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,491,000)	(724,000)	1,471,000	2,195,000
OTHER FINANCING SOURCES (USES):				
Transfers in	5,607,000	4,807,000	4,514,000	(293,000)
Transfers (out)	(8,329,000)	(8,467,000)	(8,514,000)	(47,000)
Total Other Financing Sources (Uses)	(2,722,000)	(3,660,000)	(4,000,000)	(340,000)
NET CHANGE IN FUND BALANCE - BUDGET BASIS	($4,213,000)	($4,384,000)	(2,529,000)	$1,855,000
PROSPECTIVE DIFFERENCES - NON-BUDGETED SUB FUNDS			(139,893)	
EXTRAORDINARY ITEM			(10,272,570)	
NET CHANGE IN FUND BALANCE - GAAP BASIS			(12,941,463)	
BEGINNING FUND BALANCE			47,886,069	
ENDING FUND BALANCE			$34,944,606	

See accompanying notes to basic financial statements

CITY OF HAYWARD
HOME
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance with Adjusted Budget Positive (Negative)
REVENUES:				
Intergovernmental	$1,659,300	$2,249,300	$180,595	($2,068,705)
Total Revenues	1,659,300	2,249,300	180,595	(2,068,705)
EXPENDITURES:				
Current:				
Public works and transportation	1,659,300	2,249,300	150,349	2,098,951
Total Expenditures	1,659,300	2,249,300	150,349	2,098,951
NET CHANGE IN FUND BALANCE			30,246	$30,246
BEGINNING FUND BALANCE			(48,093)	
ENDING FUND BALANCE			($17,847)	

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CITY OF HAYWARD, CALIFORNIA

MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal year 2012.

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

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

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

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

CITY OF HAYWARD
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	NonMajor Funds	Totals	
ASSETS:					
Current Assets:					
Cash and investments (Note 2)	$48,818,340	$44,425,832	$16,532,850	$109,777,022	$10,294,802
Cash and investments with fiscal agents (Note 2)	13,286	1,678,706		1,691,992	1,425,624
Accounts receivable, net	3,563,660	7,268,959	(11,673)	10,820,946	175,222
Loans receivable					887,152
Due from other governments			20,381	20,381	
Interest receivable	34,809	32,959	12,075	79,843	7,320
Deposits, parts, supplies and other		729,338		729,338	66,402
Total Current Assets	52,430,095	54,135,794	16,553,633	123,119,522	12,856,522
Noncurrent Assets:					
Long-term interfund receivables (Note 4)	2,142,857	2,005,000		4,147,857	
Deposits, parts, supplies and other	6,053,294	197,186	174,000	6,424,480	
Investment in East Bay Dischargers Authority (Note 16)	11,579,324			11,579,324	
Capital assets (Note 5):					
Land	1,830,143	2,683,047	244,302	4,757,492	372,748
Construction in progress	2,767,755	3,074,233	926,463	6,768,451	3,103,655
Depreciable capital assets, net	102,653,133	48,168,162	13,964,659	164,785,954	11,657,335
Total Noncurrent Assets	127,026,506	56,127,628	15,309,424	198,463,558	15,133,738
Total Assets	179,456,601	110,263,422	31,863,057	321,583,080	27,990,260
LIABILITIES:					
Current Liabilities:					
Accounts payable	402,207	375,472	73,309	850,988	504,189
Accrued interest	557,876	119,684		677,560	
Accrued liabilities	120,077	173,990	58,266	352,333	5,602,795
Unearned revenue		174,000	1,538	175,538	
Refundable deposits		589,555	94,782	684,337	
Compensated absences - Due within one year (Note 1)	274,170	349,535	113,917	737,622	261,696
Accrued reclamation costs (Note 10)	200,083			200,083	
Long term debt - Due within one year (Note 6)	3,973,891	1,052,380		5,026,271	1,064,218
Total Current Liabilities	5,528,304	2,834,616	341,812	8,704,732	7,432,898
Noncurrent Liabilities:					
Long-term interfund payables (Note 4)			2,005,000	2,005,000	2,142,857
Compensated absences Note 1)	221,757	289,137	74,560	585,454	278,946
Long term debt - Due in more than one year (Note 6)	50,073,263	8,225,000		58,298,263	5,136,699
Total Noncurrent Liabilities	50,295,020	8,514,137	2,079,560	60,888,717	7,558,502
Total Liabilities	55,823,324	11,348,753	2,421,372	69,593,449	14,991,400
NET ASSETS (Note 9):					
Invested in capital assets, net of related debt	53,203,877	44,648,062	15,135,424	112,987,363	10,358,445
Unrestricted	70,429,400	54,266,607	14,306,261	139,002,268	2,640,415
Total Net Assets	$123,633,277	$98,914,669	$29,441,685	$251,989,631	$12,998,860

See accompanying notes to basic financial statements

CITY OF HAYWARD
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	NonMajor Funds	Totals	
OPERATING REVENUES:					
Charges for services	$21,396,327	$7,365,706	$5,634,183	$34,396,216	$21,548,220
Sale of water		31,007,187		31,007,187	
Miscellaneous	937,301	90,866	21,481	1,049,648	273,240
Total Operating Revenues	22,333,628	38,463,759	5,655,664	66,453,051	21,821,460
OPERATING EXPENSES:					
Salaries and related expenses	5,834,255	5,556,956	2,920,650	14,311,861	5,312,241
Materials, supplies and services	5,425,767	6,795,961	1,300,058	13,521,786	8,344,807
Repairs and maintenance	674,469	901,751	213,212	1,789,432	1,610,844
Water purchases		20,177,473		20,177,473	
Self-funded insurance expense					3,881,437
Depreciation (Note 5)	4,868,106	2,136,154	1,073,743	8,078,003	1,512,288
Total Operating Expenses	16,802,597	35,568,295	5,507,663	57,878,555	20,661,617
Operating Income (Loss)	5,531,031	2,895,464	148,001	8,574,496	1,159,843
NONOPERATING REVENUES (EXPENSES):					
Investment income	200,428	289,385	60,169	549,982	34,987
Intergovernmental			119,629	119,629	
Interest (expense)	(996,911)	(442,401)		(1,439,312)	(56,434)
Gain/ (loss) on sale of capital assets					(9,687)
Loss from equity investment	(177,930)			(177,930)	
Net Nonoperating Revenues (Expenses)	(974,413)	(153,016)	179,798	(947,631)	(31,134)
Income (Loss) Before Contributions and Transfers	4,556,618	2,742,448	327,799	7,626,865	1,128,709
TRANSFERS					
Transfers in (Note 4)	113,002	650,000		763,002	4,167,402
Transfers (out) (Note 4)	(1,471,756)	(1,152,722)	(305,649)	(2,930,127)	(970,541)
Net Transfers	(1,358,754)	(502,722)	(305,649)	(2,167,125)	3,196,861
CHANGE IN NET ASSETS	3,197,864	2,239,726	22,150	5,459,740	4,325,570
BEGINNING NET ASSETS	120,435,413	96,674,943	29,419,535	246,529,891	8,673,290
ENDING NET ASSETS	$123,633,277	$98,914,669	$29,441,685	$251,989,631	$12,998,860

See accompanying notes to basic financial statements

CITY OF HAYWARD
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities-Enterprise Funds				
	Sewer	Water	NonMajor Fund:	Totals	Governmental Activities-Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	$21,913,561	$36,674,941	$5,687,430	$64,275,932	$21,887,400
Payments to suppliers	(5,300,757)	(29,740,258)	(1,454,359)	(36,495,374)	(10,175,006)
Payments to employees	(5,781,762)	(5,483,611)	(2,916,418)	(14,181,791)	(5,366,379)
Claims paid					(3,881,437)
Net Cash Flows From Operating Activities	10,831,042	1,451,072	1,316,653	13,598,767	2,464,578
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:					
Non operating revenues			119,629	119,629	
Interfund receipts	517,857	100,000		617,857	(255,164)
Interfund payments		(53,676)	(100,000)	(153,676)	(517,857)
Transfers in	113,002	650,000		763,002	4,167,402
Transfers (out)	(1,471,756)	(1,152,722)	(305,649)	(2,930,127)	(970,541)
Net Cash Flows From Noncapital and Related Financing Activities	(840,897)	(456,398)	(286,020)	(1,583,315)	2,423,840
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(1,853,582)	(1,463,696)	(1,041,679)	(4,358,957)	(4,201,616)
Issuance of long-term debt					815,000
Principal payments on capital debt	(3,896,964)	(999,615)		(4,896,579)	(342,461)
Interest paid	(1,034,549)	(451,283)		(1,485,832)	(56,434)
Net Cash Flows From Capital and Related Financing Activities	(6,785,095)	(2,914,594)	(1,041,679)	(10,741,368)	(3,785,511)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	268,532	363,785	86,518	718,835	45,644
Investment proceeds					1,988,354
Purchase of investments	33,815	119,174		152,989	(759,610)
Net Cash Flows From Investing Activities	302,347	482,959	86,518	871,824	1,274,388
NET CASH FLOWS	3,507,397	(1,436,961)	75,472	2,145,908	2,377,295
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	45,310,943	45,862,793	16,457,378	107,631,114	7,917,507
CASH AND EQUIVALENTS AT END OF PERIOD	$48,818,340	$44,425,832	$16,532,850	$109,777,022	$10,294,802
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	$5,531,031	$2,895,464	$148,001	$8,574,496	$1,159,843
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	4,868,106	2,136,154	1,073,744	8,078,004	1,512,288
Change in assets and liabilities:					
Receivables, net	(420,067)	(1,808,508)	15,231	(2,213,344)	65,940
Due from other governments			17,042	17,042	
Parts and supplies		(210,903)		(210,903)	
Other assets	687,320	20,714	11,600	719,634	106,890
Accounts payable and other accrued expenses	70,584	(1,674,884)	47,310	(1,556,990)	(326,245)
Compensated absences	52,493	73,345	4,232	130,070	(54,138)
Refundable deposits		(11,600)	(237)	(11,837)	
Deferred revenue		31,290	(270)	31,020	
Accrued reclamation costs	41,575			41,575	
Net Cash Flows From Operating Activities	$10,831,042	$1,451,072	$1,316,653	$13,598,767	$2,464,578

See accompanying notes to basic financial statements

CITY OF HAYWARD, CALIFORNIA

FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

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

Local Improvement Districts Fund - Accounts for debt service activities for LIDs #14, #15, #16, #17 and Community Faculties 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 Friends of the Library Fund.

CITY OF HAYWARD
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	Private Purpose Trust Funds	Agency Funds
CURRENT ASSETS:		
Cash and investments (Note 2)	$5,432,374	$1,736,153
Cash and investments with fiscal agents (Note 2)	4,009,367	2,488,006
Accounts receivable, net	139,736	
Due from other governments		1,368,846
Interest receivable		1,210
Total Current Assets	9,581,477	5,594,215
NONCURRET ASSETS:		
Loans receivable (Note 19)	33,446,014	
Land held for resale (Note 1)	9,565,031	
Capital assets (Note 19):		
Land	5,277,955	
depreciable capital assets, net	13,569,156	
Total Noncurrent Assets	61,858,156	
Total Assets	$71,439,633	$5,594,215
CURRENT LIABILITIES:		
Accounts payable	$114,699	$2,271
Accrued liabilities	6,838	
Refundable deposits	128,000	18,897
Due to assessment districts and others		5,573,047
Long-term debt - due in less than one year (Note 19)	1,605,000	
Total Current Liabilitis	1,854,537	5,594,215
NONCURRENT LIABILITIES (Note 19):		
Long-term interfund payables - due in more than one year	10,892,958	
Long-term debt - due in more than one year	47,025,000	
Total Non-Current Liabilities	57,917,958	
Total Liabilities	59,772,495	$5,594,215
Net Assets Held in Trust for Private Purposes:	$11,667,138	

See accompanying notes to basic financial statements

CITY OF HAYWARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust Fund
ADDITIONS	
Property tax increment	$2,743,913
Investment income	1,242
Rental income	25,000
Intergovernmental	125,000
Other revenue	33,660
Total additions	2,928,815
DEDUCTIONS	
Maintenance services	240,654
Depreciation expense	157,393
Interest and fiscal charges	205,752
Total deductions	603,799
Net change in net assets before extraordinary item	2,325,016
EXTRAORDINARY ITEM (NOTE 19)	
Assets transferred to/ liabilities assumed by Successor Agency	9,342,122
Net change in assets	11,667,138
Net assets - beginning	
Net assets - ending	$11,667,138

See accompanying notes to basic financial statements

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1. SIGNIFICANT ACCOUNTING POLICIES

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

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

- *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. As discussed in Note 19, the Agency was dissolved effective January 31, 2012.

- *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 ("Housing Authority")* was originally established in 1946. The Housing Authority is only a conduit to issue housing mortgage revenue bonds for developers, whereby such developers are entirely responsible for meeting the related debt obligations and where the funds raised through such housing mortgage revenue bond issues are used to finance multifamily rental housing developments. A certain percentage of housing units being financed must be for low and moderate income purposes. The Housing Authority is paid a fee by the benefited developers for issuing the bonds and for monitoring the occupancy of these housing developments. This activity is recorded as a 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 16).

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

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

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

Government-wide Statements: The Statement of Net 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 – Governmental Accounting Standards Board requires that the City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

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

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

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

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.

HA Low & Moderate Income Housing Fund – Under a cooperation agreement with the Redevelopment Agency, the Housing Authority will use resources for purposes consistent with the California Redevelopment Law. The fund accounts for the activities financed by grants of the mandated 20% set-aside of tax increment revenue from the Redevelopment Agency.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. The Successor Agency to the Redevelopment Agency of the City of Hayward Private-purpose Trust Fund is used to account for the activities of the Redevelopment Agency of the City of Hayward Successor Agency. The financial activities of these funds are excluded from the City-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net 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.

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

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 all Funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental fund types. The level of budgetary control within all governmental fund types is at the fund level. The City Council may amend the budget by resolution during the fiscal year. The City Manager may transfer appropriations from one program, activity, or object to another within the same fund without the approval of the City Council. All appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

At June 30, 2012 expenditures exceeded budget for the following funds:

Fund Name	Amount
General Fund	$420,000
Special Revenue Funds:	
Park Dedication Ordinance	318,440
Measure F	51,292
Debt Service Fund	
Certificate of Participation	641

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.

Land held for redevelopment of $5,176,210 at June 30, 2012 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences - The long-term portion of the liability for vested vacation, time off in lieu of overtime and sick pay for governmental fund type operations is recorded as compensated absences in the government-wide financial statements. The portion expected to be permanently liquidated (matured due to termination) is recorded in the governmental funds. Vested vacation and sick pay of proprietary fund type operations is recorded in the respective proprietary fund type. Compensated absences attributable to governmental funds are typically liquidated by the General Fund. Compensated Absences are presented below as of June 30, 2012:

	Governmental Activities	Business-type Activities	Total
Beginning Balance	$9,304,988	$1,193,006	$10,497,994
Additions	5,355,187	795,176	6,150,363
Payments	(5,281,682)	(665,106)	(5,946,788)
Ending Balance	$9,378,493	$1,323,076	$10,701,569
Current Portion	$5,323,404	$737,622	$6,061,026

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.

Estimates and Assumptions - The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New and Closed Accounts – The City established the Other Grants and Measure F Special Revenue Funds. The Redevelopment Special Revenue Fund, Redevelopment Agency Capital Projects Fund, and the Redevelopment Agency Debt Service Fund were closed as of January 31, 2012 as the result of the dissolution of the Redevelopment Agency discussed in Note 19.

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. As of June 30, 2012, the City held $3,044,350 in uncollateralized deposits under escrow agreements with construction contractors. Such deposits are permitted to be uncollateralized under the government code.

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

Classification – As of June 30, 2012 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	$189,007,653
Cash and investments fiscal agent	5,971,837
Agency Funds	
Cash and investments available for operations	1,736,153
Cash and investments fiscal agent	2,488,006
Private Purpose Trust Fund	
Cash and investments available for operations	5,432,374
Cash and investments fiscal agent	4,009,367
Total Cash and Investments	$208,645,390

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	$5,884
Cash in bank	46,404,321
Investments	162,235,185
Total Cash and Investments	$208,645,390

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligation	4 years	None	100%	100%
U.S. Agency Securities (fully backed)	4 years	None	100%	100%
U.S. Agency Securities (sponsored)	4 years	None	50%	20%
Banker's Acceptance	180 days	A-1/P-1	40%	30%
Commercial Paper	270 days	A-1/P-1	15%	10%
Negotiable Certificates of Deposit	4 years	A to AA	30%	20%
Repurchase Agreements	1 year	None	25%	20%
Reverse Repurchase Agreements	92 days	None	20%	20%
Medium Term Notes	2-4 years	A to AA	30%	20%
Mutual Funds		Limited to bond proceeds only		
Money Market Fund	2 years	AAA	20%	10%
Asset-backed Corporate notes	4 years	AA	20%	20%
County Treasurer Pool	None	None	15%	20%
California Local Agency Investment Fund	None	None	$150 Million	N/A
Certificates of Deposit	4 years	None	25%	20%

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

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

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	Total
U.S. Agency Securities	$3,133,486	$3,133,486
California Local Agency Investment Fund	150,182,946	150,182,946
Guaranteed Investment Contract	623,828	623,828
Money Market Mutual Fund	8,294,925	8,294,925
Total Investments	$162,235,185	162,235,185
Cash in Banks		46,404,321
Petty Cash		5,884
Total Cash		46,410,205
Total Cash and Investments		$208,645,390

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2012, these investments have an average maturity of 268 days.

Money market funds are available for withdrawal on demand and at June 30, 2012, have an average maturity of 32 to 52.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2012 for each investment type as provided by Standard and Poor's investment rating system:

Investment Type	AAA	AAAm	Not Rated	Total
U.S. Agency Securities	$3,133,486			$3,133,486
Guaranteed Investment Contract			$623,828	623,828
California Local Agency Investment Fund			150,182,946	150,182,946
Money Market Mutual Fund		$8,294,925		8,294,925
Total Investments	$3,133,486	$8,294,925	$150,806,774	$162,235,185

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Significant investments in the securities of any individual issuers, other than U. S. Treasury securities or mutual funds would be subjected to this risk. As of June 30, 2012, the City was not exposed to significant custodial credit risk.

3. REDEVELOPMENT ACTIVITIES

Eden Housing **-** In June 2011 the City, on behalf of the Agency, entered into a developer and disposition agreement with Eden Housing Inc. to convey and develop a land parcel for low and moderate income housing units. The property was sold for $1. Approximately 22 units are to be built at the site.

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.

Huntwood Commons Apartments – The City has a loan agreement with Eden Housing, Inc., a California nonprofit public benefit corporation. Eden Housing intends to rehabilitate thirty-nine units of rental housing for rental to low-income households and one manager's unit. The loans are in the amount of $840,000 consisting of HOME funds and $175,500 consisting of Workforce Housing Reward funds. At June 30, 2012 the principal balances outstanding for the HOME and Workforce Housing Reward loan funds were $840,000 and 175,500, respectively. The outstanding principal balance of the loan funds will accrue interest at a rate of 3% annually. Repayments of the principal amount of the loan and any accrued interest on such principal shall be deferred until April 30, 2062.

3. REDEVELOPMENT ACTIVITIES (Continued)

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 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.

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 or to be acquired by the Agency. The project was completed during the year ended June 30, 2009 for a total cost of $35,944,664. The site and improvements have been conveyed to the School District in exchange for a portion of land owned by the School District (the old school site).

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

Receivables – To partially compensate the Agency for the above design and construction costs and repay the advances, the School District, HARD and the City have agreed to assign certain school development fees and park-in-lieu fees to the Agency. In addition, the School District has agreed that the Agency may retain pass-through payments due the School District pursuant to the Health and Safety Code, as partial compensation for the above costs. The remaining unreimbursed costs are recorded in a schedule of changes in the loan receivable balance for the year ended June 30, 2012. See Note 19 as these loans were transferred to the Successor Agency.

	School Project	Cannery Park
Balance at June 30, 2011	$28,730,554	$4,322,245
Additional reimbursable costs incurred during the fiscal year		
Less: Pass-through payments		
Less: Development fees	(344,375)	
Less: Park in lieu fees		(94,972)
Balance at June 30, 2012	$28,386,179	$4,227,273

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, 2012 were as follows:

FROM FUND:	TO FUND:	AMOUNT:	
General Fund	Non Major Governmental Funds	5,697,810	A
	Internal Service Funds	2,816,547	C
Housing Authority Low & Mod Housing Fund	General Fund	40,531	D
	Non Major Governmental Funds	1,100,000	B
	Internal Service Fund	9,415	C
Route 238 Corridor Improvement Capital Projects Fund	Non Major Governmental Funds	450,000	B
Non-Major Governmental Funds	General Fund	2,192,641	E
	Non Major Governmental Funds	2,756,722	E
	Internal Service Fund	371,795	C
	Sewer	113,002	B
Sewer	General Fund	418,725	D
	Water	650,000	B
	Internal Service Funds	403,031	C
Water	General Fund	824,700	D
	Internal Service Funds	328,022	C
Non-Major Enterprise Funds	General Fund	204,544	D
	Internal Service Funds	101,105	C
Internal Service Funds	General Fund	833,054	D
	Internal Service Funds	137,487	C
		$19,449,131	

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

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, 2012 interfund balances were as follows:

Due from Other Funds	Due To Other Funds	Amount
General Fund		
	HOME	$65,214
	Non-major Governmental Funds	177,925
HA Low & Moderate Income Housing Fund	Non-major Governmental Funds	1,477,344
Non-major Governmental Fund	Non-major Governmental Funds	335,903
		$2,056,386

Long-Term Interfund Advances - At June 30, 2012, 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	$7,016,442	
Successor Agency Private Purpose Trust Fund		$10,892,958
HA Low & Moderate Income Housing	3,876,516	
Enterprise Funds		
Sewer	2,142,857	
Water	2,005,000	
Airport		2,005,000
Internal Service Funds		2,142,857
Total	$15,040,815	$15,040,815

In fiscal year 2002, the Water Enterprise Fund loaned $2.89 million to the Airport Enterprise Fund bearing interest between 3% to 4.75%, due in annual installments until October 2026. As June 30, 2012 the outstanding loan balance is $2,005,000.

Sewer Enterprise Fund Long-term Receivable from Technology Services Fund - In fiscal year 2009, the Sewer Enterprise Fund loaned $2,250,000 to the Technology Services Internal Service Fund for the public safety aided dispatch/records management system replacement. This loan bears 2% interest and repayments commenced in fiscal year 2010. As of June 30, 2012 the outstanding loan balance is $1,500,000.

4. INTERFUND TRANSACTIONS (Continued)

Sewer Enterprise Fund Long-term Receivable from Fleet Fund - In fiscal year 2010, the Water Enterprise Fund loaned $1,000,000 to the Fleet Internal Service Fund for the design, build and purchase of an aerial tiller Fire Apparatus. The interest will accrue on the unpaid balance at the rate equal to the City's monthly average investment portfolio rate. As of June 30, 2012 the outstanding loan balance is $642,857.

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

5. CAPITAL ASSETS

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

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

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

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

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

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

5. CAPITAL ASSETS (Continued)

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

	Balance June 30, 2011	Additions	Retirements	Transfers	Transfers to Successor Agency	Balance June 30, 2012
Governmental activities:						
Capital assets not being depreciated:						
Land	$14,691,382				($5,277,955)	$9,413,427
Construction in progress	47,861,092	$30,424,503	($365,602)	($6,217,020)		71,702,973
Total capital assets not being depreciated	62,552,474	30,424,503	(365,602)	(6,217,020)	(5,277,955)	81,116,400
Capital assets being depreciated:						
Buildings & improvements	64,173,036		(31,519)		(14,135,897)	50,005,620
Improvements other than buildings	9,294,241				(1,574,361)	7,719,880
Machinery and equipment	37,629,574	3,738,081	(1,342,335)	55,976	(9,575)	40,071,721
Streets	190,294,734			5,861,618		196,156,352
Traffic Signal	7,257,235					7,257,235
Conduits	1,540,569					1,540,569
Medians	3,425,279			299,426		3,724,705
Drains	2,994,000					2,994,000
Total capital assets being depreciated	316,608,668	3,738,081	(1,373,854)	6,217,020	(15,719,833)	309,470,082
Less accumulated depreciation for:						
Buildings & improvements	21,127,260	1,340,020	(31,523)		(1,690,361)	20,745,396
Improvements other than buildings	4,381,648	325,963			(293,881)	4,413,730
Machinery and equipment	25,509,252	2,011,129	(1,320,557)		(9,042)	26,190,782
Streets	44,870,847	4,797,169				49,668,016
Traffic Signal	4,082,253	319,173				4,401,426
Conduits	1,488,721	71,278				1,559,999
Medians	1,039,886	86,255				1,126,141
Drains	1,139,041	145,699				1,284,740
Total accumulated depreciation	103,638,908	9,096,686	(1,352,080)		(1,993,284)	109,390,230
Net depreciable assets	212,969,760	(5,358,605)	(21,774)	6,217,020	(13,726,549)	200,079,852
Governmental activity capital assets, net	$275,522,234	$25,065,898	($387,376)		($19,004,504)	$281,196,252

5. CAPITAL ASSETS (Continued)

	Balance June 30, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
Business-type activities:					
Capital assets not being depreciated:					
Land	$4,757,492				$4,757,492
Construction in progress	4,931,577	$4,889,003	($530,047)	($2,522,082)	6,768,451
Total capital assets not being depreciated	9,689,069	4,889,003	(530,047)	(2,522,082)	11,525,943
Capital assets being depreciated:					
Buildings	27,533,497		(6,995)	63,042	27,589,544
Improvements other than buildings					
Machinery and equipment	26,309,623		(5,824)	1,831,793	28,135,592
Sewer pipelines and other infrastructure	120,735,651			690,289	121,425,940
Water pipelines and other infrastructure	62,000,505				62,000,505
Airport hangars, tarmacs and other infrastructure assets	25,400,494				25,400,494
Total capital assets being depreciated	261,979,770		(12,819)	2,585,124	264,552,075
Less accumulated depreciation for:					
Buildings	15,914,803	630,112	(6,995)	63,042	16,600,962
Improvements other than buildings					
Machinery and equipment	9,495,156	812,241	(5,824)		10,301,573
Sewer pipelines and other infrastructure	29,040,825	4,013,192			33,054,017
Water pipelines and other infrastructure	25,210,998	1,715,332			26,926,330
Airport hangars, tarmacs and other infrastructure assets	11,976,113	907,126			12,883,239
Total accumulated depreciation	91,637,895	8,078,003	(12,819)	63,042	99,766,121
Net depreciable assets	170,341,875	(8,078,003)		2,522,082	164,785,954
Business-type activity capital assets, net	$180,030,944	($3,189,000)	($530,047)		$176,311,897

Governmental capital assets construction in progress was composed of the following at June 30, 2012:

Governmental Funds:

	Project Budget	Expended to June 30, 2012	Encumbered	Committed
Improvement other than buildings	$1,759,176	$568,193	$161,933	$1,029,050
Machinery and equipment	$738,000	$524,922	$147,498	$65,580
Streets	$103,684,358	$70,609,858	$21,722,105	$11,352,396
Total	$106,181,534	$71,702,973	$22,031,536	$12,447,026

5. CAPITAL ASSETS (Continued)

A summary of enterprise fund construction in progress at June 30, 2012 follows:

Enterprise Funds:

	Project Budget	Expended to June 30, 2012	Encumbered	Committed
Sewer Enterprise Fund	$22,268,775	$2,767,755	$494,073	$19,006,947
Water Enterprise Fund	12,682,885	3,074,233	1,376,475	8,232,178
Airport Enterprise Fund	5,635,761	926,463	706,530	4,002,768
Total	$40,587,421	$6,768,451	$2,577,078	$31,241,893

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

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

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

Governmental Activities

General Government	$716,136
Public Safety	4,926,169
Public Works and Transportation	607,629
Library and Neighborhood Services	444,654
Redevelopment	390,716
Planning and Building	296,129
Maintenance Services	202,965
Internal Service Funds	1,512,288
	$9,096,686

Business-Type Activities

Sewer Fund	$4,868,106
Water Fund	2,136,154
Airport Fund	1,073,434
Stormwater Fund	309
	$8,078,003

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, 2011	Additions	Retirements	Assumed by Successor Agency	Outstanding at June 30, 2012	Current Portion
Governmental Activity Debt:							
Certificates of Participation							
2007 Refunding COP							
4.0-4.5%, due 8/1/26	$31,820,000	$27,605,000		$1,510,000		$26,095,000	$1,570,000
Promissory Note							
Fire Suppression Equipment, 3%, due on 7/31/13	200,000	200,000				200,000	100,000
Lease Revenue Bonds							
ABAG Series 2001-2 (a), 3.0-5.0%, due 12/01/20	3,589,835	721,010		70,770		650,240	75,240
Capital Lease Obligations, for acquisition of:							
Boys and Girls Club (a), 4.660%, due 09/20/16	1,215,000	640,358		104,695		535,663	109,630
Police Motorola Radios, (a), 5.48%, due 01/01/12	257,512	65,901		65,901			
Total capital lease obligations		706,259		170,596		535,663	109,630
Tax Allocation Bonds							
2004 Redevelopment Agency (b), 3.0-5.23% due 3/1/34	44,790,000	38,370,000			$38,370,000		
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		50,170,000			50,170,000		
Subtotal		79,402,269		1,751,366	50,170,000	27,480,903	1,854,870
Internal Service Fund Long Term Debt (c)							
Lease Revenue Bonds							
ABAG Series 2001-02, 3.0-5.0%, due 12/01/20	2,480,000	380,000		290,000		90,000	90,000
Capital Leases - Equipment							
Solar Power Generator Equipment (a), 6%, due 03/01/30	1,035,000	890,000		30,000		860,000	30,000
Energy Upgrades and Solar Project , 3%, due 06/22/2024			$887,152			887,152	45,484
Capital Leases - Fleet							
City Vehicles							
4.06%, due 7/27/12	1,290,863	268,293		212,684		55,609	55,609
Police Vehicles							
1.827%, due 10/22/14	316,420	316,420		88,360		228,060	89,981
Fire Engines							
3.240%, due 10/22/20	1,906,413	1,906,413		174,383		1,732,030	180,079
Maintenance Vehicles							
2.88%, due on 10/22/17	765,366	765,366		108,691		656,675	111,844
Police Vehicles Replacement							
2.05%, due on 11/10/2015	815,000		815,000	98,276		716,724	199,585

6. LONG-TERM DEBT (Continued)

Type of Obligation	Authorized and Issued	Balance June 30, 2011	Additions	Retirements	Transfer to Successor Agency	Outstanding at June 30, 2012	Current Portion
Capital Leases - Technology							
Computer Mainframe							
2.98%, due on 4/1/14	314,734	314,734		108,065		206,669	111,330
VOIP System, (a), 4.24-4.44%, due 10/15/10	1,293,767		$20,315	7,417		12,898	6,322
Computer hardware	755,100		755,100			755,100	143,984
Total capital lease obligations		4,461,226	2,477,567	827,876		6,110,917	974,218
Subtotal		4,841,226	2,477,567	1,117,876		6,200,917	1,064,218
Total Governmental Activity Debt		$84,243,495	$2,477,567	$2,869,242	$50,170,000	$33,681,820	$2,919,088
Business-type Activity Debt:							
Enterprise Long Term Debt							
Revenue Bonds							
Hayward Public Financing Authority, Series 1996 (d), 3.0-5.2%, due 6/1/14	$6,440,000	$1,550,000		$485,000		$1,065,000	$515,000
ABAG Series 2001-2 (d) & (e), 3.0-5.0%, due 12/01/20	1,405,165	283,990		139,230		144,760	144,760
Energy Efficiency Loan, 3%, due 6/22/25	2,450,000	2,450,000		119,848		2,330,152	149,010
Total Revenue Bonds		4,283,990		744,078		3,539,912	808,770
Certificates of Participation							
For acquisition of:							
2001 Water System Improvement Project (d), 2.0-4.75%, due 10/1/26	5,030,000	2,350,000		345,000		2,005,000	100,000
2004 Water System Improvement Project (d), 2.0-4.375%, due 10/1/24	6,845,000	6,235,000		100,000		6,135,000	365,000
2007 Sewer 3.5-4.0%%, due 2/1/18	9,880,000	6,255,000		980,000		5,275,000	1,025,000
Total certificates of participation		14,840,000		1,425,000		13,415,000	1,490,000
State Water Resource Control Board Loan							
0%, due 9/30/28 (e)		49,097,123		2,727,501		46,369,622	2,727,501
Total State Water Loan		49,097,123		2,727,501		46,369,622	2,727,501
Total Business-type Activity Debt		$68,221,113		$4,896,579		$63,324,534	$5,026,271

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 until January 31, 2012, then transferred to the Successor Agency Private Purpose Trust 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.

With the dissolution of the Redevelopment Agency as discussed in Note 19, the City agreed to serve as the Successor Agency to the Redevelopment Agency and as a result the Successor Agency assumed the long-term debt of the Agency as of February 1, 2012 which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities.

6. LONG-TERM DEBT (Continued)

A. 2007 Refunding Certificates of Participation

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

B. 2001 ABAG Lease Revenue Bonds

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

C. Capital Lease Obligations

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

D. Promissory Note

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

E. 2004 Tax Allocation Bonds

In fiscal year 2004, the Agency issued $44,790,000 of Tax Allocation Bonds to provide funds to defeased and retire the 1996 Tax Allocation Bonds and to finance various redevelopment projects within the Redevelopment Project Area. The Bonds are a special obligation of the Agency secured by tax increment revenues on parity with the Agency's 2006 Tax Allocation Bonds. The bonds are payable in annual installments as indicated below, until Maturity on March 1, 2034. Interest is paid semiannually on March 1 and September 1, with rates ranging from 3% to 5.23% per annum.

6. LONG-TERM DEBT (Continued)

With the dissolution of the Redevelopment Agency discussed in Note 19, the Agency received Tax Increment through January 31, 2012, but the Successor Agency will receive Redevelopment Property Tax payments that are to be used to fund debt service payment after that date. The remaining liability for the 2004 Bonds and 2006 Bonds were transferred to the Successor Agency as of February 1, 2012.

F. 2006 Tax Allocation Bonds

In fiscal year 2006, the Agency issued $11,800,000 principal amount of Redevelopment Agency Tax Allocation Bonds, Series 2006, the proceeds of which will be used to finance various redevelopment projects within the Redevelopment Area. The Bonds are special obligation of the Agency secured by tax increment revenues on parity with the Agency's 2004 Tax Allocation Bonds. The Bonds are payable in annual installments as indicated below, until maturity on March 1, 2036. Interest is paid semiannually on March 1 and September 1, with rates ranging from 3.75% to 4.3% per annum.

The 2004 and 2006 Tax Allocation Bonds are secured by a pledge of tax increment revenues. The pledge of future incremental property tax revenues ends upon repayment of the remaining debt service on the Bonds scheduled to occur in 2036. During fiscal year 2012, pledged revenues amounted to $7,465,404 representing 186% of the $4,009,022 in debt service.

With the dissolution of the Redevelopment Agency discussed in Note 19, the Agency received Tax Increment through January 31, 2012, but the Successor Agency will receive Redevelopment Property Tax payments that are to be used to fund debt service payment after that date. The remaining liability for the 2004 Bonds and 2006 Bonds were transferred to the Successor Agency as of February 1, 2012.

G. Public Financing Authority 1996 Revenue Bonds

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

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

H. 2001 Water System Improvement Project Certificates of Participation

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

6. LONG-TERM DEBT (Continued)

I. 2004 Water System Improvement Project Certificates of Participation

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

J. Energy Efficiency Loan

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

K. 2007 Sewer Refunding Certificates of Participation

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

L. State Water Resources Control Board Loan

In June 2006, the City entered into a loan agreement with the State of California's State Water Resources Control Board for the purpose of financing the Wastewater System Improvement Project. Under the terms of the contract, the City has agreed to repay $54,550,018 to the State in exchange for receiving $45,458,167 in proceeds used to fund the Project. The difference between the repayment obligation and proceeds amounts to $9,091,852 upon issue and represents in-substance interest on the outstanding balance. As of June 30, 2010, the City's gross repayment obligation totaled $51,824,624 and has a corresponding prepayment of interest expense for $7,255,880. The repayments of the loan are due annually on September 30, commencing September 30, 2009.

6. LONG-TERM DEBT (Continued)

At June 30, 2012, annual debt service requirements to maturity for long-term debt, including interest payments, were as follows:

	Governmental Activities					
	Outstanding Bonds		Capital Leases		Business-Type Activities	
Year Ending June 30:	Principal	Interest	Principal	Interest	Principal	Interest
2013	$1,835,240	$1,080,300	$1,083,848	$227,245	$5,026,271	$1,347,604
2014	1,790,000	1,019,982	1,068,865	173,121	4,966,015	1,217,208
2015	1,765,000	947,257	946,458	143,599	4,485,655	1,093,983
2016	1,840,000	874,570	818,983	115,998	4,555,288	995,329
2017	1,905,000	799,145	668,758	91,243	3,900,356	892,621
2018 - 2022	8,460,000	2,919,894	1,488,777	251,003	18,125,919	3,323,828
2023 - 2027	9,440,000	1,077,769	370,891	91,044	16,807,923	1,535,739
2028 - 2030			200,000	17,625	5,457,107	237,772
Totals	$27,035,240	$8,718,917	$6,646,580	$1,110,878	$63,324,534	$10,644,084

7. LEASING ARRANGEMENTS

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

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

8. SPECIAL ASSESSMENT DEBT WITHOUT CITY COMMITMENT

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

In June 1994 the Local Improvement District No. 16, Garin Avenue, issued Limited Obligation Improvement Bonds in the original principal amount of $3,000,000 to finance construction of a water system within the District. Outstanding debt at June 30, 2012 was $1,450,000.

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, 2012 was $270,000.

In July 2002 the Community Facilities District No. 1, Eden Shores issued Special Tax Bonds in the original principal amount of $9,965,000 to finance improvements within the District. Outstanding debt at June 30, 2012 was $7,445,000.

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, and are 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:

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

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

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

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

9. NET ASSETS AND FUND BALANCES (Continued)

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

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

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

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

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

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

9. NET ASSETS AND FUND BALANCES (Continued)

The City's designations are detailed below and described along with the minimum balance target and purpose of the designation:

	Balance at June 30, 2012
Nonspendables:	
Items not in spendable form:	
Long-term interfund receivables	$7,016,442
Deposits, parts, supplies and Prepaid Expenses	30,600
Total Nonspendable Fund	7,047,042
Assigned:	
Capital projects	133,571
Unassigned:	
Designations	
Contingencies	10,695,200
Economic Uncertainty	9,350,000
Liquidity	4,675,000
Public Safety	1,000,000
Hotel Conference Center	190,000
Retirement Reserve	522,000
Undesignated Fund Balance	1,331,793
Total Unassigned Fund	27,763,993
Total Fund Balances	$34,944,606

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

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

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

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

9. NET ASSETS AND FUND BALANCES (Continued)

- **Contingencies:** To ensure that the City can provide essential services to the public during a disaster, a Adopted Operating Budget Fiscal Years 2011 and 2012 Page 531 Supplemental Information Financial Policies and Practices over 10 year planning period. Reserve for emergencies will be developed over the next 10 year planning period.

- **Emergencies:** Minimum balance of $10 million to be established in $1 million annual increments starting in fiscal 2008-09. Maximum balance equivalent to three months City payroll.

  To ensure that the City can provide essential services to the public during a disaster, a Adopted Operating Budget Fiscal Years 2011 and 2012 Page 531 Supplemental Information Financial Policies and Practices over 10 year planning period) reserve for emergencies will be developed over the next 10 year planning period.

- **Hotel Conference Center**: Minimum balance equal to $1 million. This designation is to be used for the City Center Project.

- **Public Safety:** Minimum balance equal to $1 million.

  This designation is to supplement loss of COP Grant funding in fiscal 2012-13.

Deficit Fund Balances – As of June 30, 2012, the following funds had deficits:

The HOME and Homelessness Prevention Program Special Revenue Funds reported deficits of $17,847 and $26,580, respectively which is expected to be eliminated with future federal awards.

The Workers' Compensation Insurance Internal Service Fund reported a deficit of $1,969,126 which is expected to be eliminated with future interdepartmental charges.

10. ACCRUED RECLAMATION COSTS

To comply with regulatory requirements imposed by the California Regional Water Quality Control Board and the Alameda County Department of Environmental Health, the City expects to incur reclamation costs associated with an abandoned 60 acre landfill site. Such costs represent placing an 18-inch vegetative cover over the landfill site as well as ongoing monitoring costs. As of June 30, 2012, the City expects to incur $200,083 for remaining reclamation costs, funded from operating revenue of the Sewer Enterprise Fund. Reclamation payments totaled $116,003 for the year ended June 30, 2012. 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 the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2012, are summarized below:

	Safety		
	Police	**Fire**	**Miscellaneous**
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	55
Monthly benefits, as a % of annual salary	3%	3%	3%
Required employee contribution rates	9%	9%	8%
Required employer contribution rates	33.493%	27.454%	17.981%

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.

12. CALPERS SAFETY AND MISCELLANEOUS EMPLOYEES PLANS (Continued)

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.

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
2008	$213,582,862	$170,318,181	$43,264,681	79.70%	$21,154,343	204.50%
2009	232,210,728	177,072,753	55,137,975	76.30%	20,412,494	270.12%
2010	237,600,574	184,722,971	52,877,603	77.75%	21,813,351	242.41%

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
2008	$176,978,776	$145,409,830	$31,568,946	82.20%	$15,141,749	208.50%
2009	188,893,249	150,123,772	38,769,477	79.50%	14,668,974	264.30%
2010	193,955,889	154,756,793	39,199,096	79.79%	14,816,463	264.56%

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
2008	$260,901,585	$234,622,155	$26,279,430	89.90%	$39,495,060	66.50%
2009	301,787,752	243,588,232	58,199,520	80.72%	38,112,160	152.71%
2010	318,597,286	252,506,731	66,090,555	79.26%	40,903,589	161.58%

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

13. PUBLIC AGENCY RETIREMENT SYSTEM

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

Under PARS employees contribute 3.75 % and the City contributes 3.75% of the employees' salary each pay period. For the fiscal year ending June 30, 2012, total contributions of $14,831 were made based on a total amount of covered compensation of $395,492.

14. OTHER POSTEMPLOYMENT BENEFITS

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

The City contributes up to a fixed dollar amount for retiree medical benefits, which varies by employee bargaining group and coverage level as governed by PEMCHA. Benefits continue for surviving spouses in amounts as required by PEMCHA. Should an eligible retiree opt out of the CalPERS medical plan, they will receive $120 to $125 per month in lieu of contributions to the CalPERS plan. As of June 30, 2012, approximately 626 retirees were eligible and were receiving retiree health care benefits from the City. There were approximately 687 active employees that should they meet requirements will be eligible to receive health care benefits upon retirement.

Funding Policy and Actuarial Assumptions - The annual required contribution (ARC) was determined as part of a September 13, 2011 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included 4.60% investment rate of return, 3.50% projected annual salary increase, 5% to 7% health cost inflation increases and 3% inflation. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 26 year closed amortization period.

Funding Progress and Funded Status - In fiscal year 2012, the City made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Net OPEB Liability at June 30, 2011	$11,193,262
Annual required contribution (ARC)	6,568,850
Interest on net OPEB obligation	514,890
Adjustment to annual required contribution	(802,601)
Annual OPEB cost	6,281,139
Contributions made:	
City's portion of current year premiums paid	(2,340,326)
Contribution to CERBT Trust	(168,797)
Subtotal	(2,509,123)
Change in net OPEB Liability	3,772,016
Net OPEB Liability at June 30, 2012	$14,965,278

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

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	$5,710,526	$2,330,861	41%	$7,791,901
6/30/2011	6,102,153	2,700,792	44%	11,193,262
6/30/2012	6,281,139	2,509,123	40%	14,965,278

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the September 13, 2011 actuarial study is presented below:

Miscellaneous

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

Fire

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/2007		$9,883,767	($9,883,767)		$13,252,058	-74.58%
6/30/2009		16,717,981	(16,717,981)		10,949,127	-152.69%
6/30/2011	$155,121	12,687,117	(12,531,996)	1%	15,634,077	-80.16%

Police

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/2007		$37,242,641	($37,242,641)		$18,648,792	-199.71%
6/30/2009		28,005,965	(28,005,965)		17,169,192	-163.12%
6/30/2011	$362,243	38,686,935	(38,324,692)	1%	22,673,602	-169.03%

Total

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

15. RISK MANAGEMENT

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

Type of Coverage	Self Insurance	Coverage and Limits
General Liability	$0 - $1,000,000 per occurrence	$250,000 - $15,000,000
Workers' compensation	$0 - statutory limits	None
Property	$0 - $500,000 per occurrence	$250,000 - $1,000,000,0
Cyber	$0 - $100,000 per occurrence	$25,000 - $20,000,000
Boiler and machinery	$0 - $350,000 per occurrence	$1,000,000 - $100,000,0
Accidental medical expense	None	$5,000 per occurrence
Airport	None	$25,000 - $50,000,000

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

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

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

Self-Insurance **-** The City records estimated liabilities for general liability claims filed or expected to be filed in the General Liability Fund (internal service fund). As of June 30, 2012, the recorded liability was $816,822 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, 2012, the recorded liability was $4,647,439 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%.

15. RISK MANAGEMENT (Continued)

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

	2012	2011
Unpaid claims, beginning of the year	$ 5,702,532	$ 5,088,006
Increase (decrease) in estimated liability	3,324,666	5,795,998
Claims payments	(3,562,937)	(5,181,472)
Unpaid claims, end of the fiscal year	$ 5,464,261	$ 5,702,532

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 year 2012 amounted to $725,436 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 $11,579,324 at June 30, 2012.

The investment in East Bay Dischargers Authority is valued as of June 30, 2011, the latest date for which financial information is available.

16. JOINT POWERS AGREEMENTS (Continued)

Summary financial information as of and for the year ended June 30, 2011 (the most recent audited financial information available) for EBDA's common use operations was as follows:

Assets	
Current	$4,650,740
Fixed - net	30,787,763
Total	$35,438,503
Liabilities	$349,642
Net Assets	35,088,861
Total	$35,438,503
Revenues	$3,529,770
Expenses	(4,091,138)
Non-operating revenues	433,434
Non-operating expenses	(411,248)
Change in Net Assets	($539,182)

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 $6,800,000; bear interest at the bank's reference.

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.

18. CONDUIT DEBT WITHOUT CITY COMMITMENT (Continued)

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

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

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

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

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

19. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. Redevelopment Dissolution

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

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

In addition, ABx1 26 and AB1484 direct the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller's Office has not completed its asset transfer review.

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

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

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

The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

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

A summary of the Redevelopment Agency's assets distributed to and liabilities assumed by the Successor Agency and Housing Successor, reported as an Extraordinary Item, is presented below:

	Beginning Balance January 31, 2012 (Prior to transfer)	Adjustments	Transfer to RDA (Successor Agency)	Transfer to Housing Successor	Balance Feburary 1,2012
ASSETS					
Current assets:					
Cash and investments	$15,133,494		$9,464,524	$5,668,970	
Cash and investments with fiscal agents	214,096		214,096		
Accounts receivable					
Interest receivable					
Total current assets	15,347,590		9,678,620	5,668,970	
Noncurrent assets:					
Land held for resale	10,272,570		9,565,031	707,539	
Due from Route 238 Settlement Capital Projects Fund	1,477,344			1,477,344	
Due from Sucessor Agency (SERAF borrowing)	3,876,516			3,876,516	
Loans receivable	41,528,707		33,526,981	8,001,726	
Capital assets					
Land	5,277,955		5,277,955		
Depreciable capital assets, net	13,726,549		13,726,549		
Total noncurrent assets	76,159,641		62,096,516	14,063,125	
Total Assets	91,507,231		71,775,136	19,732,095	
LIABILITIES					
Current liabilities:					
Accounts payable	4,900			4,900	
Interest Payable	1,028,759		1,028,759		
Unearned revenue	41,528,707	($33,526,981)		8,001,726	
Refundable deposit	667,896		367,896	300,000	
Total current liabilities	43,230,262	(33,526,981)	1,396,655	8,306,626	
Noncurrent liabilities:					
Advances to City	6,989,843		6,989,843		
Due to Housing Sucessor(SERAF borrowing)	3,876,516		3,876,516		
2004 & 2006 TABs Payable	50,170,000		50,170,000		
Total noncurrent liabilities	61,036,359		61,036,359		
Total Liabilities	104,266,621	(33,526,981)	62,433,014	8,306,626	
NET ASSETS (Transferred)	($12,759,390)	$33,526,981	$9,342,122	$11,425,469	

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

B. Cash and Investments

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

Restricted cash and investments may be used only for capital projects by the Successor Agency.

The successor Agency's 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 debt instruments or agreements.

C. Capital Assets

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

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

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

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

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

D. Capital Asset Additions, Retirements, and Balances

	Transfer from City	Additions	Balance June 30, 2012
Capital assets not being depreciated:			
Land	$5,277,955		$5,277,955
Total capital asset not being depreciated	5,277,955		5,277,955
Capital assets being depreciated:			
Buildings & improvements	14,135,897		14,135,897
Improvements other than buildings	1,574,361		1,574,361
Machinery and equipment	9,575		9,575
Total capital asset being depreciated	15,719,833		15,719,833
Less accumulated depreciation for:			
Buildings & improvements	1,690,361	130,888	1,821,249
Improvements other than buildings	293,881	26,239	320,120
Machinery and equipment	9,042	266	9,308
Total accumulated depreciation	1,993,284	157,393	2,150,677
Net depreciable assets	13,726,549	(157,393)	13,569,156
Private purpose trust fund assets, net	$19,004,504	($157,393)	$18,847,111

E. Loans Receivable

The Successor Agencies assumed the notes and loans receivable of the Redevelopment Agency as of February 1, 2012. The balance of the notes receivable assumed by the Successor Agency at June 30, 2012 was $33,446,014 recorded in the Successor Agency to the Redevelopment Agency Private-Purpose Trust, consisting of rehabilitation and construction loans.

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

F. Loans Payable

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

	Long-Term Interfund Receivable	Long-Term Interfund Payable
Successor Agency Private Purpose Trust Fund		$10,892,958
General Fund	$7,016,442	
HA Low & Moderate Income Housing	3,876,516	
Total	$10,892,958	$10,892,958

a. 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 not to exceed $11,186,217.

The Agency is to pay annual installments of $800,000 July 1 of each year and interest will accrue on the unpaid balance at a rate equal to the average rate earned by the City on moneys invested in LAIF for the applicable fiscal year. Interest shall accrue and be added to the principal balance June 30 of each year.

Under the Dissolution Act, certain agreements between the Cities and the redevelopment agencies no longer quality as enforceable obligations. However, with the passage of AB 1484 on June 28, 2012, upon meeting certain requirements including the issuance of a finding of completion by the State Department of Finance and approval from the Oversight Board, this loan may be restored at LAIF rates from inception. Using the LAIF rate, the recomputed balance as of January 31, 2012 to be $11,293,396, but the City has elected to not increase this loan and keep it at the original amount of $7,016,442.

b. Under a cooperation agreement, the Agency granted funds to the Housing Authority of the City of Hayward which it will use for purposes consistent with the California Redevelopment Law. The Agency Low & Moderate Income Housing Capital Projects Fund transferred $2,519,118 and $4,194,091 to the Housing Authority Low & Moderate Income Housing Capital Projects Fund and the Housing Authority Capital Projects Fund, respectively. In addition, the Agency transferred loans receivable with a balance amounting to $5,987,621 to the Housing Authority during fiscal 2010-11. As of June 30, 2012, the balance of unspent grant funds held by the Housing Authority totaled $3,876,516.

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

G. Long-Term Debt

The Successor Agency assumed the long-term debt of the Redevelopment Agency as of February 2012.

(a) Current Year Transactions and Balances

The Successor Agency's debt issues and transactions are summarized below and discussed in detail thereafter.

Type of Obligation	Authorized and Issued	Principal Outstanding February 1, 2012	Retirements	Principal Outstanding June 30, 2012	Current Portion
Tax Allocation Bonds,					
2004 Redevelopment Agency due 3/1/2034, interest at 3%-5.23%	$44,790,000	$38,370,000	$1,460,000	$36,910,000	$1,525,000
2006 Redevelopment Agency due 3/1/2036, interest at 3.75%-4.3%	11,800,000	11,800,000	$80,000	11,720,000	80,000
Total	$56,590,000	$50,170,000	$1,540,000	$48,630,000	$1,605,000

At June 30, 2012, future debt service requirement for the Successor Agency were as follows:

	Governmental Activities	
Year Ending June 30	Principal	Interest
2013	$1,605,000	$2,400,320
2014	1,680,000	2,328,656
2015	1,750,000	2,253,588
2016	1,835,000	2,173,930
2017	1,920,000	2,089,188
2018 - 2022	11,045,000	8,975,023
2023 - 2027	13,900,000	5,910,754
2028 - 2032	8,940,000	2,648,914
2033 - 2036	5,955,000	771,015
Totals	$48,630,000	$29,551,388

H. Commitments and Contingencies

State Approval of Enforceable Obligations

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

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

State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The following are activities between the City and the RDA which occurred after January 1, 2011:

a. In 1990, the City's Water Enterprise Fund made a loan to the Agency to finance the purchase of land for development. Scheduled debt service payments for the loan are being made from available incremental property tax revenues. During the year ended June 30, 2011, the Agency repaid the outstanding balance of $1,041,075 pursuant to Board Resolution.

b. During fiscal year 2003, the Sewer Enterprise Fund loaned $2.35 million to the Redevelopment Agency pursuant to a City Council resolution to partially finance sidewalk improvements. This loan bears interest from 2.25% to 3.00%, which is repaid quarterly. Principal is repayable over a five-year period commencing the fourth quarter of fiscal year 2006. During the year ended June 30, 2011, the Agency repaid the outstanding balance of $831,877 pursuant to Board Resolution.

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CITY OF HAYWARD
HA LOW & MODERATE INCOME HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance with Adjusted Budget Positive (Negative)
REVENUES:				
Investment income	$50,468	$50,468	$123,895	$73,427
Intergovernmental	2,036,839	2,036,839	944,298	(1,092,541)
Other revenue	57,183	57,183	75,935	$18,752
Total Revenues	2,144,490	2,144,490	1,144,128	(1,000,362)
EXPENDITURES:				
Redevelopment	1,347,021	1,444,041	219,766	1,224,275
Interest and fiscal charges		$1,800	1,546	254
Total Expenditures	1,347,021	1,445,841	221,312	1,224,529
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	797,469	698,649	922,816	224,167
OTHER FINANCING SOURCES (USES):				
Transfers in	500,000	500,000		(500,000)
Transfers (out)	(1,649,946)	(1,649,946)	(1,149,946)	500,000
Total Other Financing Sources (Uses)	(1,149,946)	(1,149,946)	(1,149,946)	
EXTRAORDINARY ITEM			4,343,164	4,343,164
NET CHANGE IN FUND BALANCE	($352,477)	($451,297)	4,116,034	$4,567,331
BEGINNING FUND BALANCE			2,097,348	
ENDING FUND BALANCE (DEFICIT)			$6,213,382	

CITY OF HAYWARD
ROUTE 238 CORRIDOR IMPROVEMENT PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance with Adjusted Budget Positive (Negative)
REVENUES:				
Investment income	$117,000	$117,000	$11,511	($105,489)
Rental income	227,000	227,000	263,004	36,004
Intergovernmental	170,380,000	170,380,000	20,982,914	(149,397,086)
Fees and charges for services	18,378,000	18,378,000	3,750,548	(14,627,452)
Other revenue			2,056,827	2,056,827
Total Revenues	189,102,000	189,102,000	27,064,804	(162,037,196)
EXPENDITURES:				
Capital outlay	90,481,938	90,481,938	23,050,574	67,431,364
Total Expenditures	90,481,938	90,481,938	23,050,574	67,431,364
EXCESS OF REVENUES OVER EXPENDITURES	98,620,062	98,620,062	4,014,230	(94,605,832)
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(450,000)	(450,000)	(450,000)	
Total Other Financing Sources (Uses)	(450,000)	(450,000)	(450,000)	
NET CHANGE IN FUND BALANCE	$98,170,062	$98,170,062	3,564,230	($94,605,832)
BEGINNING FUND BALANCE			8,747,870	
ENDING FUND BALANCE			$12,312,100	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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.

Neighborhood Stabilization Program Fund – Accounts for funds received from the State of California Department of Housing and Community Development (HCD) under Title III of the American Reinvestment and Recovery Act of 2009 (ARRA) for emergency assistance to acquire and develop foreclosed properties that might otherwise become sources of abandonment and blight within the community.

Homelessness Prevention and Rapid Re-Housing Fund – Accounts for funds received through the U.S. Department of Housing and Urban Development (HUD) as authorized by the American Reinvestment and Recovery Act of 2009 (ARRA) which may be used to prevent homelessness and/or rapidly re-house people who are already homeless.

Energy Efficiency Conservation Fund – Accounts for funds received from the U.S. Department of Energy as authorized by the American Reinvestment and Recovery Act of 2009 (ARRA) which will be used for energy efficiency programs, retrofit grants, residential and commercial energy audits, LED streetlights, and a sustainability coordinator.

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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 Fund - 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.

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

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

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

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

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

Other Grants Fund – Accounts for small grants received from federal and state, and used for administering Fire's capital improvements and Library's literacy programs.

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

DEBT SERVICE FUNDS

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

Redevelopment Agency - Accounts for tax increment revenues transferred for the payment of interest and principal of the Redevelopment Agency's 2004 and 2006 tax allocation bonds.

Debt Service Fund - Accounts for transfers of revenue for the payment of interest and principal on the fire suppression note.

Motorola Police Radio – Accounts for transfers of revenue for the payment of interest and principal on the Motorola Police Radio lease.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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.

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

Route 238 Settlement Fund – Accounts for lump sum stipends, home ownership assistance, and program administration in connection with Route 238 Corridor Settlement Agreement.

Housing Authority – Under a cooperation agreement with the Redevelopment Agency, the Housing Authority will use resources for purposes consistent with the California Redevelopment Law. This accounts for activities financed by grants of property tax increment revenues, less the 20% reported in the Low-Moderate Income Fund.

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	SPECIAL REVENUE FUNDS				
	Special Gasoline Tax	Community Development Block Grant	Federal Rental Rehabilitation Grant Program	HCD Deferred Loans	Housing Mortgage Revenue Bonds
ASSETS:					
Cash and investments	$51,387	$2,915,649	$28,456	$34,919	$1,032,923
Cash and investments with fiscal agents					
Accounts receivable, net		14,314			45,246
Due from other governments	511,999				
Interest receivable	(4)	1,763		25	752
Due from other funds					
Loans receivable		3,254,030		73,631	175,500
Deposits, parts, supplies and other:					
Total Assets	$563,382	$6,185,756	$28,456	$108,575	$1,254,421
LIABILITIES:					
Accounts payable	$72,249	$128,816			$529
Accrued liabilities		25,647			3,526
Due to other funds	91,929				
Deferred revenue		3,254,030		$73,631	175,500
Refundable deposits		2,200			
Total Liabilities	164,178	3,410,693		73,631	179,555
FUND BALANCES:					
Nonspendable					
Restricted					
Public Safety					
Public works and transportation	399,204				
Planning and Building					
Redevelopment Projects & Programs		2,775,063	$28,456	34,944	1,074,866
Debt Service					
Assigned					
Unassigned					
Total Fund Balances (Deficit)	399,204	2,775,063	28,456	34,944	1,074,866
Total Liabilities and Fund Balances	$563,382	$6,185,756	$28,456	$108,575	$1,254,421

SPECIAL REVENUE FUNDS

Park Dedication Ordinance	Business Improvement	Donation	Neighborhood Stabilization Program	Homelessness Prevention	Energy Efficiency Conservation	Recycling
$4,688,188	$218,406	$10,400,748	$95,566			$1,345,469
59,242		6,933				
					$61,836	100,788
3,416	157	7,576	$74			1,007
335,903						
			803,000			
	68					
$5,086,749	$218,631	$10,415,257	$898,640		$61,836	$1,447,264
	$9,919	$22,960	$520		$34,835	$86
		352				8,225
$335,903				$26,580	27,001	
			803,000			
1,751,981						
2,087,884	9,919	23,312	803,520	26,580	61,836	8,311
	68					
						1,438,953
2,998,865	208,644	10,391,945				
				(26,580)		
			95,120			
2,998,865	208,712	10,391,945	95,120	(26,580)		1,438,953
$5,086,749	$218,631	$10,415,257	$898,640		$61,836	$1,447,264

(Continued)

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	SPECIAL REVENUE FUNDS				
	Narcotics Asset Seizure	Local Law Enforcement Block Grant	Citizens' Option For Public Safety	Park Maintenance District	Measure B Local Streets and Roads
ASSETS:					
Cash and investments	$390,088	$71,548	$186,063	$2,638,225	$507,068
Cash and investments with fiscal agents					
Accounts receivable, net					
Due from other governments			118,716		307,038
Interest receivable	285			1,921	261
Due from other funds					
Loans receivable					
Deposits, parts, supplies and other:					
Total Assets	$390,373	$71,548	$304,779	$2,640,146	$814,367
LIABILITIES:					
Accounts payable	$28,806			$44,318	$7,025
Accrued liabilities					
Due to other funds					
Deferred revenue					
Refundable deposits				20,000	
Total Liabilities	28,806			64,318	7,025
FUND BALANCES:					
Nonspendable					
Restricted					
Public Safety	$361,567	$71,548	$304,779		
Public works and transportation					807,342
Planning and Building				2,575,828	
Redevelopment Projects & Programs					
Debt Service					
Assigned					
Unassigned					
Total Fund Balances (Deficit)	361,567	71,548	304,779	2,575,828	807,342
Total Liabilities and Fund Balances	$390,373	$71,548	$304,779	$2,640,146	$814,367

SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS		
Measure B Pedestrian	Measure B Paratransit	Other Grants	Measure F	Certificates of Participation	Redevelopment Agency	Debt Service
$253,175	$698,792	$105,002	$604,754	$2,131 78,034		
62,799 173	111,433 515	$5,078	$126,832			
$316,147	$810,740	$110,080	$731,586	$80,165		
$496	$25,275 3,461	$4,278				
496	28,736	4,278				
315,651	782,004	105,802	$731,586			
				$80,165		
315,651	782,004	105,802	731,586	80,165		
$316,147	$810,740	$110,080	$731,586	$80,165		

(Continued)

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS			
	Motorola Police Radio	General Capital Projects	Traffic Signal Construction	Redevelopment Agency	Route 238 Settlement
ASSETS:					
Cash and investments		$7,173,370	($74)		$3,112,123
Cash and investments with fiscal agents					
Accounts receivable, net		396,298	95,192		
Due from other governments		184,503			
Interest receivable		6,264	(32)		2,383
Due from other funds					
Loans receivable					
Deposits, parts, supplies and other:					
Total Assets		$7,760,435	$95,086		$3,114,506
LIABILITIES:					
Accounts payable		$214,444	$9,297		$4,175
Accrued liabilities					
Due to other funds			32,415		1,477,344
Deferred revenue					
Refundable deposits		85,240			
Total Liabilities		299,684	41,712		1,481,519
FUND BALANCES:					
Nonspendable					
Restricted					
Public Safety					
Public works and transportation			53,374		1,632,987
Planning and Building					
Redevelopment Projects & Programs					
Debt Service					
Assigned		7,460,751			
Unassigned					
Total Fund Balances (Deficit)		7,460,751	53,374		1,632,987
Total Liabilities and Fund Balances		$7,760,435	$95,086		$3,114,506

Housing Authority	Total Nonmajor Governmental Funds
$3,163,964	$39,717,940
	78,034
	617,225
	1,591,022
3,532	30,068
	335,903
	4,306,161
	68
$3,167,496	$46,676,421
$32,441	$640,469
	41,211
	1,991,172
	4,306,161
	1,859,421
32,441	8,838,434
	68
	737,894
	6,266,903
	16,175,282
3,135,055	7,021,804
	80,165
	7,460,751
	95,120
3,135,055	37,837,987
$3,167,496	$46,676,421

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS				
	Special Gasoline Tax	Community Development Block Grant	Federal Rental Rehabilitation Grant Program	HCD Deferred Loans	Housing Mortgage Revenue Bonds
REVENUES:					
Property tax increment					
Other taxes					
Fines and forfeitures					
Special assessments					
Investment income	$14,650	$28,067		$125	$5,143
Intergovernmental	4,356,742	2,461,648			
Rental income					
School District reimbursement					
Fees and charges for services	68,995				
Other	(6,514)	344,549			193,674
Total Revenues	4,433,873	2,834,264		125	198,817
EXPENDITURES:					
Current:					
Public safety					
Public works and transportation	1,390,028	139,285			
Library and community services		1,264,902			
Redevelopment		374,512			165,049
Planning and building		126,870			
Capital outlay					
Debt Service:					
Principal repayment		104,695			
Interest and fiscal charges		29,792			1,546
Total Expenditures	1,390,028	2,040,056			166,595
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,043,845	794,208		125	32,222
OTHER FINANCING SOURCES (USES)					
Transfers in	200,000				
Transfers (out)	(3,177,000)	(68,121)			(3,137)
Total Other Financing Sources (Uses)	(2,977,000)	(68,121)			(3,137)
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	66,845	726,087		125	29,085
EXTRAORDINARY ITEM					
Assets transferred to/ liabilities assumed by the Successor Agency/ Housing Successor					
NET CHANGE IN FUND BALANCES	66,845	726,087		125	29,085
BEGINNING FUND BALANCES	332,359	2,048,976	$28,456	34,819	1,045,781
ENDING FUND BALANCES (DEFICITS)	$399,204	$2,775,063	$28,456	$34,944	$1,074,866

SPECIAL REVENUE FUNDS

Park Dedication Ordinance	Business Improvement	Donation	Neighborhood Stabilization Program	Homelessness Prevention	Energy Efficiency Conservation	Recycling
	$56,374					$25,965
$5,970	601	$52,255	$161			$5,177
		10,000,000	1,298,480	$242,814	$793,167	653,491
				4		225
365,728	850	166,430	518,447			4,925
371,698	57,825	10,218,685	1,817,088	242,818	793,167	689,783
		58,111				
		16,988		269,407	793,167	599,475
514,740	70,135		1,555,777			
						3,418
514,740	70,135	75,099	1,555,777	269,407	793,167	602,893
(143,042)	(12,310)	10,143,586	261,311	(26,589)		86,890
	32,083					
						(198,128)
	32,083					(198,128)
(143,042)	19,773	10,143,586	261,311	(26,589)		(111,238)
(143,042)	19,773	10,143,586	261,311	(26,589)		(111,238)
3,141,907	188,939	248,359	(166,191)	9		1,550,191
$2,998,865	$208,712	$10,391,945	$95,120	($26,580)		$1,438,953

(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, 2012

	SPECIAL REVENUE FUNDS				
	Narcotics Asset Seizure	Local Law Enforcement Block Grant	Citizens' Option For Public Safety	Park Maintenance District	Measure B Local Streets and Roads
REVENUES:					
Property tax increment					
Other taxes					
Fines and forfeitures	$547,735				
Special assessments				$817,210	
Investment income	1,637	($318)		8,924	($10,879)
Intergovernmental		71,548	$243,329		1,881,722
Rental income					
School District reimbursement					
Fees and charges for services					300
Other					
Total Revenues	549,372	71,230	243,329	826,134	1,871,143
EXPENDITURES:					
Current:					
Public safety	253,854				
Public works and transportation					1,816,066
Library and community services					
Redevelopment					
Planning and building					
Capital outlay					
Debt Service:					
Principal repayment					
Interest and fiscal charges				807,653	
Total Expenditures	253,854			807,653	1,816,066
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	295,518	71,230	243,329	18,481	55,077
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)					
Total Other Financing Sources (Uses)					
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	295,518	71,230	243,329	18,481	55,077
EXTRAORDINARY ITEM					
Assets transferred to/ liabilities assumed by the Successor Agency/ Housing Successor					
NET CHANGE IN FUND BALANCES	295,518	71,230	243,329	18,481	55,077
BEGINNING FUND BALANCES	66,049	318	61,450	2,557,347	752,265
ENDING FUND BALANCES (DEFICITS)	$361,567	$71,548	$304,779	$2,575,828	$807,342

SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS		
Measure B Pedestrian	Measure B Paratransit	Other Grants	Measure F	Certificates of Participation	Redevelopment Agency	Debt Service
($211)	$2,510			$1,332	$206	
383,488	682,931	$304,614	$782,753			
		10,000				
		2,800	125			
383,277	685,441	317,414	782,878	1,332	206	
		47,689				
594,537		262,299	51,292			
	480,765					
				1,580,770		
	1,157			1,133,952	1,234,511	
594,537	481,922	309,988	51,292	2,714,722	1,234,511	
(211,260)	203,519	7,426	731,586	(2,713,390)	(1,234,305)	
		98,376		2,713,921	1,238,640	
	(14,270)			(71,747)		
	(14,270)	98,376		2,642,174	1,238,640	
(211,260)	189,249	105,802	731,586	(71,216)	4,335	
					(4,009,363)	
(211,260)	189,249	105,802	731,586	(71,216)	(4,005,028)	
526,911	592,755			151,381	4,005,028	
$315,651	$782,004	$105,802	$731,586	$80,165		

(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, 2012

	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS			
	Motorola Police Radio	General Capital Projects	Traffic Signal Construction	Redevelopment Agency	Route 238 Settlement
REVENUES:					
Property tax increment				$4,721,491	
Other taxes		$38,700			
Fines and forfeitures					
Special assessments					
Investment income		40,952	$151	(6,664)	($11,136)
Intergovernmental		2,476,136	267,240		
Rental income				25,000	
School District reimbursement				344,375	
Fees and charges for services		178,963			
Other		1,389,137		145,365	
Total Revenues		4,123,888	267,391	5,229,567	(11,136)
EXPENDITURES:					
Current:					
Public safety					
Public works and transportation					
Library and community services					
Redevelopment				1,496,690	
Planning and building					
Capital outlay		6,499,721	444,712	151,063	959,206
Debt Service:					
Principal repayment	$65,901				
Interest and fiscal charges	3,611			27,431	
Total Expenditures	69,512	6,499,721	444,712	1,675,184	959,206
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(69,512)	(2,375,833)	(177,321)	3,554,383	(970,342)
OTHER FINANCING SOURCES (USES)					
Transfers in	69,512	4,502,000	50,000		
Transfers (out)		(234,000)		(1,667,757)	
Total Other Financing Sources (Uses)	69,512	4,268,000	50,000	(1,667,757)	
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS		1,892,167	(127,321)	1,886,626	(970,342)
EXTRAORDINARY ITEM					
Assets transferred to/ liabilities assumed by the Successor Agency/ Housing Successor				3,000,429	
NET CHANGE IN FUND BALANCES		1,892,167	(127,321)	4,887,055	(970,342)
BEGINNING FUND BALANCES		5,568,584	180,695	(4,887,055)	2,603,329
ENDING FUND BALANCES (DEFICITS)		$7,460,751	$53,374		$1,632,987

Housing Authority	Total Nonmajor Governmental Funds
	$4,721,491
	121,039
	547,735
	817,210
$26,188	164,841
	26,900,103
	25,000
	344,375
	258,487
177	3,125,693
26,365	37,025,974
	359,654
2,051,197	7,983,741
	1,745,667
	4,176,903
	126,870
	8,054,702
	1,751,366
	3,243,071
2,051,197	27,441,974
(2,024,832)	9,584,000
1,100,000	10,004,532
	(5,434,160)
1,100,000	4,570,372
(924,832)	14,154,372
(1,071,056)	(2,079,990)
(1,995,888)	12,074,382
5,130,943	25,763,605
$3,135,055	$37,837,987

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, 2012

	SPECIAL REVENUE FUNDS					
	Special Gasoline Tax			Community Development Block Grant		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property tax increment						
Other taxes						
Fines and forfeitures						
Special assessments						
Investment income	$5,000	$14,650	$9,650	$40,824	$28,067	($12,757)
Rental income						
Intergovernmental	2,639,000	4,356,742	1,717,742	2,693,568	2,461,648	(231,920)
Fees and charges for services	110,000	68,995	(41,005)			
School District Reimbursement						
Other		(6,514)	(6,514)	276,100	344,549	68,449
Total Revenues	2,754,000	4,433,873	1,679,873	3,010,492	2,834,264	(176,228)
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation	7,059,198	1,390,028	5,669,170	460,000	139,285	320,715
Library and community services				1,963,822	1,264,902	698,920
Redevelopment				408,570	374,512	34,058
Planning and building				960,083	126,870	833,213
Capital outlay						
Debt Service						
Principal repayment				104,695	104,695	
Interest and fiscal charges				31,635	29,792	1,843
Pass-through payments						
Total Expenditures	7,059,198	1,390,028	5,669,170	3,928,805	2,040,056	1,888,749
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,305,198)	3,043,845	7,349,043	(918,313)	794,208	1,712,521
OTHER FINANCING SOURCES (USES)						
Transfers in	200,000	200,000		358,943		(358,943)
Transfers (out)	(3,177,000)	(3,177,000)		(427,064)	(68,121)	358,943
Total Other Financing Sources (Uses)	(2,977,000)	(2,977,000)		(68,121)	(68,121)	
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	(7,282,198)	66,845	7,349,043	(986,434)	726,087	1,712,521
EXTRAORDINARY ITEM						
Assets transferred to/ liabilities assumed by the Successor Agency/ Housing Successor						
NET CHANGE IN FUND BALANCES	($7,282,198)	66,845	$7,349,043	($986,434)	726,087	$1,712,521
BEGINNING FUND BALANCES		332,359			2,048,976	
ENDING FUND BALANCES (DEFICIT)		$399,204			$2,775,063	

SPECIAL REVENUE FUNDS

Federal Rental Rehabilitation Grant Program			HCD Deferred Loans			Housing Mortgage Revenue Bonds		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
				$125	$125	$21,912	$5,143	($16,769)
						124,822	193,674	68,852
				125	125	146,734	198,817	52,083
						200,194	165,049	35,145
						1,044	1,546	(502)
						201,238	166,595	34,643
				125	125	(54,504)	32,222	86,726
						(4,138)	(3,137)	1,001
						(4,138)	(3,137)	1,001
				125	125	(58,642)	29,085	87,727
				125	$125	($58,642)	29,085	$87,727
	$28,456			34,819			1,045,781	
	$28,456			$34,944			$1,074,866	

(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, 2012

	SPECIAL REVENUE FUNDS					
	Park Dedication Ordinance			Business Improvement		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property tax increment						
Other taxes				$56,000	$56,374	$374
Fines and forfeitures						
Special assessments						
Investment income		$5,970	$5,970	2,297	601	(1,696)
Rental income						
Intergovernmental						
Fees and charges for services						
School District Reimbursement						
Other	$111,075	365,728	254,653	250	850	600
Total Revenues	111,075	371,698	260,623	58,547	57,825	(722)
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation						
Library and community services						
Redevelopment	196,300	514,740	(318,440)	128,174	70,135	58,039
Planning and building						
Capital outlay						
Debt Service						
Principal repayment						
Interest and fiscal charges						
Pass-through payments						
Total Expenditures	196,300	514,740	(318,440)	128,174	70,135	58,039
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(85,225)	(143,042)	(57,817)	(69,627)	(12,310)	57,317
OTHER FINANCING SOURCES (USES)						
Transfers in				55,000	32,083	(22,917)
Transfers (out)						
Total Other Financing Sources (Uses)				55,000	32,083	(22,917)
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	(85,225)	(143,042)	(57,817)	(14,627)	19,773	34,400
EXTRAORDINARY ITEM						
Assets transferred to/ liabilities assumed by the Successor Agency/ Housing Successor						
NET CHANGE IN FUND BALANCES	($85,225)	(143,042)	($57,817)	($14,627)	19,773	$34,400
BEGINNING FUND BALANCES		3,141,907			188,939	
ENDING FUND BALANCES (DEFICIT)		$2,998,865			$208,712	

SPECIAL REVENUE FUNDS

Donation			Neighborhood Stabilization Program			Homelessness Prevention		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
	$52,255	$52,255		$161	$161			
	10,000,000	10,000,000	$1,328,481	1,298,480	(30,001)	$703,342	$242,814	($460,528)
							4	4
$21,020	166,430	145,410	533,447	518,447	(15,000)			
21,020	10,218,685	10,197,665	1,861,928	1,817,088	(44,840)	703,342	242,818	(460,524)
182,374	58,111	124,263						
21,020	16,988	4,032				$703,342	269,407	433,935
2,883		2,883						
			1,696,043	1,555,777	140,266			
206,277	75,099	131,178	1,696,043	1,555,777	140,266	703,342	269,407	433,935
(185,257)	10,143,586	10,328,843	165,885	261,311	95,426		(26,589)	(26,589)
(185,257)	10,143,586	10,328,843	165,885	261,311	95,426		(26,589)	(26,589)
($185,257)	10,143,586	$10,328,843	$165,885	261,311	$95,426		(26,589)	($26,589)
	248,359			(166,191)			9	
	$10,391,945			$95,120			($26,580)	

(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, 2012

	SPECIAL REVENUE FUNDS					
	Energy Efficiency Conservation			Recycling		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property tax increment						
Other taxes					$25,965	$25,965
Fines and forfeitures						
Special assessments						
Investment income				$12,000	5,177	(6,823)
Rental income						
Intergovernmental	$1,361,900	$793,167	($568,733)	567,500	653,491	85,991
Fees and charges for services					225	225
School District Reimbursement						
Other				5,100	4,925	(175)
Total Revenues	1,361,900	793,167	(568,733)	584,600	689,783	105,183
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation	1,361,900	793,167	568,733	1,378,376	599,475	778,901
Library and community services						
Redevelopment						
Planning and building						
Capital outlay						
Debt Service						
Principal repayment						
Interest and fiscal charges					3,418	(3,418)
Pass-through payments						
Total Expenditures	1,361,900	793,167	568,733	1,378,376	602,893	775,483
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				(793,776)	86,890	880,666
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(198,128)	(198,128)	
Total Other Financing Sources (Uses)				(198,128)	(198,128)	
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS				(991,904)	(111,238)	880,666
EXTRAORDINARY ITEM						
Assets transferred to/ liabilities assumed by the Successor Agency/ Housing Successor						
NET CHANGE IN FUND BALANCES				($991,904)	(111,238)	$880,666
BEGINNING FUND BALANCES					1,550,191	
ENDING FUND BALANCES (DEFICIT)					$1,438,953	

SPECIAL REVENUE FUNDS

Narcotics Asset Seizure			Local Law Enforcement Block Grant			Citizens' Option For Public Safety		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
$25,612	$547,735	$522,123						
	1,637	1,637		($318)	($318)			
			$148,490	71,548	(76,942)		$243,329	$243,329
25,612	549,372	523,760	148,490	71,230	(77,260)		243,329	243,329
298,505	253,854	44,651						
298,505	253,854	44,651						
(272,893)	295,518	568,411	148,490	71,230	(77,260)		243,329	243,329
			(76,942)		76,942			
			(76,942)		76,942			
(272,893)	295,518	568,411	71,548	71,230	(318)		243,329	243,329
($272,893)	295,518	$568,411	$71,548	71,230	($318)		243,329	$243,329
	66,049			318			61,450	
	$361,567			$71,548			$304,779	

(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, 2012

	SPECIAL REVENUE FUNDS					
	Park Maintenance District			Measure B Local Streets and Roads		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property tax increment	$52,492		($52,492)			
Other taxes						
Fines and forfeitures						
Special assessments	739,260	$817,210	77,950			
Investment income		8,924	8,924	$7,000	($10,879)	($17,879)
Rental income						
Intergovernmental				1,647,000	1,881,722	234,722
Fees and charges for services					300	300
School District Reimbursement						
Other						
Total Revenues	791,752	826,134	34,382	1,654,000	1,871,143	217,143
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation				8,041,000	1,816,066	6,224,934
Library and community services						
Redevelopment						
Planning and building						
Capital outlay						
Debt Service						
Principal repayment						
Interest and fiscal charges	888,259	807,653	80,606			
Pass-through payments						
Total Expenditures	888,259	807,653	80,606	8,041,000	1,816,066	6,224,934
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(96,507)	18,481	114,988	(6,387,000)	55,077	6,442,077
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	(96,507)	18,481	114,988	(6,387,000)	55,077	6,442,077
EXTRAORDINARY ITEM						
Assets transferred to/ liabilities assumed by the Successor Agency/ Housing Successor						
NET CHANGE IN FUND BALANCES	($96,507)	18,481	$114,988	($6,387,000)	55,077	$6,442,077
BEGINNING FUND BALANCES		2,557,347			752,265	
ENDING FUND BALANCES (DEFICIT)		$2,575,828			$807,342	

SPECIAL REVENUE FUNDS

Measure B Pedestrian			Measure B Paratransit			Other Grants		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
$4,000	($211)	($4,211)	$3,000	$2,510	($490)			
525,000	383,488	(141,512)	630,950	682,931	51,981	$432,479	$304,614	($127,865)
							10,000	10,000
531,000		(531,000)				3,300	2,800	(500)
1,060,000	383,277	(676,723)	633,950	685,441	51,491	435,779	317,414	(118,365)
						88,400	47,689	40,711
2,099,011	594,537	1,504,474				445,755	262,299	183,456
			736,606	480,765	255,841			
			1,606	1,157	449			
2,099,011	594,537	1,504,474	738,212	481,922	256,290	534,155	309,988	224,167
(1,039,011)	(211,260)	827,751	(104,262)	203,519	307,781	(98,376)	7,426	105,802
						93,295	98,376	5,081
			(14,270)	(14,270)				
			(14,270)	(14,270)		93,295	98,376	5,081
(1,039,011)	(211,260)	827,751	(118,532)	189,249	307,781	(5,081)	105,802	110,883
($1,039,011)	(211,260)	$827,751	($118,532)	189,249	$307,781	($5,081)	105,802	$110,883
	526,911			592,755				
	$315,651			$782,004			$105,802	

(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, 2012

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
	Measure F			Certificates of Participation		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property tax increment						
Other taxes						
Fines and forfeitures						
Special assessments						
Investment income				$3,000	$1,332	($1,668)
Rental income						
Intergovernmental		$782,753	$782,753			
Fees and charges for services						
School District Reimbursement						
Other		125	125			
Total Revenues		782,878	782,878	3,000	1,332	(1,668)
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation		51,292	(51,292)			
Library and community services						
Redevelopment						
Planning and building						
Capital outlay						
Debt Service						
Principal repayment				1,580,770	1,580,770	
Interest and fiscal charges				1,133,311	1,133,952	(641)
Pass-through payments						
Total Expenditures		51,292	(51,292)	2,714,081	2,714,722	(641)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		731,586	731,586	(2,711,081)	(2,713,390)	(2,309)
OTHER FINANCING SOURCES (USES)						
Transfers in	$4,016,158		(4,016,158)	2,714,081	2,713,921	(160)
Transfers (out)					(71,747)	(71,747)
Total Other Financing Sources (Uses)	4,016,158		(4,016,158)	2,714,081	2,642,174	(71,907)
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	4,016,158	731,586	(3,284,572)	3,000	(71,216)	(74,216)
EXTRAORDINARY ITEM						
Assets transferred to/ liabilities assumed by the Successor Agency/ Housing Successor						
NET CHANGE IN FUND BALANCES	$4,016,158	731,586	($3,284,572)	$3,000	(71,216)	($74,216)
BEGINNING FUND BALANCES					151,381	
ENDING FUND BALANCES (DEFICIT)		$731,586			$80,165	

DEBT SERVICE FUNDS

Redevelopment Agency			Debt Service			Motorola Police Radio		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
$1,000	$206	($794)						
1,000	206	(794)						
1,540,000		1,540,000				$65,901	$65,901	
2,476,158	1,234,511	1,241,647				3,611	3,611	
4,016,158	1,234,511	2,781,647				69,512	69,512	
(4,015,158)	(1,234,305)	2,780,853				(69,512)	(69,512)	
4,016,158	1,238,640	(2,777,518)				69,512	69,512	
4,016,158	1,238,640	(2,777,518)				69,512	69,512	
1,000	4,335	3,335						
	(4,009,363)	(4,009,363)						
$1,000	(4,005,028)	($4,006,028)						
	4,005,028							

(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, 2012

	CAPITAL PROJECTS FUNDS					
	General Capital Projects			Traffic Signal Construction		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property tax increment						
Other taxes	$150,000	$38,700	($111,300)			
Fines and forfeitures						
Special assessments						
Investment income	42,000	40,952	(1,048)	$6,000	$151	($5,849)
Rental income						
Intergovernmental	58,686,000	2,476,136	(56,209,864)		267,240	267,240
Fees and charges for services	2,277,000	178,963	(2,098,037)			
School District Reimbursement						
Other	9,743,000	1,389,137	(8,353,863)			
Total Revenues	70,898,000	4,123,888	(66,774,112)	6,000	267,391	261,391
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation						
Library and community services						
Redevelopment						
Planning and building						
Capital outlay	64,201,442	6,499,721	57,701,721	4,521,829	444,712	4,077,117
Debt Service						
Principal repayment	3,637,375		3,637,375			
Interest and fiscal charges	737,546		737,546			
Pass-through payments						
Total Expenditures	68,576,363	6,499,721	62,076,642	4,521,829	444,712	4,077,117
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,321,637	(2,375,833)	(4,697,470)	(4,515,829)	(177,321)	4,338,508
OTHER FINANCING SOURCES (USES)						
Transfers in	4,502,000	4,502,000		50,000	50,000	
Transfers (out)	(234,000)	(234,000)				
Total Other Financing Sources (Uses)	4,268,000	4,268,000		50,000	50,000	
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	6,589,637	1,892,167	(4,697,470)	(4,465,829)	(127,321)	4,338,508
EXTRAORDINARY ITEM						
Assets transferred to/ liabilities assumed by the Successor Agency/ Housing Successor						
NET CHANGE IN FUND BALANCES	$6,589,637	1,892,167	($4,697,470)	($4,465,829)	(127,321)	$4,338,508
BEGINNING FUND BALANCES		5,568,584			180,695	
ENDING FUND BALANCES		$7,460,751			$53,374	

CAPITAL PROJECTS FUNDS

Redevelopment Agency			Route 238 Settlement			Housing Authority		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
$10,184,193	$4,721,491	($5,462,702)						
1,986	(6,664)	(8,650)		($11,136)	($11,136)		$26,188	$26,188
$25,000	$25,000							
491,110	344,375	(146,735)						
(17,203)	145,365	162,568					177	177
10,685,086	5,229,567	(5,455,519)		(11,136)	(11,136)		26,365	26,365
						$6,431,277	2,051,197	4,380,080
3,337,036	1,496,690	1,840,346						
19,289,520	151,063	19,138,457	$7,477,344	959,206	6,518,138			
642,963		642,963						
157,869	27,431	130,438						
1,437,732		1,437,732						
24,865,120	1,675,184	23,189,936	7,477,344	959,206	6,518,138	6,431,277	2,051,197	4,380,080
(14,180,034)	3,554,383	17,734,417	(7,477,344)	(970,342)	6,507,002	(6,431,277)	(2,024,832)	4,406,445
			1,022,656		(1,022,656)	1,100,000	1,100,000	
(4,698,214)	(1,667,757)	3,030,457	(1,022,656)		1,022,656			
(4,698,214)	(1,667,757)	3,030,457				1,100,000	1,100,000	
(18,878,248)	1,886,626	20,764,874	(7,477,344)	(970,342)	6,507,002	(5,331,277)	(924,832)	4,406,445
	3,000,429	3,000,429					(1,071,056)	(1,071,056)
($18,878,248)	4,887,055	$23,765,303	($7,477,344)	(970,342)	$6,507,002	($5,331,277)	(1,995,888)	$3,335,389
	(4,887,055)			2,603,329			5,130,943	
				$1,632,987			$3,135,055	

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NON-MAJOR ENTERPRISE FUNDS

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

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

CITY OF HAYWARD
NONMAJOR PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Stormwater	Airport	NonMajor Funds Totals
Current Assets:			
Cash and investments	$2,845,174	$13,687,676	$16,532,850
Accounts receivable, net	84,855	(96,528)	(11,673)
Due from other governments		20,381	20,381
Interest receivable	2,088	9,987	12,075
Total Current Assets	2,932,117	13,621,516	$16,553,633
Noncurrent Assets:			
Deposits, parts, supplies and other		174,000	174,000
Capital assets			
Land		244,302	244,302
Construction in progress		926,463	926,463
Depreciable capital assets, net	2,736	13,961,923	13,964,659
Total Noncurrent Assets	2,736	15,306,688	15,309,424
Total Assets	$2,934,853	$28,928,204	$31,863,057
LIABILITIES:			
Current Liabilities:			
Accounts payable	6,192	$67,117	73,309
Accrued liabilities	27,098	31,168	58,266
Deferred/unearned revenue		1,538	1,538
Refundable deposits		94,782	94,782
Compensated absences - Due within one year	63,499	50,418	113,917
\			
Total Current Liabilities	96,789	245,023	341,812
Noncurrent Liabilities:			
Long-term interfund payables - due in more than one year		2,005,000	2,005,000
Compensated absences	45,205	29,355	74,560
Total Noncurrent Liabilities	45,205	2,034,355	2,079,560
Total Liabilities	141,994	2,279,378	2,421,372
NET ASSETS:			
Invested in capital assets, net of related debt	2,736	15,132,688	15,135,424
Unrestricted	2,790,123	11,516,138	14,306,261
Total Net Assets	$2,792,859	$26,648,826	$29,441,685

CITY OF HAYWARD
NONMAJOR PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Stormwater	Airport	NonMajor Funds Totals
Charges for services	$2,724,605	$2,909,578	$5,634,183
Miscellaneous	13,445	8,036	21,481
Total Operating Revenues	2,738,050	2,917,614	5,655,664
OPERATING EXPENSES:			
Salaries and related expenses	1,570,152	1,350,498	2,920,650
Materials, supplies and services	652,304	647,754	1,300,058
Repairs and maintenance	12,956	200,256	213,212
Depreciation	309	1,073,434	1,073,743
Total Operating Expenses	2,235,721	3,271,942	5,507,663
Operating Income (Loss)	502,329	(354,328)	148,001
NONOPERATING REVENUES (EXPENSES):			
Investment income	9,713	50,456	60,169
Intergovernmental		119,629	119,629
Net Nonoperating Revenues (Expenses)	9,713	170,085	179,798
Income (Loss) Before Contributions and Transfers	512,042	(184,243)	327,799
TRANSFERS			
Transfers (out)	(124,900)	(180,749)	(305,649)
Net Transfers	(124,900)	(180,749)	(305,649)
CHANGE IN NET ASSETS	387,142	(364,992)	22,150
BEGINNING NET ASSETS	2,405,717	27,013,818	29,419,535
ENDING NET ASSETS	$2,792,859	$26,648,826	29,441,685

CITY OF HAYWARD
NONMAJOR PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Stormwater	Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$2,765,226	$2,922,204	$5,687,430
Payments to suppliers	(659,264)	(795,095)	(1,454,359)
Payments to employees	(1,564,149)	(1,352,269)	(2,916,418)
Net Cash Flows From Operating Activities	541,813	774,840	1,316,653
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Non operating revenues		119,629	119,629
Interfund payments		(100,000)	(100,000)
Transfers (out)	(124,900)	(180,749)	(305,649)
Net Cash Flows From Noncapital and Related Financing Activities	(124,900)	(161,120)	(286,020)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets		(1,041,679)	(1,041,679)
Net Cash Flows From Capital and Related Financing Activities		(1,041,679)	(1,041,679)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	13,307	73,211	86,518
Net Cash Flows From Investing Activities	13,307	73,211	86,518
NET CASH FLOWS	430,220	(354,748)	75,472
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	2,414,954	14,042,424	16,457,378
CASH AND EQUIVALENTS AT END OF PERIOD	$2,845,174	$13,687,676	$16,532,850
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	$502,329	($354,328)	148,001
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	310	1,073,434	1,073,744
Change in assets and liabilities:			
Receivables, net	(899)	16,130	15,231
Other assets		11,600	11,600
Due from other governments	28,075	(11,033)	17,042
Accounts payable and other accrued expenses	5,995	41,315	47,310
Refundable deposits		(237)	(237)
Deferred revenue		(270)	(270)
Compensated absences	6,003	(1,771)	4,232
Net Cash Flows From Operating Activities	$541,813	$774,840	$1,316,653

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

CITY OF HAYWARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	Workers' Compensation Insurance	General Liability	Facilities Management	Fleet Management	Technology Services	Employee Benefits	Total
ASSETS:							
Current Assets:							
Cash and investments	$2,633,974	$2,833,370	$452,956	$2,059,802	$1,635,653	$679,047	$10,294,802
Cash and investments with fiscal agents			82,333	583,689	759,602		1,425,624
Accounts receivable, net	77,656		5,936	28,839	62,791		175,222
Interest receivable	1,838	1,936	260	1,413	1,401	472	7,320
Loans receivable			887,152				887,152
Deposits, parts, supplies and other				56,738	9,664		66,402
Total Current Assets	2,713,468	2,835,306	1,428,637	2,730,481	2,469,111	679,519	12,856,522
Noncurrent Assets:							
Land			372,748				372,748
Construction in progress					3,103,655		3,103,655
Depreciable capital assets, net			1,566,754	9,076,529	1,014,052		11,657,335
Total Noncurrent Assets			1,939,502	9,076,529	4,117,707		15,133,738
Total Assets	2,713,468	2,835,306	3,368,139	11,807,010	6,586,818	679,519	27,990,260
LIABILITIES:							
Current Liabilities:							
Accounts payable	11,976	24,259	151,744	194,298	127,644	(5,732)	504,189
Accrued liabilities	4,660,646	828,416	30,743	22,877	60,113		5,602,795
Due to other funds							
Compensated absences			62,930	51,669	147,097		261,696
Long term debt - due within one year			165,484	637,098	261,636		1,064,218
Total Current Liabilities	4,672,622	852,675	410,901	905,942	596,490	(5,732)	7,432,898
Noncurrent Liabilities:							
Long-term interfund payables				642,857	1,500,000		2,142,857
Compensated absences	9,972	17,540	60,462	49,643	141,329		278,946
Long term debt			1,671,668	2,752,000	713,031		5,136,699
Total Noncurrent Liabilities	9,972	17,540	1,732,130	3,444,500	2,354,360		7,558,502
Total Liabilities	4,682,594	870,215	2,143,031	4,350,442	2,950,850	(5,732)	14,991,400
NET ASSETS:							
Invested in capital assets, net of related debt			184,683	6,271,120	3,902,642		10,358,445
Unrestricted	(1,969,126)	1,965,091	1,040,425	1,185,448	(266,674)	685,251	2,640,415
Total Net Assets (Deficit)	($1,969,126)	$1,965,091	$1,225,108	$7,456,568	$3,635,968	$685,251	$12,998,860

CITY OF HAYWARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Workers' Compensation Insurance	General Liability	Facilities Management	Fleet Management	Technology Services	Employee Benefits	Total
OPERATING REVENUES							
Charges for services	$5,716,504		$3,686,337	$4,695,115	$4,425,563	$3,024,701	$21,548,220
Other	7,185	23,456	122,220	97,439	22,940		273,240
Total Operating Revenues	5,723,689	23,456	3,808,557	4,792,554	4,448,503	3,024,701	21,821,460
OPERATING EXPENSES							
Salaries and related expenses	346,689	363,661	1,117,938	1,006,100	2,320,595	157,258	5,312,241
Materials, supplies and services	616,339	956,673	1,319,895	1,372,496	1,684,348	2,395,056	8,344,807
Repairs and maintenance		242	732,603	169,659	708,340		1,610,844
Self-funded insurance expense	3,508,712	372,725					3,881,437
Depreciation			70,346	1,264,359	177,583		1,512,288
Total Operating Expenses	4,471,740	1,693,301	3,240,782	3,812,614	4,890,866	2,552,314	20,661,617
Operating Income (Loss)	1,251,949	(1,669,845)	567,775	979,940	(442,363)	472,387	1,159,843
NONOPERATING REVENUES (EXPENSES)							
Investment income	9,109	(8,176)	1,269	8,156	22,168	2,461	34,987
Interest (expense)			(49,038)	(2,704)	(4,692)		(56,434)
Gain (Loss) on disposal of capital assets				(9,687)			(9,687)
Total Nonoperating Revenues (Expenses)	9,109	(8,176)	(47,769)	(4,235)	17,476	2,461	(31,134)
Income (Loss) Before Transfers	1,261,058	(1,678,021)	520,006	975,705	(424,887)	474,848	1,128,709
CONTRIBUTIONS AND TRANSFERS							
Transfers in	310,000	3,438,947		318,455	100,000		4,167,402
Transfers (out)	(158,715)	(327,546)	(139,870)	(156,530)	(187,880)		(970,541)
Net Contributions and Transfers	151,285	3,111,401	(139,870)	161,925	(87,880)		3,196,861
CHANGE IN NET ASSETS	1,412,343	1,433,380	380,136	1,137,630	(512,767)	474,848	4,325,570
BEGINNING NET ASSETS (DEFICIT)	(3,381,469)	531,711	844,972	6,318,938	4,148,735	210,403	8,673,290
ENDING NET ASSETS (DEFICIT)	($1,969,126)	$1,965,091	$1,225,108	$7,456,568	$3,635,968	$685,251	$12,998,860

CITY OF HAYWARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Workers' Compensation Insurance	General Liability	Facilities Management	Fleet Management	Technology Services	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	$5,782,516	$23,456	$3,811,229	$4,806,768	$4,438,730	$3,024,701	$21,887,400
Payments to suppliers	(669,823)	(1,136,366)	(2,021,893)	(1,567,540)	(2,378,596)	(2,400,788)	(10,175,006)
Payments to employees	(341,318)	(388,486)	(1,134,306)	(1,064,960)	(2,280,051)	(157,258)	(5,366,379)
Claims paid	(3,508,712)	(372,725)					(3,881,437)
Cash Flows from Operating Activities	1,262,663	(1,874,121)	655,030	2,174,268	(219,917)	466,655	2,464,578
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Receipts from other funds			(255,164)				(255,164)
Payments to other funds				(142,857)	(375,000)		(517,857)
Transfers in	310,000	3,438,947		318,455	100,000		4,167,402
Transfers out	(158,715)	(327,546)	(139,870)	(156,530)	(187,880)		(970,541)
Cash Flows from Noncapital Financing Activities	151,285	3,111,401	(395,034)	19,068	(462,880)		2,423,840
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets				(3,738,081)	(463,535)		(4,201,616)
Proceeds from debt					815,000		815,000
Principal payments on capital debt			(110,000)	(77,394)	(155,067)		(342,461)
Interest paid on capital debt			(49,038)	(2,704)	(4,692)		(56,434)
Cash Flows from Capital and Related Financing Activities			(159,038)	(3,818,179)	191,706		(3,785,511)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest	10,494	(6,842)	1,197	10,256	28,077	2,462	45,644
Investment proceeds				1,988,354			1,988,354
Investments purchased			(8)		(759,602)		(759,610)
Cash Flows from Investing Activities	10,494	(6,842)	1,189	1,998,610	(731,525)	2,462	1,274,388
Net increase (decrease) in cash and cash equivalents	1,424,442	1,230,438	102,147	373,767	(1,222,616)	469,117	2,377,295
Cash and cash equivalents at beginning of period	1,209,532	1,602,932	350,809	1,686,035	2,858,269	209,930	7,917,507
Cash and cash equivalents at end of period	$2,633,974	$2,833,370	$452,956	$2,059,802	$1,635,653	$679,047	$10,294,802
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	$1,251,949	($1,669,845)	$567,775	$979,940	($442,363)	$472,387	$1,159,843
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation			70,346	1,264,359	177,583		1,512,288
Change in assets and liabilities:							
Receivables, net	58,827		2,672	14,214	(9,773)		65,940
Other assets				106,889	1		106,890
Accounts and other payables	7,546	(6,562)	21,595	(105,625)	161	(5,732)	(88,617)
Compensated absences	5,371	(24,825)	(16,368)	(58,860)	40,544		(54,138)
Other accrued expenses	(61,030)	(172,889)	9,010	(26,649)	13,930		(237,628)
Cash Flows from Operating Activities	$1,262,663	($1,874,121)	$655,030	$2,174,268	($219,917)	$466,655	$2,464,578

AGENCY FUNDS

Agency Funds, which are the only fiduciary funds the City has, are 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 Faculties 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 Friends of the Library Fund.

CITY OF HAYWARD
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Local Improvement Districts				
ASSETS:				
Cash and investments	$1,729,545	$1,716,762	$1,729,545	$1,716,762
Cash and investments with fiscal agents	2,610,370	2,488,006	2,610,370	2,488,006
Due from other governments	1,963,954	1,368,846	1,963,954	1,368,846
Interest receivable	3,852	1,197	3,852	1,197
Total Assets	$6,307,721	$5,574,811	$6,307,721	$5,574,811
LIABILITIES:				
Accounts payable	$742	$1,764	$742	$1,764
Due to bondholders	6,306,979	5,573,047	6,306,979	5,573,047
Total Liabilities	$6,307,721	$5,574,811	$6,307,721	$5,574,811
Other Agency Funds				
ASSETS:				
Cash and investments	$17,909	$19,391	$17,909	$19,391
Interest receivable	(62,708)	13	(62,708)	13
Total Assets	($44,799)	$19,404	($44,799)	$19,404
LIABILITIES:				
Accounts payable		$507		$507
Refundable deposits	($44,799)	18,897	($44,799)	18,897
Total Liabilities	($44,799)	$19,404	($44,799)	$19,404
Total				
ASSETS:				
Cash and investments	$1,747,454	$1,736,153	$1,747,454	$1,736,153
Cash and investments with fiscal agents	2,610,370	2,488,006	2,610,370	2,488,006
Due from other governments	1,963,954	1,368,846	1,963,954	1,368,846
Interest receivable	(58,856)	1,210	(58,856)	1,210
Total Assets	$6,262,922	$5,594,215	$6,262,922	$5,594,215
LIABILITIES:				
Accounts payable	$742	$2,271	$742	2,271
Due to bondholders	6,306,979	5,573,047	6,306,979	5,573,047
Refundable deposits	(44,799)	18,897	(44,799)	18,897
Total Liabilities	$6,262,922	$5,594,215	$6,262,922	$5,594,215

STATISTICAL SECTION

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

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

1. Net 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 Wastewater Revenue Bonds
5. Bonded Debt Pledged Revenue Coverage, Tax Allocation Bonds

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

1. Demographic and Economic Statistics
2. Principal Employers

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

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

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

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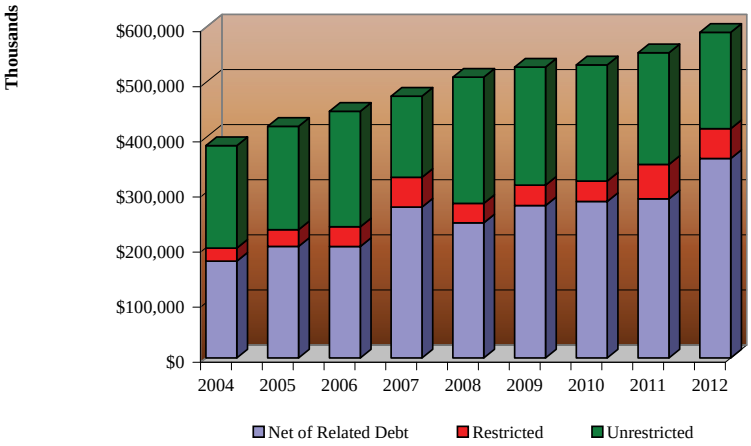
CITY OF HAYWARD
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)



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

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

Source: City of Hayward Comprehensive Annual Financial Report

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental Activities:									
General Government	$12,177,247	$13,654,224	$14,609,331	$14,937,511	$15,432,428	$12,844,106	$12,526,820	$9,728,751	$9,417,144
Public Safety	64,331,055	67,222,703	70,477,309	73,909,494	83,609,438	89,391,667	91,936,447	97,783,089	96,991,346
Public Works and Transportation	13,800,927	17,390,733	14,323,266	19,796,435	6,896,062	5,097,319	6,614,756	12,061,251	12,400,798
Library and Neighborhood Services					9,654,552	9,448,832	8,873,963	8,826,270	7,645,958
Redevelopment					4,685,202	2,814,162	4,337,389	7,755,610	2,078,030
Planning and Building					5,524,642	6,383,986	5,930,519	5,878,086	5,642,610
Maintenance Services					7,202,019	3,899,394	4,612,144	4,028,800	4,030,146
Community Development	11,900,314	7,984,954	8,865,415	8,016,005					
Culture and Leisure	3,477,318	3,596,431	3,672,910	3,785,273					
Nondepartmental	652,406	1,433,854	1,874,955	1,379,106					
Interest on Long Term Debt	3,605,614	5,505,758	4,377,655	5,006,826	6,060,020	4,175,089	4,073,192	4,486,345	3,685,703
Total Governmental Activities Expenses	109,944,881	116,788,657	118,200,841	126,830,650	139,064,363	134,054,555	138,905,230	150,548,202	141,891,735
Business-Type Activities:									
Sewer	12,039,604	12,392,848	13,266,648	13,349,209	15,250,146	15,783,768	18,276,551	19,395,928	17,977,438
Water	22,242,953	22,701,995	30,543,073	24,582,923	25,585,042	27,602,545	28,336,545	29,807,045	36,010,696
Airport	2,760,572	2,299,811	2,628,720	2,442,805	2,644,168	3,568,997	3,008,282	3,124,022	3,271,942
Centennial Hall Maintenance and Operation	572,039	655,943	638,060	678,612	678,964	782,509	313,299		
Stormwater	1,877,223	1,898,390	1,926,372	1,909,447	2,049,493	1,908,290	2,227,090	2,326,729	2,235,721
Total Business-Type Activities Expenses	39,492,391	39,948,987	49,002,873	42,962,996	46,207,813	49,646,109	52,161,767	54,653,724	59,495,797
Total Primary Government Expenses	$149,437,272	$156,737,644	$167,203,714	$169,793,646	$185,272,176	$183,700,664	$191,066,997	$205,201,926	$201,387,532
Program Revenues									
Governmental Activities:									
Charges for Services:									
General Government	$833,861	$953,629	$898,607	$949,015	$817,256	$379,561	$190,261	$1,019,505	$2,162,950
Public Safety	3,892,046	4,254,278	4,366,551	5,075,945	5,123,501	8,016,352	9,128,483	8,608,854	8,139,780
Public Works and Transportation	5,095,192	6,582,192	5,442,263	7,279,079	1,092,482	507,944	555,541	744,992	4,382,791
Library and Neighborhood Services					106,920	111,630	98,968	90,947	110,465
Redevelopment					103,864	166,223	79,484	121,677	77,251
Planning and Building					6,242,967	6,780,653	5,074,620	5,022,960	4,312,438
Maintenance Services					149,268	29,190	37,098	269,786	399,721
Community Development	537,193	936,424	439,991	525,981					
Culture and Leisure	90,359	109,454	112,009	96,406					
Nondepartmental		115,163							
Operating Grants and Contributions	13,148,844	17,200,534	14,349,003	18,296,402	15,332,573	14,294,205	17,196,527	12,904,598	25,163,445
Capital Grants and Contributions	9,182,567	14,963,874	3,800,451	2,596,202	2,856,295	22,570,080	18,885,041	30,675,031	32,561,709
Total Government Activities Program Revenues	32,780,062	45,115,548	29,408,875	34,819,030	31,825,126	52,855,838	51,246,023	59,458,350	77,310,550

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

Source: City of Hayward Comprehensive Annual Financial Report

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-Type Activities:									
Charges for Services:									
Sewer	14,534,334	14,418,438	13,803,163	15,981,344	16,507,956	18,861,871	19,186,749	20,338,593	22,333,628
Water	27,448,531	29,781,593	32,666,971	23,287,599	24,550,837	29,246,643	28,143,863	31,684,462	38,463,759
Airport	2,565,353	2,567,609	2,863,279	3,179,495	2,049,105	2,843,185	2,783,068	2,790,998	2,917,614
Centennial Hall Maintenance & Operation	293,508	325,606	335,079	331,503	293,948	288,869	42,954		
Stormwater	1,847,674	1,875,879	1,892,761	1,899,910	2,710,813	2,791,915	2,700,531	2,724,244	2,738,050
Operating Grants and Contributions	1,474,610	2,002,317	2,486,029	4,315,427	4,771,353				119,629
Capital Grants and Contributions	211,414	4,558,307	3,399,012	400,343	1,728,487	167,026	2,411,519	1,246,130	
Total Business-Type Activities Program Revenue	48,375,424	55,529,749	57,446,294	49,395,621	52,612,499	54,199,509	55,268,684	58,784,427	66,572,680
Total Primary Government Program Revenues	$81,155,486	$100,645,297	$86,855,169	$84,214,651	$84,437,625	$107,055,347	$106,514,707	$118,242,777	$143,883,230
Net (Expense)/Revenue									
Governmental Activities	($77,164,819)	($71,673,109)	($88,791,966)	($92,011,620)	($107,239,237)	($81,198,717)	($87,659,207)	($91,089,852)	($64,581,185)
Business-Type Activities	8,883,033	15,580,762	8,443,421	6,432,625	6,404,686	4,553,400	3,106,917	4,130,703	7,076,883
Total Primary Government Net Expense	($68,281,786)	($56,092,347)	($80,348,545)	($85,578,995)	($100,834,551)	($76,645,317)	($84,552,290)	($86,959,149)	($57,504,302)
Total Primary Government Net Expense from prior page	($68,281,786)	($56,092,347)	($80,348,545)	($85,578,995)	($100,834,551)	($76,645,317)	($84,552,290)	($86,959,149)	($57,504,302)
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Taxes:									
Property Taxes	$19,577,399	$18,979,828	$21,644,158	$24,652,905	$38,464,255	$40,699,344	$37,292,466	$35,725,966	$35,715,527
Incremental Property Tax	6,138,632	7,035,684	9,154,816	11,465,642	10,729,476	10,657,184	4,520,035	10,351,054	4,721,491
Special Assessments	547,431	435,625	487,740	919,634				714,017	817,210
Sales Taxes	25,412,984	27,155,334	26,685,813	28,857,677	28,512,340	25,630,173	23,508,544	25,491,533	26,346,354
Utility Users Tax							10,927,290	14,699,792	14,796,979
Real Property Transfer Tax	6,868,993	9,726,317	9,707,512	7,119,746	5,077,214	3,852,507	3,796,719	3,821,387	4,777,989
Franchise Tax	4,025,269	4,573,497	4,772,210	4,766,970	6,166,499	5,831,272	8,316,848	9,091,479	9,891,601
Business Tax	2,048,226	2,244,517	2,331,639	2,481,365	2,480,696	2,502,991	2,337,106	2,389,657	2,483,442
Excise Tax	1,593,025	1,682,266	1,942,949	1,918,155	1,931,187	1,858,267	1,857,223	1,699,438	1,742,210
Other Taxes	4,646,800	4,377,074	4,739,437	5,079,403	4,933,567	4,958,591	1,938,591	1,683,087	944,268
Motor Vehicle in lieu	6,445,650	9,336,645	12,886,423	10,821,864	671,084	522,508	457,126	694,933	75,744
Investment Earnings	1,098,659	1,378,102	1,976,795	3,135,049	3,638,001	2,132,768	819,649	434,426	369,203
Gain (Loss) from disposal of capital assets					53,845	2,362,950			(9,687)
Miscellaneous	897,242	1,980,050	704,136	6,906,996	2,889,548	2,289,663	2,834,841	1,505,212	685,054
Transfers	1,970,456	2,241,969	455,429	2,220,192	2,829,378	3,277,254	1,673,064	2,141,488	2,167,125
Extraordinary Item (refer to CAFR Footnote 19)									(9,342,122)
Total Governmental Activities General Revenues and Transfers	81,270,766	91,146,908	97,489,057	110,345,598	108,377,090	106,575,472	100,279,502	110,443,469	96,182,388
Business-Type Activities:									
Investment Earnings	1,586,986	2,199,979	2,702,484	6,078,001	5,245,152	3,720,221	1,694,085	841,733	549,982
Gain (Loss) from disposal of capital assets			7,849,000	110,575	251,354				
Miscellaneous					437,661	686,034	834,449		
Transfers	(1,907,456)	(2,241,969)	(455,429)	(2,220,192)	(2,829,378)	(3,277,254)	(1,673,064)	(2,141,488)	(2,167,125)
Total Business-Type Activities General Revenues and Transfers	(320,470)	(41,990)	10,096,055	3,968,384	3,104,789	1,129,001	855,470	(1,299,755)	(1,617,143)
Total Primary Government General Revenues and Transfers	$80,950,296	$91,104,918	$107,585,112	$114,313,982	$111,481,879	$107,704,473	$101,134,972	$109,143,714	$94,565,245
Change in Net Assets									
Governmental Activities	$4,105,947	$19,473,799	$8,697,091	$18,333,978	$1,137,853	$25,376,755	$12,620,295	$19,353,617	$31,601,203
Business-Type Activities	8,562,563	15,538,772	18,539,476	10,401,009	9,509,475	5,682,401	3,962,387	2,830,948	5,459,740
Total Primary Government	$12,668,510	$35,012,571	$27,236,567	$28,734,987	$10,647,328	$31,059,156	$16,582,682	$22,184,565	$37,060,943

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

Source: City of Hayward Comprehensive Annual Financial Report

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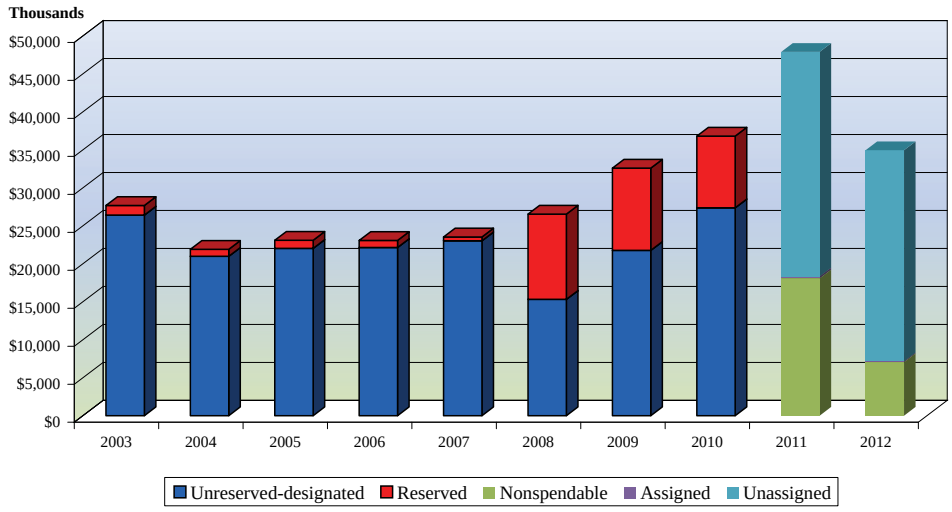
CITY OF HAYWARD
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



General

	2003	2004	2005	2006	2007	2008	2009	2010	2011		2012
General Fund											
Reserved	$1,267,228	$913,353	$1,063,439	$925,067	$502,204	$11,213,927	$10,827,978	$9,434,579			
Unreserved-designated	26,401,209	20,983,427	22,021,325	22,142,634	23,022,362	15,317,927	21,758,830	27,367,200			
Nonspendable									$18,079,779	(b)	$7,047,042
Assigned									256,170	(b)	133,571
Unassigned									29,550,120	(b)	27,763,993
Total General Fund (a)	$27,668,437	$21,896,780	$23,084,764	$23,067,701	$23,524,566	$26,531,854	$32,586,808	$36,801,779	$47,886,069		$34,944,606
All Other Governmental Funds											
Reserved	$16,130,182	$53,422,372	$49,019,982	$62,656,549	$55,418,227	$4,154,570	$19,356,635	$12,853,145			
Unreserved-designated	$18,642,397										
Unreserved, reported in:											
Debt Service funds	11,488	11,488	11,488			4,308,979	4,206,222	4,171,034			
Special revenue funds	6,117,979	12,410,301	15,497,821	16,667,600	16,985,069	18,065,349	15,211,686	16,022,583			
Capital project funds	4,629,077	24,301,396	25,391,873	25,573,270	24,096,411	40,928,952	21,442,946	14,181,758			
Undesignated funds											
Nonspendable									$68	(b)	$68
Restricted									36,094,240	(b)	48,807,530
Assigned									5,568,584	(b)	7,460,751
Unassigned									(5,102,162)	(b)	77,273
Total all other governmental funds	$45,531,123	$90,145,557	$89,921,164	$104,897,419	$96,499,707	$67,457,850	$60,217,489	$47,228,520	$36,560,730		$56,345,622

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

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

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

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

	Fiscal Years Ended June 30,				
	2003	**2004**	**2005**	**2006**	**2007**
Revenues					
Property Taxes	$18,728,438	$19,577,399	$18,859,966	$21,446,064	$24,687,960
Property Tax Increment	5,113,404	6,138,632	7,035,685	9,154,816	11,465,642
Special Assessments	248,175	547,431	555,487	685,832	884,579
Sales Taxes	25,779,520	25,412,984	27,155,333	26,685,812	28,857,677
Utility Users Taxes					
Other Taxes	16,059,700	19,182,313	22,603,671	23,493,746	21,365,639
Licenses, permits	2,474,133	3,501,299	3,198,850	3,058,982	4,024,802
Fines and forfeitures	1,512,510	989,574	1,807,424	1,369,873	1,150,614
Use of money and property	2,889,938	1,231,361	3,059,783	3,663,298	5,969,155
Intergovernmental revenues	21,876,919	26,655,486	26,328,946	26,099,613	27,904,422
Fees and charges for services	3,881,800	4,352,191	4,385,916	5,059,499	6,760,792
Reimbursement from Developer	75,000				5,000,000
Other	5,373,302	4,799,061	7,092,766	7,418,334	4,823,715
Total Revenues	104,012,839	112,387,731	122,083,827	128,135,869	142,894,997
Expenditures					
Current:					
General government	8,826,326	8,985,611	10,083,636	10,595,772	10,729,759
Public safety	56,707,431	62,511,746	63,399,896	67,486,231	71,172,116
Public works and transportation	10,989,386	11,310,705	11,728,493	12,282,568	13,037,745
Library and Community Services	6,931,533	7,046,871	10,378,197	6,880,898	7,533,647
Redevelopment	3,529,115	3,386,153	3,421,821	3,520,852	3,628,763
Planning and building					
Maintenance services					
Community development					
Culture and leisure					
Nondepartmental	729,191	652,406	1,433,854	1,874,955	1,379,106
Capital outlay	25,862,483	16,310,072	17,942,515	17,426,130	37,397,788
Debt service:					
Principal repayment	1,720,103	5,809,203	1,338,715	2,059,939	2,221,503
Interest and fiscal charges	2,750,879	3,499,130	3,890,878	4,824,827	4,792,626
Pass-through payments					
Total Expenditures	118,046,447	119,511,897	123,618,005	126,952,172	151,893,053
Excess (deficiency) of revenues over (under) expenditures	(14,033,608)	(7,124,166)	(1,534,178)	1,183,697	(8,998,056)
Other Financing Sources (Uses)					
Gain on Sale			2,500,000		
Transfer of land held for resale to cap assets			(3,443,016)		
Proceeds from sale of capital asset					
Proceeds of refunding bonds					
Payment to refunded bond escrow agent					
Proceeds of repayment agreement					
Proceeds from long term debt		44,790,000	2,250,000	12,291,602	257,512
Contributions from assessment district	8,693,706				
Operating transfers in	13,242,059	17,676,689	10,616,069	15,198,496	13,790,988
Operating transfers out	(12,358,183)	(16,499,746)	(9,425,284)	(13,714,603)	(12,991,291)
Total other financing sources (uses)	9,577,582	45,966,943	2,497,769	13,775,495	1,057,209
Extraordinary Item (Refer to CAFR Footnote 19)					
Net Change in fund balances	($4,456,026)	$38,842,777	$963,591	$14,959,192	($7,940,847)
Debt service as a percentage of noncapital expenditures	(a)	9.9%	5.2%	6.7%	6.5%

NOTE:

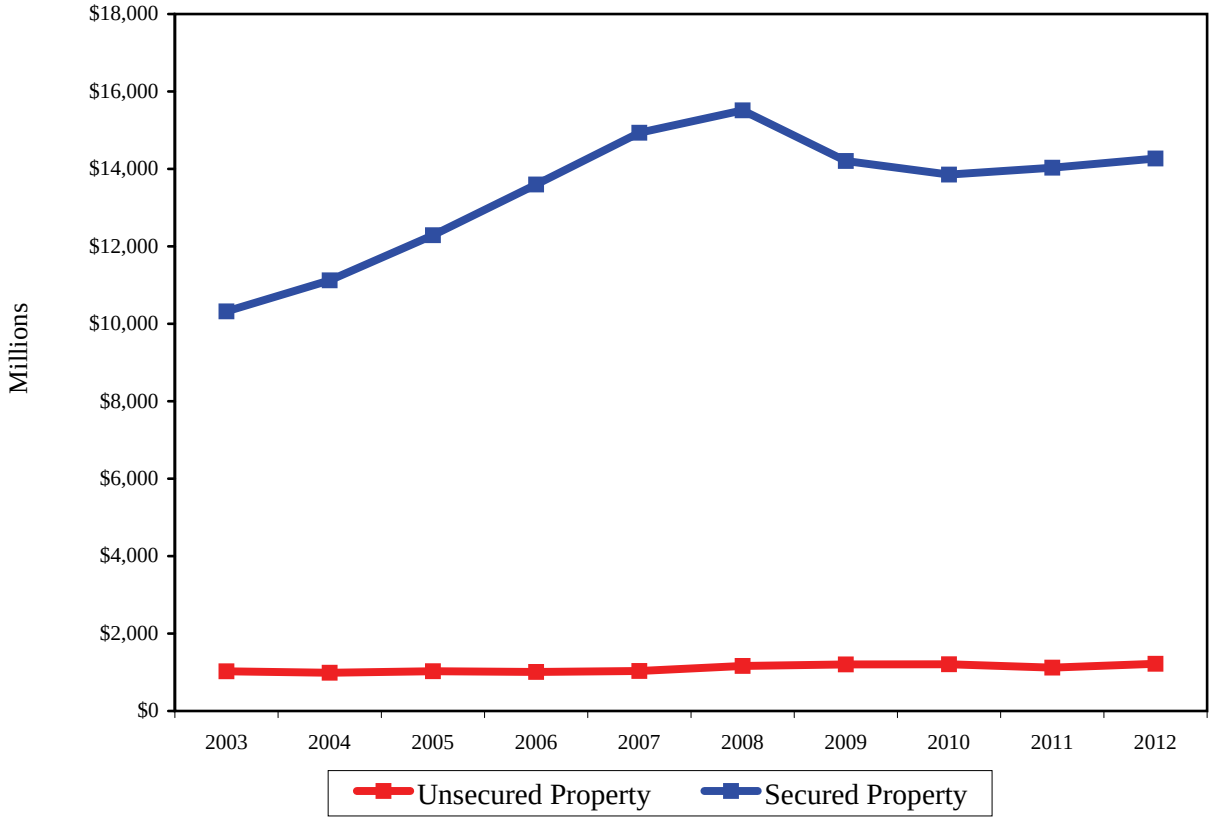
(a) The City implemented GASB Statement 34 in fiscal year 2002. Therefore this calculation is included only for fiscal years subsequent to that date.

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

Source: City of Hayward Comprehensive Annual Financial Report

Fiscal Years Ended June 30,				
2008	**2009**	**2010**	**2011**	**2012**
$39,135,339	$41,221,852	$37,292,466	$35,725,967	$35,715,527
12,082,986	12,630,213	10,180,653	10,351,054	4,721,491
1,051,269	741,098	610,058	714,015	817,210
29,233,148	26,341,473		25,491,532	26,346,354
		10,927,290	14,699,792	14,796,979
22,941,172	21,419,990	20,996,991	18,729,085	20,748,138
4,712,325	4,650,694	3,084,964	3,259,291	3,177,816
985,858	1,657,789	2,042,460	2,756,632	2,951,068
5,517,114	3,239,537	1,471,396	1,153,359	1,098,574
10,914,969	32,634,889	25,004,880	36,952,595	55,173,561
6,244,187	8,428,414	8,807,886	9,262,348	8,851,474
1,813,604	381,868	484,205	1,064,680	344,375
3,782,765	1,781,740	2,559,991	7,787,702	6,565,952
138,414,736	155,129,557	123,463,240	167,948,052	181,308,519
11,639,480	10,421,821	8,564,302	7,930,669	7,883,869
79,941,250	79,537,953	82,051,155	88,980,339	90,190,936
6,186,587	9,558,688	6,152,137	9,225,588	10,640,773
8,511,524	8,771,317	7,986,000	7,884,539	6,926,851
6,039,172	4,810,371	5,986,083	5,622,527	4,396,669
6,454,120	6,095,525	5,558,437	5,562,298	5,346,481
7,160,250	3,723,200	4,384,873	3,783,213	3,827,181
(b)				
(b)				
32,072,854	29,560,203	15,712,302	28,216,666	31,105,276
3,026,920	3,094,025	2,940,621	3,071,058	1,751,366
5,186,476	4,046,129	3,966,495	4,584,267	3,355,010
		5,660,618	2,151,873	1,546
166,218,633	159,619,232	148,963,023	167,013,037	165,425,958
(27,803,897)	(4,489,675)	(25,499,783)	935,015	15,882,561
	2,301,320		17,961	
31,820,000	0			
(31,184,483)	0			
1,342,011	0		200,000	
21,111,234	22,583,520	26,352,391	35,397,325	14,518,727
(19,687,595)	(21,476,956)	(33,068,855)	(36,133,801)	(15,548,463)
3,401,167	3,407,884	(6,716,464)	(518,515)	(1,029,736)
				(8,009,396)
($24,402,730)	($1,081,791)	($32,216,247)	$416,500	$6,843,429
6.5%	5.8%	5.7%	5.9%	4.0%

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



Fiscal Year	Total Secured Property	Total Unsecured Property	Total Assessed	Estimated Full Market (a)	Direct Tax Rate (b)
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%
2007	14,934,382,599	1,032,847,525	15,967,230,124	15,967,230,124	1%
2008	15,511,405,943	1,162,782,433	16,674,188,376	16,674,188,376	1%
2009	14,205,256,130	1,202,570,890	15,407,827,020	15,407,827,020	1%
2010	13,852,339,086	1,206,621,783	15,058,960,869	15,058,960,869	1%
2011	14,031,375,627	1,119,664,498	15,151,040,125	15,151,040,125	1%
2012	14,269,516,867	1,219,715,968	15,489,232,835	15,489,232,835	1%

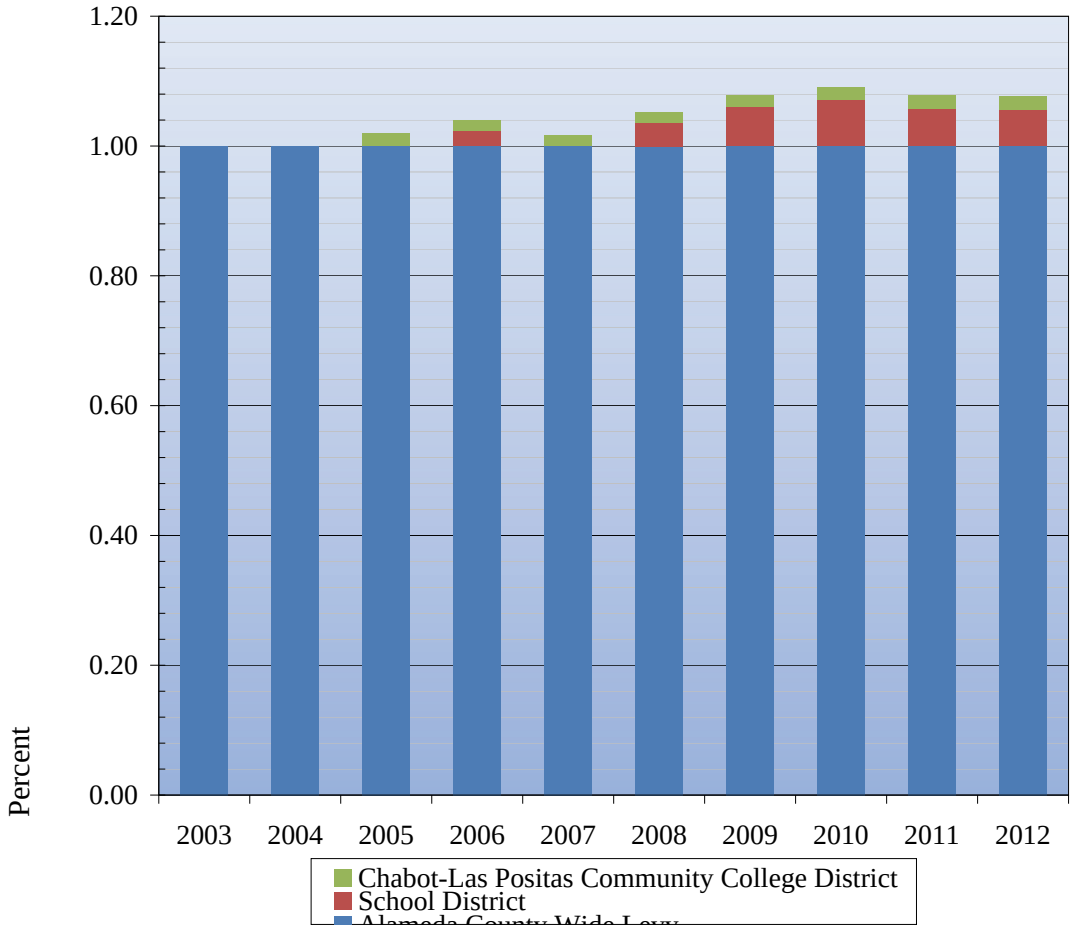
NOTE:

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

Source: Alameda County Auditor Controller Office Certificate of Assessed Valuations

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



Fiscal Year	Alameda County Wide Levy	City of Hayward	Hayward Unified School District	Chabot-Las Positas Community College District	Bay Area Rapid Transit (BART)	East Bay Regional Park	Total
2003	1.0000	0.0018	0.0000	0.0000	0.0000	$0.0065	1.0083
2004	1.0000	0.0018	0.0000	0.0000	0.0000	$0.0057	1.0075
2005	1.0000	0.0018	0.0000	0.0186	0.0000	0.0057	1.0261
2006	1.0000	0.0018	0.0239	0.0158	0.0048	0.0057	1.0520
2007	1.0000	0.0018	0.0000	0.0159	0.0050	0.0085	1.0312
2008	1.0000	0.0018	0.0354	0.0164	0.0076	0.0080	1.0692
2009	1.0000	0.0018	0.0603	0.0183	0.0090	0.0100	1.0994
2010	1.0000	0.0018	0.0710	0.0195	0.0057	0.0108	1.1088
2011	1.0000	0.0018	0.0566	0.0211	0.0031	0.0084	1.0910
2012	1.0000	0.0018	0.0557	0.0214	0.0041	0.0071	1.0901

Source: Alameda County Assessor's Office

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

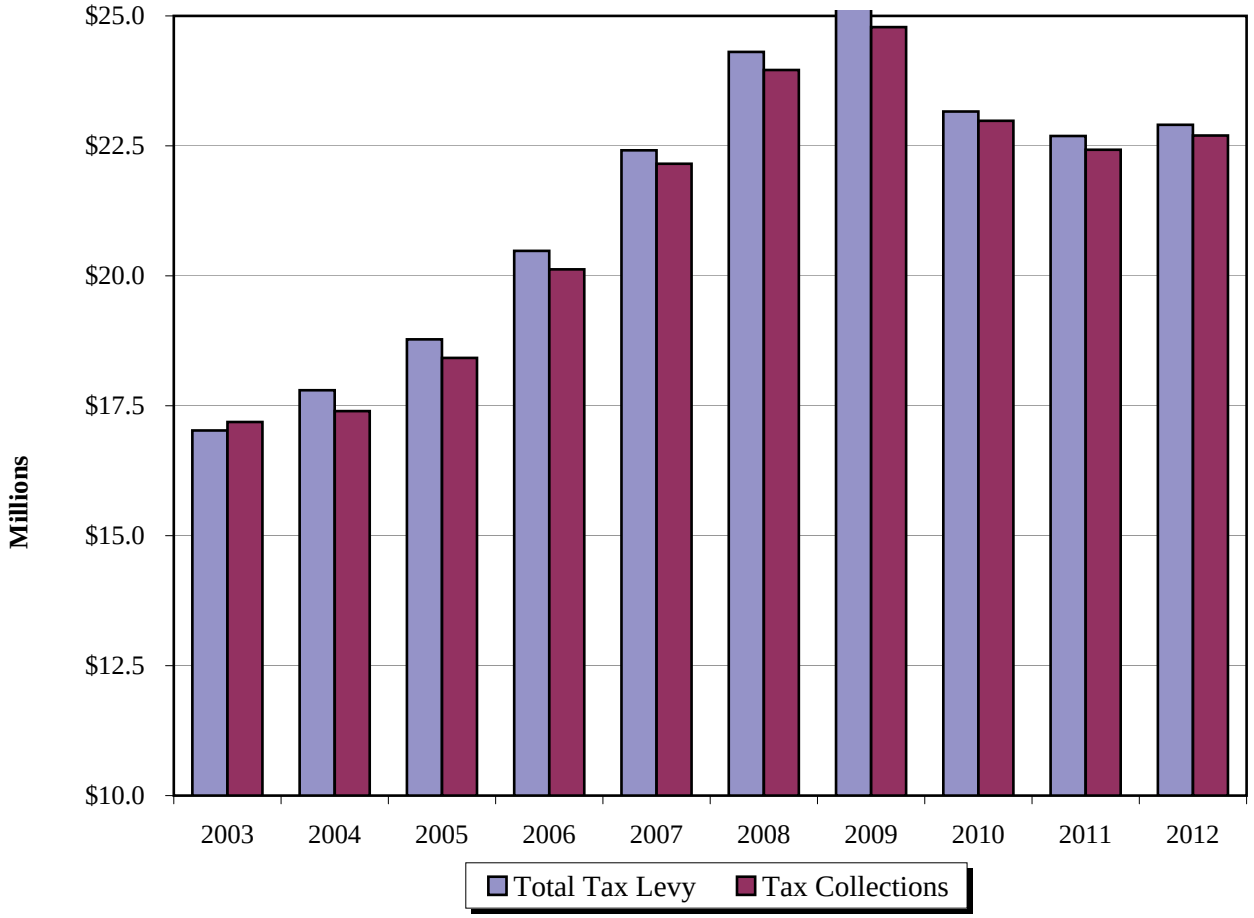
	2011-12			2002-03		
Employer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Northern Cal Industrial Portfolio	178,598,888	1	1.2%			
Southland Mall LP	144,259,914	2	0.9%	103,454,075	3	0.9%
Berkeley Farm Inc.	98,670,850	3	0.6%	133,702,167	2	1.2%
Hayward Point Eden I Ltd. Prt.	93,219,755	4	0.6%	64,022,223	6	0.6%
Hayward Industrial Park Assoc.	88,631,990	5	0.6%			
Bottling Group LLC	81,897,810	6	0.5%	56,314,989	8	0.5%
Impax Laboratories	77,151,116	7	0.5%			
SCI Limited Partnership	75,049,733	8	0.5%	73,871,933	4	0.7%
Essex Wimbledon Woods Apartm	56,818,960	9	0.4%	48,961,370	9	0.4%
Target Corporation	55,445,242	10	0.4%			
SPK Industrial Portfolio LLC				151,743,602	1	1.3%
Acacia Credit Fund 7 LLC				69,223,014	5	0.6%
Calwest Industrial Properties LLC				56,767,345	7	0.5%
GE Credit Auto Auctions Inc.				19,166,464	10	0.2%
Subtotal	949,744,258		6.1%	777,227,182		6.9%

Total Assessed Valuation:

Fiscal Year 2011/2012	15,489,232,835
Fiscal Year 2001/2002	11,344,154,730

Source: Alameda County Assessor Fiscal Year Combined Tax Rolls

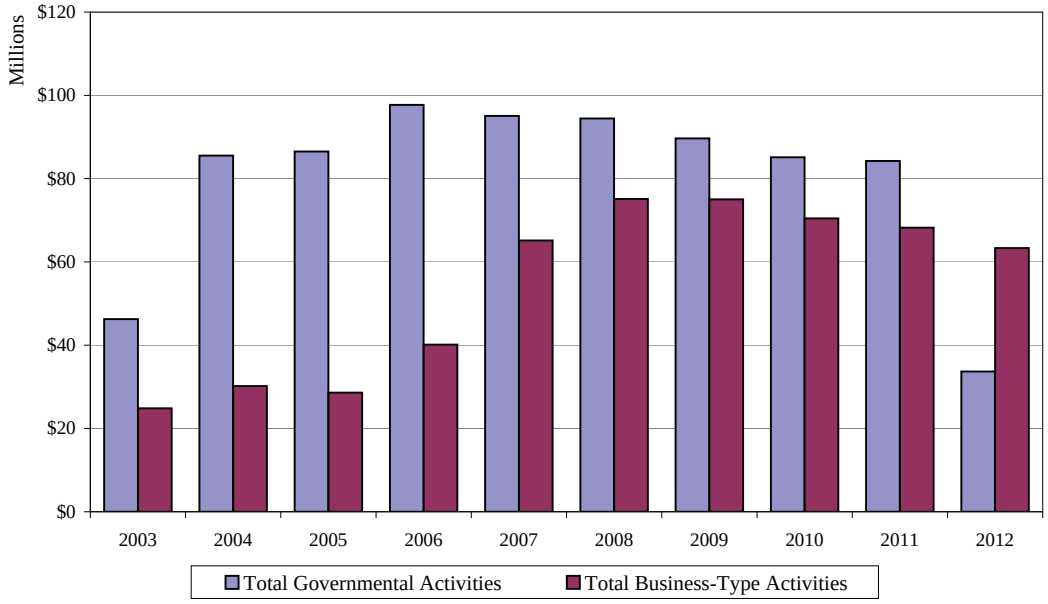
CITY OF HAYWARD
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS



Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
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%
2007	22,414,567	21,022,743	93.79%	1,133,169	22,155,912	98.85%
2008	24,307,591	22,564,833	92.83%	1,393,980	23,958,813	98.57%
2009	25,157,590	23,387,921	92.97%	1,396,493	24,784,414	98.52%
2010	23,161,547	21,849,101	94.33%	1,132,552	22,981,653	99.22%
2011	22,689,887	21,518,638	94.84%	907,086	22,425,724	98.84%
2012	22,905,414	21,746,406	94.94%	952,781	22,699,187	99.10%

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
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
2007	55,385,000	32,095,000	3,068,590	4,506,396	95,054,986
2008	54,175,000	31,820,000	2,367,210	6,085,299	94,447,509
2009	52,905,000	30,430,000	1,785,520	4,536,751	89,657,271
2010	51,570,000	29,045,000	1,449,610	3,058,792	85,123,402
2011	50,170,000	27,605,000	1,101,010	5,367,484	84,243,494
2012	0 (a)	26,095,000	740,240	6,846,579	33,681,819

	Business-Type Activities				
Fiscal Year	Water Revenue Bonds	Sewer Revenue Bonds	Total	Total Government	Government Debt Per Capita (b)
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
2007	13,853,205	51,289,612	65,142,817	160,197,803	1,083.55
2008	12,502,790	62,618,065	75,120,855	169,568,364	1,136.48
2009	12,147,240	62,885,113	75,032,353	164,689,624	1,091.54
2010	11,232,695	59,227,319	70,460,014	155,583,416	1,016.19
2011	10,276,995	57,944,117	68,221,112	152,464,606	1,045.43
2012	9,277,380	54,047,154	63,324,534	97,006,353	659.40

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

(a) Tax Allocation Bonds are reported under Redevelopment Successor Agency as Fiduciary Fund as Redevelopment Agency was dissolved on January 31, 2012 as per ABx1 26 and AB1484.
(b) Per Capita based on City population; refer to Demographic and Statistics Schedule for population data.

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

CITY OF HAYWARD
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

2011-12 Assessed Valuation:	$14,628,414,848
Redevelopment Incremental Valuation:	(1,028,613,726)
Adjusted Assessed Valuation:	$13,599,801,122

		Total Debt 6/30/2012	% Applicable (1)	City's Share of Debt 6/30/12		
DIRECT DEBT:						
City of Hayward General Fund Obligations		$ 28,905,000	100%	$ 28,905,000		
Subtotal Gross Direct Debt					$ 28,905,000	
Less: City of Hayward Public Financing Authority Lease Revenue Bonds (100% supported) and Association of Bay Area Governments, Series 2001-2 (20% supported)					(1,242,000)	
Total Net Direct Debt						**$ 27,663,000**
OVERLAPPING DEBT:						
Overlapping Tax and Assessment Debt:						
Bay Area Rapid Transit District		$ 412,540,000	3.12%	$ 12,867,123		
Chabot-Las Positas Community College District		445,918,869	17.61	78,526,313		
Castro Valley Unified School District		96,715,000	0.19	181,824		
Hayward Unified School District		196,044,877	86.47	169,510,203		
New Haven Unified School District		195,736,814	18.69	36,585,168		
Pleasanton Unified School District		76,884,429	0.04	26,910		
San Lorenzo Unified School District		94,760,000	20.62	19,539,512		
Washington Township Healthcare District		65,270,000	2.41	1,571,702		
East Bay Regional Park District		129,525,000	4.85	6,275,486		
City of Hayward Community Facilities District No. 1		9,210,000	100	9,210,000		
City of Hayward 1915 Act Bonds		1,720,000	100	1,720,000		
Subtotal Overlapping Tax and Assessment Debt					$ 336,014,241	
Ratios to 2010-11 Assessed Valuation:						
Subtotal Overlapping Tax and Assess	2.30%					
Overlapping General Fund Debt:						
Alameda County General Fund Obligations		669,510,500	8.054	53,922,376		
Alameda County Pension Obligations		131,540,555	8.054	10,594,276		
Alameda-Contra Costa Transit District Certificates of Participation		34,485,000	9.776	3,371,254		
Chabot-Las Positas Community College District Certificates of Participation		4,320,000	17.610	760,752		
Hayward Unified School District Certificates of Participation		16,385,000	86.465	14,167,290		
San Lorenzo Unified School District Certificates of Participation		20,665,000	20.620	4,261,123		
Castro Valley and Pleasanton Unified School District Certificates of Participation		23,850,000	0.188 & 0.035	18,048		
Subtotal Overlapping General Fund Debt					87,095,119	
Total Overlapping Debt						$ 423,109,360
Grand Total Net Direct and Overlapping Debt						**$ 450,772,360**
Gross Combined Total Direct and Overlapping Debt						**$ 452,014,360**

Ratios to 2011-12 Assessed Valuation:

Subtotal Gross Direct and Overlapping Tax and Assessment Debt	**3.32%**

NOTE:

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

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

Source: California Municipal Statistics, Inc.

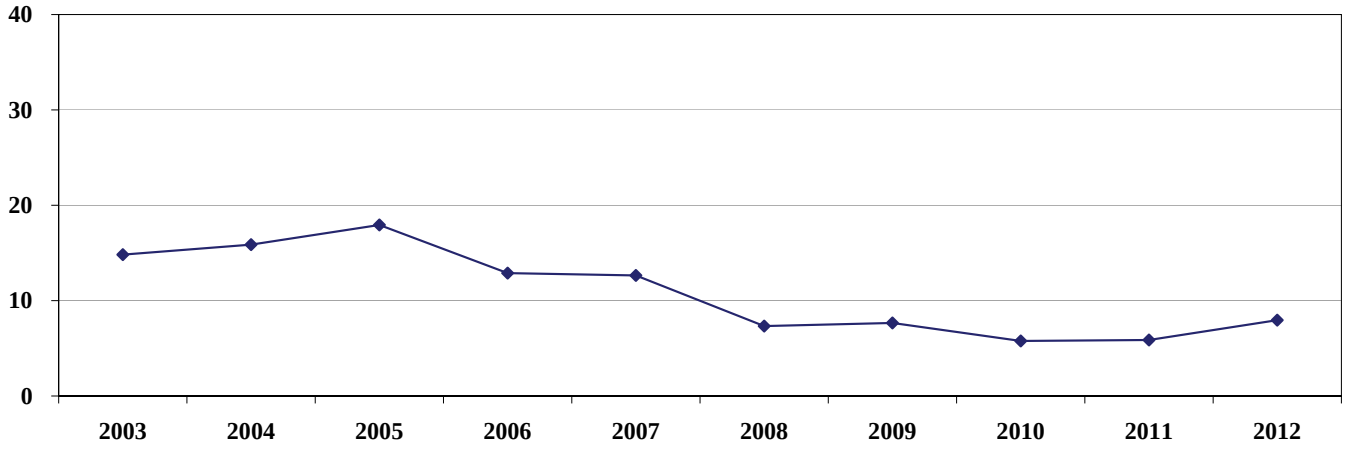
CITY OF HAYWARD
COMPUTATION OF LEGAL BONDED DEBT MARGIN
Last Ten Fiscal Years

ASSESSED VALUATION:		
Secured property assessed value, net of exempt real property	$15,489,232,835	
BONDED DEBT LIMIT (15.% OF ASSESSED VALUE)		$2,323,384,925
AMOUNT OF DEBT SUBJECT TO LIMIT:		
Total Bonded Debt	$33,691,819	
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	33,691,819	
Amount of debt subject to limit		0
LEGAL BONDED DEBT MARGIN		$2,323,384,925

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
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%
2007	2,395,084,519	0	2,395,084,519	0.00%
2008	2,501,128,256	0	2,501,128,256	0.00%
2009	2,311,174,053	0	2,311,174,053	0.00%
2010	2,258,844,130	0	2,258,844,130	0.00%
2011	2,272,656,019	0	2,272,656,019	0.00%
2012	2,323,384,925	0	2,323,384,925	0.00%

Source: County of Alameda Auditors Office

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



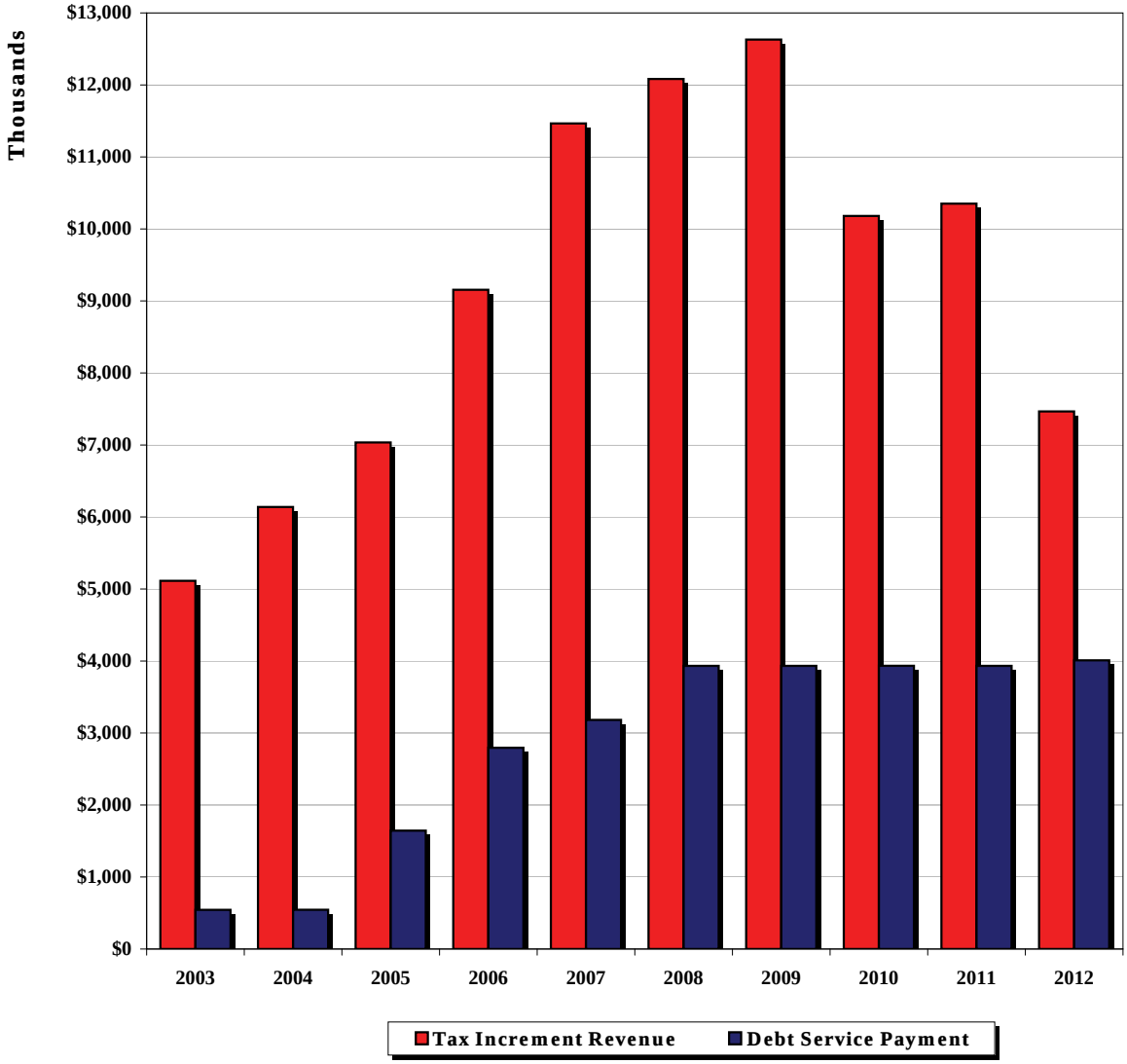
Ratio

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Ratio Coverage
				Principal	Interest	Total	
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
2007	49,256,682	32,133,601	17,123,081	700,000	654,199	1,354,199	12.64
2008	50,796,313	34,331,143	16,465,170	1,630,000	615,493	2,245,493	7.33
2009	52,045,189	36,734,951	15,310,238	1,275,000	723,400	1,998,400	7.66
2010	49,514,021	37,952,868	11,561,153	1,325,000	676,988	2,001,988	5.77
2011	52,765,158	41,042,710	11,722,448	1,370,000	628,288	1,998,288	5.87
2012	61,287,200	45,366,632	15,920,568	1,425,000	577,688	2,002,688	7.95

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

Source: City of Hayward Annual Financial Statement

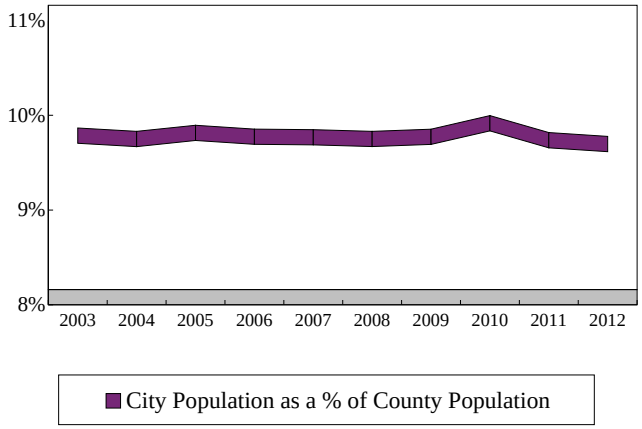
CITY OF HAYWARD
BONDED DEBT PLEDGED REVENUE COVERAGE
TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS

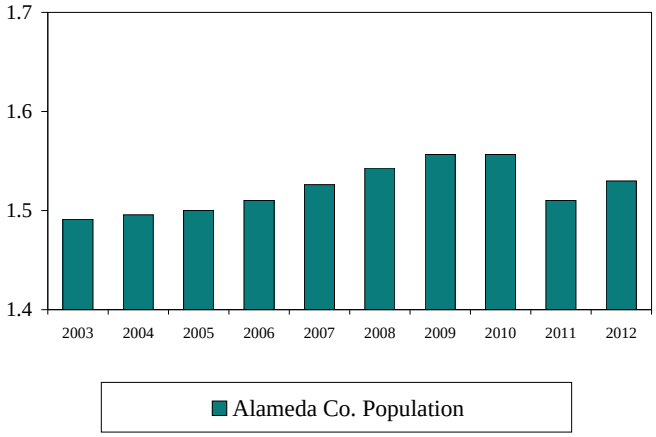


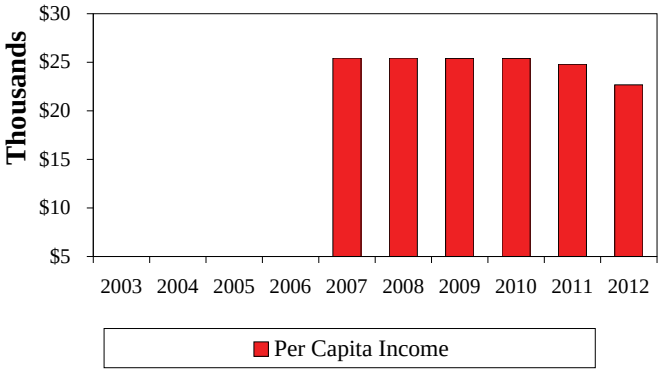
Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2003	5,113,404	290,000	253,506	543,506	9.41
2004	6,138,632	305,000	239,876	544,876	11.27
2005	7,035,685	0	1,643,576	1,643,576	4.28
2006	9,154,816	595,000	2,199,581	2,794,581	3.28
2007	11,465,642	610,000	2,571,716	3,181,716	3.60
2008	12,082,986	1,210,000	2,722,771	3,932,771	3.07
2009	12,630,212	1,270,000	2,662,272	3,932,272	3.21
2010	10,180,653	1,335,000	2,598,772	3,933,772	2.59
2011	10,351,054	1,400,000	2,532,021	3,932,021	2.63
2012	7,465,404	1,540,000	2,469,022	4,009,022	1.86

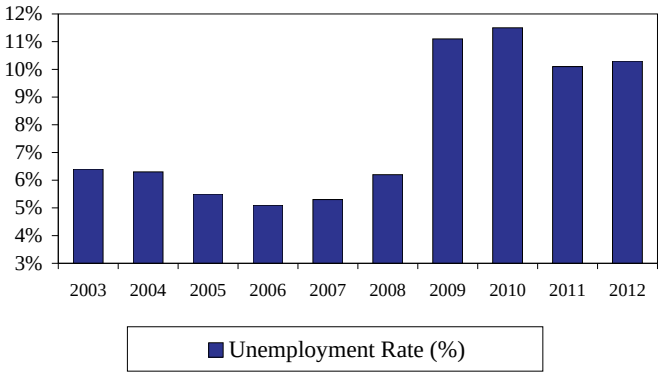
Source: City of Hayward Annual Financial Statements

CITY OF HAYWARD
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS









Fiscal Year	City Population	Per Capita Income	City Unemployment Rate	Alameda Co. Population	City Population % of County
2003	144,721	n/a	6.4%	1,491,247	9.70%
2004	144,633	n/a	6.3%	1,495,775	9.67%
2005	146,027	n/a	5.5%	1,500,228	9.73%
2006	146,398	n/a	5.1%	1,510,303	9.69%
2007	147,845	25,439	5.3%	1,526,148	9.69%
2008	149,205	25,439	6.2%	1,543,000	9.67%
2009	150,878	25,407	11.1%	1,556,657	9.69%
2010	153,104	25,407	11.5%	1,556,657	9.84%
2011	145,839	24,803	10.1%	1,510,271	9.66%
2012	147,113	22,681	10.3%	1,529,875	9.62%

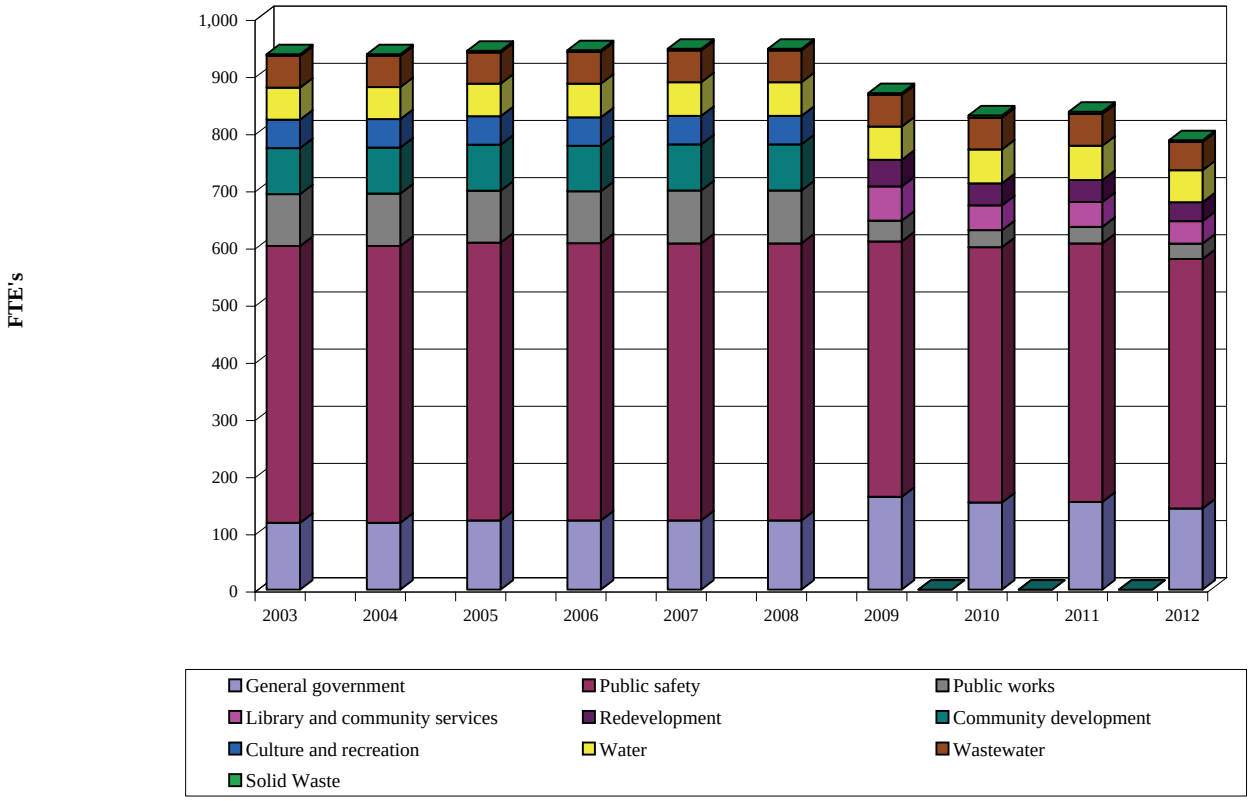
Source: California State Dept of Finance
U.S. Census Bureau

City of Hayward
Principal Employers
Current Year and Nine Years Ago

	2011-12			2002-03		
Employer	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Hayward Unified School District	2200	1	1.5%	2100	2	1.5%
California University East Bay	1880	2	1.3%	1600	4	1.1%
Kaiser Permanente Medical Center	1200	3	0.8%	2200	1	1.5%
Alameda County	1114	4	0.8%			
St. Rose	842	5	0.6%	660	8	0.5%
City of Hayward	786	6	0.5%	835	6	0.6%
Gillig Corporation	700	7	0.5%	600	10	0.4%
Chabot College	494	8	0.3%	763	7	0.5%
Kobe Precision	450	9	0.3%			
Plastikon	400	10	0.3%			
Mervyn's *				2000	3	1.4%
Pacific Bell				940	5	0.6%
Etec Systems, Inc.				600	9	0.4%
Subtotal	10066		6.8%	12298		8.5%
Total City Population Using Census Data	147,113			144,721		

* Mervyns filed for bankruptcy in November 2008

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



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
General government	117.00	117.00	121.00	121.00	121.00	121.00	162.50	152.50	153.50	142.00
Public safety	484.20	484.20	486.20	485.20	484.70	484.70	446.70	446.70	452.20	436.50
Public works	90.75	91.75	90.75	90.75	92.75	92.75	36.50	29.75	29.00	27.00
Library and community services							59.85	43.45	43.45	39.10
Redevelopment							46.50	38.50	38.50	33.25
Community development	80.50	80.50	80.50	79.50	80.50	80.50	*	*	*	
Culture and recreation	49.85	49.85	49.85	49.85	49.85	49.85	*	*	*	
Water	56.00	56.00	57.00	59.00	59.00	59.00	58.25	59.25	60.00	56.00
Wastewater	55.50	54.50	54.50	55.50	55.50	55.50	55.50	55.50	55.50	49.50
Solid Waste	3.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00	3.00
Total	936.80	936.80	942.80	943.80	946.30	946.30	868.80	829.65	836.15	786.35

Source: City of Hayward Adopted Operating Budget
*Due to City of Hayward department reorganization; Community Development and Culture and Leisure departments no longer exist.

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

		Fiscal Year Ended June 30,		
		2010	**2011**	**2012**
Function/Program				
Public safety:				
Fire alarms		14,183	14,427	14,618
Police: (Uniform Crime Reporting Statistics)				
Property crime calls		3,985	3,753	4,204
Violent crime calls		1,406	1,435	1,241
Arson calls		42	55	29
Public works				
Pavement Condition Index (PCI)*		70	70	70
*Industry measure of street condition with 100 ideal score				
Annual pavement improvement projects		11	12	12
Airport operations count/flights		91,536	88,053	87,327
Airport reported based aircraft		454	448	423
Library and Community Services				
Social Services Projects Funded		24	25	25
Facilities Projects Funded		7	7	7
Economic Development Projects Funded		4	3	3
New Housing/Rehab Projects Funded		2	2	1
Public Services Projects Funded		12	13	13
Planning				
Active Subdivisions		45	48	34
Active Parcel Maps		22	17	17
Building Permits		3,431	3,702	3,393
Residential Rental Inspections		1,251	2,177	1,765
Library and neighborhood services				
Library Materials in Collection		161,042	167,164	169,788
Library Circulation (Items checked out)		1,175,550	1,277,359	1,279,297
Community Preservation Cases		3,527	4,065	3,239
Water				
Water service connections	(a)	32,683	32,805	33,037
Water main breaks	(a)	27	22	17
Average daily consumption (thousands of gallons)	(a)	17,442	17,027	15,600
Wastewater				
Sewer service connections	(a)	31,491	31,238	31,500
Average daily treatment (thousands of gallons)	(a)	11,900	12,500	11,300
Solid Waste				
Landfilled waste recycled and diversion rate*	(b)	**67%**	**71%**	**70%-75%**
*Diversion rate beginning in calendar year 2000 and each year thereafter.				

Source: City of Hayward

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

	Fiscal Year Ended June 30,			
	2003	**2004**	**2005**	**2006**
Function/Program				
Public safety:				
Fire stations (a)	9	9	9	9
Number of firefighters and officers (b)	125	115	119	118
Police stations	1	1	1	1
Number of police officers (c)	204	196	188	192
Public works				
Miles of streets	258	258	258	258
Street lights	7,000	7,000	7,300	7,300
Traffic Signals	103	105	106	107
Airport	1	1	1	1
Library and neighborhood services				
City Libraries	2	2	2	2
Water				
Number of consumers	130,000	130,000	140,000	140,000
Average daily consumption (gallons)	17,688,993	19,647,860	18,500,000	18,300,000
Miles of water mains	325	325	325	325
Storage capacity (gallons)	25,250,000	25,250,000	28,100,000	28,100,000
Wastewater				
Miles of sewers	325	325	325	325
Number of treatment plants	1	1	1	1
Treatment capacity (gallons)	16,500,000	16,500,000	16,500,000	16,500,000

(a) Includes Fairview Fire District Station under contract
(b) represents actual hired firefighters and officers which may be different than budgeted number of positions
(c) represents actual hired police officers which may be different than budgeted number of positions

Sources: City of Hayward Capital Asset Schedule

Fiscal Year Ended June 30,					
2007	2008	2009	2010	2011	2012
9	9	9	9	9	9
120	121	116	121	121	118
1	1	1	1	1	1
186	186	181	198	207	197
258	260	260	260	266	266
7,300	7,700	7,700	8,000	8,143	8,143
107	108	108	108	133	134
1	1	1	1	1	1
2	2	2	2	2	2
140,000	140,000	140,000	140,000	140,000	140,000
18,200,000	19,300,000	18,600,000	17,400,000	17,400,000	15,600,000
340	340	350	350	350	350
28,100,000	28,100,000	28,100,000	28,100,000	29,300,000	29,350,000
340	340	320	320	320	320
1	1	1	1	1	1
16,500,000	16,500,000	16,500,000	16,500,000	18,500,000	18,500,000

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CITY OF HAYWARD
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED
JUNE 30, 2012

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CITY OF HAYWARD
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2012

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MAZE & ASSOCIATES

MEMORANDUM ON INTERNAL CONTROL

December 20, 2012

To the City Council of
The City of Hayward, California,

In planning and performing our audit of the financial statements of the as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governances. We identified certain deficiencies in internal control that we considered to be considered significant deficiencies which are listed on the Schedule of Significant Deficiencies.

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CITY OF HAYWARD

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF SIGNIFICANT DEFICIENCIES

The City's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

2012 – 1: Cash and Investment Reconciliations

Criteria: Monthly cash and investment reconciliations should be performed within 30 days of receipt of the statements to ensure account balances are kept current and minimize fraud risks.

Condition: We selected the General Checking Account and Payroll Checking Account reconciliations for the month of November 2011 for control testing and noted that they were prepared and approved in February 2012. In addition, we selected the Pooled Investments Reconciliation for the month of March 2012 for control testing and noted it was prepared and approved in May and June 2012, respectively. These reconciliations were not prepared in a timely manner.

Effect: Any errors and/or check fraud will not be detected in a timely manner.

Cause: Due to staffing limitation, the City was not able to perform reconciliations on a timely basis.

Recommendation: The City should prepare and review reconciliations in a timely manner.

Managements Response:
Since March 2012, Payroll Account Reconciliation has been performed within 30 days of the month close, and General Checking Account Reconciliation has been performed within 30 to 50 days of month close since April 2012. In addition to bank account reconciliation, City has been performing cash reconciliation on a daily basis by treasury staff in Revenue Division to prevent fraud and errors. Furthermore, investment reconciliation has been performed monthly as a part of month-end close process. A separate additional Pooled Investment Reconciliation workpaper was only prepared as a part of interim audit checklist to help with the interim audit, although the pooled investment portfolio was already reconciled.

2012 – 2: Accounts Payable Module Access

Criteria: Accounts Payable module access should limited to only those employees who are assigned the Accounts Payable function. In addition, there should be a review process implemented after each check run to ensure potential errors are being caught on a timely basis.

Condition: During our internal control testing, we reviewed the financial system access log and noted certain Accounting Technicians and Senior Accounting Technicians who were not responsible for the accounts payable function were granted access to the vendor database. In addition, an Accounting Technician formerly responsible for the accounts payable function but no longer responsible for it, still had access to the vendor database.

Effect: Unauthorized changes on vendor database may occur and not be detected in a timely manner.

Cause: Lack of routine review of system access profiles.

Recommendation: The City should evaluate the module access of the financial system on a regular basis to ensure the City has assigned the appropriate access to the Finance staff, with access to the vendor database being segregated for the accounts payable function. In addition, the City should consider the check register review process a high priority and perform such a review immediately after each check run.

Managements Response:
The City concurs that the module access of the financial system should be evaluated on a regular basis. The City reviewed the financial system access log and updated the access to ensure the appropriate internal control effective January 2013. In addition, the City is currently in the process of implementing a new Enterprise Resource Planning (ERP) system. The new ERP system access is based on roles and functions, and will be implemented by January 2014. The current financial system is more limited with regard to controls.

Accounts Payable staff consistently reviews the preliminary check register before final check run to ensure the accuracy. However, effective immediately, the City will assign another staff member to review the check register after each check run.

2012 – 3: Procedures for Quarterly Investment Reports

Criteria: According to the City's Investment Policy, the Finance Director shall submit a quarterly investment report to the City Manager and City Council within the 30 days of the end of each quarter.

Condition: During our interim fieldwork in June 2012, we noted the City did not have a completed investment report for the quarter ended March 2012. In addition, during the final phase of the audit, we noted the investment report for the quarter ended June 30, 2012 was not completed until October 16, 2012. The City is out of compliance with its Investment Policy.

Effect: By the City not submitting quarterly investment reports on time to City Council, City Council will not be fully informed in a timely manner the status of the City's investment activities.

Cause: Due to staffing limitation the reports were not completed within the 30 day requirement.

Recommendation: We recommend that the City adhere to its Investment Policy by submitting quarterly investment reports to City Council within the 30 days of the end of each quarter.

Managements Response:
Beginning July 2012, the City has contracted PFM Asset Management Company to assist the City in managing the investment portfolio and in preparing the quarterly and annual investment report. Effective September 2012, the quarterly investment reports have been completed within 30 days of the end of each quarter.

CITY OF HAYWARD

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2012 – 4: Calculation of the Appropriation Limit for Fiscal Year 2012

Criteria: The City should be using the correct Fiscal Year 2011-2012 growth factor in computing the Fiscal Year 2011-2012 appropriation limit as allowed under Proposition 111.

Condition: During our testing of the City's Fiscal Year 2011-2012 appropriation limit calculation, the City appeared to use an incorrect per Capita Cost of Living ratio in their calculation. Instead of using a 2.51% per Capita Cost of Living factor as provided by the State Department of Finance, the City incorrectly used -2.51%.

Effect: In Fiscal Year 2011-2012 it appeared that the City adopted an appropriation limit of approximately $11,128,633 below what was allowed under the law. There was no effect on the financial statements or tax proceed revenues as the limit adopted was greater than actual tax proceeds.

Cause: The City used the incorrect per Capita Cost of Living ratio in their calculation of the Fiscal Year 2011 – 2012 appropriation limit. Instead of using 2.51% as their per Capita Cost of Living ratio, the City used -2.51%.

Recommendation: We recommend that the City have another employee review the initial work for all factors that are used for calculating their appropriation limit in any given year.

Managements Response:
The City inadvertently used the same per Capita Cost of Living Ratio for Fiscal Year 2010-2011 in Fiscal Year 2011-2012 appropriation limit calculation. The City will implement a multi-step review process to ensure that the factors used in appropriation limit calculation are accurate and updated annually.

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CITY OF HAYWARD

MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES AND OTHER MATTERS

2011 - 1: Turnover of Senior Finance Staff

Criteria: Senior finance staff provides oversight and supervision of staff and ensure data is accurate and complete. They also are essential to the year end closing and audit process.

Condition: During fiscal 2010-11, the Finance Director, the Budget Manager and the Accounting Manager positions turned over and were filled by interim contractors. The Finance Director and Budget Manager positions were filled during the final phase of the audit and the Interim Accounting Manager left the City prior to completion of the audit.

Effect: The year end closing and audit process was adversely affected by turn over.

Cause: Prior staff left the City's employment.

Recommendation: The City filled the Finance Director and Budget Manager positions subsequent to June 2011, but has not yet filled the Accounting Manager position. The City should fill the Accounting Manager position as soon as possible.

Current status:
The Accounting Manager position has been filled during Fiscal Year 2011-2012. While we did have a change in staffing related to Accounting Manager in March 2012 – this had no adverse impact on the audit process. The Finance Director and Financial Analyst positions (we do not have a Budget Manager position) have been filled for all of FY 2012.

2011 - 2: Timing and Prioritization of Year End Closing

Criteria: The year end closing process is complex and time consuming requiring the active involvement of the entire finance staff. Timing is critical and inflexible. As part of the proposal process several senior management staff emphasized the need to complete the financial statements and audit reports in time to meet the December Council meeting. This attitude continued throughout the audit process as staff frequently inquired about whether the audit would be completed on time.

Condition: During the interim phase of the audit, completed in late June 2011, we met with the finance staff including the interim Finance Director and interim Accounting Manager and proved them with a checklist of data we needed and agreed to a schedule of due dates. The year end closing trial balance was to be provided by October 3 with the final phase of the audit to commence on October 17th. We commenced field work as scheduled, but there were a number of analyses that were not completed and ready for audit. They included: compensated absences, loans receivable, capital assets, interfund transactions, revenue confirmation reconciliations and redevelopment. Data management was also a problem as staff could not locate records of how data was uploaded into the financial statements during prior audits which required time consuming reverse engineering. We noted that the City hired a contract accountant to assist with the closing.

We assigned a full audit team to conduct the work and staff was quite occupied with responding to the team's questions that came up during the final phase of the audit. As staff was not able to catch-up and complete the analyses for the above areas, we took an unscheduled one week break to allow staff time to complete their analyses. When we returned, staff had made significant progress, but still had not completed their work.

During our last week of the final phase there were a number of other areas that were postponed as staff was not ready. They included analytical review, entity-wide revenue and internal service fund allocation details, the Measure B Annual Report and the schedule of federal awards.

Effect: The year end audit process was adversely affected and forced an extremely short wrap up period. This last minute environment forces staff and the auditors to compress final procedures and reviews into an unreasonably short period of time and increases the risk that errors will occur and go undetected.

Cause: There is no doubt the turn over in senior finance staff contributed to problem. (See Comment 2011-1.) However, staff resources were not sufficient to timely prepare the year end closing.

Recommendation: Procedures and priorities, if unchanged would continue to pose a timing problem for the year end close. Staffing resources will need to be increased and a higher priority should be placed on the year end closing.

Current status:
All of the Finance Department senior finance positions have been filled and 6/30/12 year-end was processed timely. The City will continue to place and emphasize on a timely close process.

2011 - 3: Cash and Investment Reconciliations

Criteria: All monthly reconciliations should be performed within 30 days of receipt of the statements. They should be prepared and reviewed by two different individuals and have an indication on the face of the reconciliation that each performed their assigned duties.

Condition: Per review of the City's bank and investment reconciliations during the interim phase of our work in June 2011, we noted the October 2010 bank and disbursement reconciliation did not contain signatures of the preparer or reviewer and the March 2011 investment reconciliation was not reviewed timely.

Effect: This weakens internal controls over cash and investments.

Cause: The City has encountered a high turnover rate in key senior level positions, including Finance Director and Accounting Manager, throughout fiscal year 2011.

Recommendation: The City should prepare and review reconciliations in a timely manner. The reconciliations must be prepared and reviewed by two individuals who should indicate on the face of the reconciliation that each performed his/her respective duty.

Current status:
Since March 2012, Payroll Account Reconciliations have been performed within 30 days of the month close, and General Checking Account Reconciliation has been performed within 30 to 50 days of month close since April 2012. Bank reconciliations are now reviewed and approved by staff other than the preparer. The City will accelerate its bank account reconciliation process to perform within 30 days of month end close. In addition, pursuant to the audit recommendation, all reconciliations are prepared and reviewed by two individuals and confirmed via signatures on the reconciliation documents. The City is in process of implementing a new ERP system that will further improve the reconciliation process.

2011 - 4: Treasury Management and Diversification of Investments

Criteria: The City's Investment Policy, requires the City to maintain a well diversified portfolio to reduce concentration risk and earn the highest yield possible on its allowable investment types.

Condition: As of March 31 and June 30, 2011, the City had approximately $100 million or sixty percent of its investment portfolio invested in the California Local Agency Investment Fund. In addition, as of June 30, 2011 the City held $37 million in cash.

Effect: The City is not fully invested in a well diversified portfolio.

Cause: The City does not have a sufficient staffing resources or expertise to manage the portfolio.

Recommendation: The City should consider hiring a third party Investment Manager to diversify its investment portfolio.

Current status:
Beginning July 2012, the City contracted with PFM Asset Management Company (PFM) to assist the City in managing the City's investment portfolio. While a large amount of the City's portfolio remains in LAIF (Local Agency Investment Fund), PFM Asset Management Company has diversified a significant portion of the City's investment portfolio. Given the market conditions, maintaining a large balance in LAIF has not necessarily resulted in significant yield loss - and LAIF is considered a very safe and liquid vehicle for the City funds.

CITY OF HAYWARD

MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES AND OTHER MATTERS

2011 - 5: Information System Software Changes

Criteria: Software developers should not have access to software or data that are running in a live production environment. Limited access prevents potential fraudulent activities and ensures the availability and stability of the system. Any changes that are made to the live production system should be reviewed by personnel not involved with system changes to provide for good checks and balances against inappropriate or unintended changes. Once approved, patches or changes should be implemented by systems administrators and not the software developers. If conditions require software developers to have access to the live production environment, audit/event logging should be used to monitor their activities. Logging should be directed to a write-only logging system and administered by a group separate from the people responsible for systems administration and software development. These logs should be reviewed by this group to determine that only authorized changes have been made to the system and that no one has access confidential information.

Condition: The City's financial application is developed in house and the software developers have access to the financial application and data. In addition, the City does not have audit logging for the financial application such that software developer's activities on the live production system can be monitored.

Cause: According to staff the City does not have the funds or staff to properly implement separation of duties. In addition developing audit log capabilities is not a priority give the City intends to switch to an over-the-counter financial application shortly. Spending additional funds to secure a system that will be obsolete and fully decommissioned by 2013 is not a priority.

Effect: Although Finance staff are actively involved with processing, reviewing and approving financial data, there remains some potential that Software developers could intentionally or unintentionally, access confidential information, or make changes to calculating functions, reporting functions, or data such as vendor tables. These changes may not be detected during the normal course of business without some form of monitoring. The integrity of the financial data and the availability of the financial application are at risk.

Recommendation: We recommend the City implement a change control process, separation of duties and automated monitoring for the financial application.

1. The City should develop a formal change control process that includes formal request for changes, development and test of proposed code changes, security and functional review of the code by a change/configuration management committee and management approval prior to implementation of any changes to the financial application.
2. The City should enforce strict separation between the development and live production environments. Software developers should not have access to the live environment, system or data. Changes, once approved, should be given to the system administrators to implement in the live production system. If there is a compelling business need for software developers to access the live production system in an emergency situations, that access should be closely monitored and limited.

3. The City's financial application should have the ability to log any changes or activities performed software developers or system administrators. Logging should be directed to a write-only logging system and administered by a group separate from the people responsible for systems administration and software development. These logs should be reviewed by this group to determine that only authorized changes have been made to the system and that no one has access confidential information.

Current status:
The City is in process of implementing a new Enterprise Resource Planning (ERP) system, with implementation complete by January 2014. With the new ERP system in place, the City will greatly improve its system internal control and will allow for full compliance with Recommendations 1 -3.

2011 - 6: Positive Pay

Criteria: The City should ensure its bank accounts use positive pay to limit the risk of loss due to fraud.

Condition: The City does not use positive pay.

Effect: There is a higher risk of loss due to fraud.

Cause: The City has experienced turnover at many key managerial positions and has not implemented positive pay controls.

Recommendation: The City should implement positive pay over all of its bank accounts to reduce the risk of fraud.

Current status:
In September 2011, the City implemented Positive Pay for the City's general account and Workers Compensation account. City staff reviews positive pay reports daily and identify exceptions.

2011 - 7: City Purchasing Cards

Criteria: The City issues Purchasing Cards to selected employees for purchasing items such as goods that do not exceed $2,000.

Condition: A City employee, while on temporary suspension from their job, charged personal items to their purchasing card issued by the City.

Effect: Fraudulent and unallowable charges have been paid on behalf of the City.

Cause: The City does not have a policy to suspend credit cards from employees who are temporary suspended from their regular duties.

Recommendation: When an employee is placed on temporary suspension, the City should ensure the credit cards are taken away immediately to avoid personal charges.

CITY OF HAYWARD

MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES AND OTHER MATTERS

Current status:
The City began a pilot implementation of the Cal Card program in early 2012 to begin the process of replacing City-issued credit cards. The Cal Card program provides greater internal controls over credit cards, and will be fully implemented by January 2014. In the interim, the City has implemented an internal control process that provides protocol for the termination of credit cards in the event of employee suspension or separation from employment with the City.

2011 - 8: Documentation of Investment Internal Control

Criteria: The City's investment policy states, "A system of internal control shall be established and documented in writing (§ X)."

Condition: The City does not have a documented system of internal controls.

Effect: The City is not in compliance with the investment policy.

Cause: This section in the investment policy has been overlooked.

Recommendation: We suggest the City to comply with this section of its policy or remove this requirement.

Current status:
The City's Investment Policy was updated and approved by the City Council on September 28, 2011. This section of the policy has been modified to no longer require a documented system of internal controls. Therefore, the City is no longer out of compliance with its Investment Policy.

MAZE & ASSOCIATES

REQUIRED COMMUNICATIONS

December 20, 2012

To the City Council of
the City of Hayward, California

We have audited the financial statements of the City of Hayward as of and for the year ended June 30, 2012 and have issued our report thereon dated December 20, 2012. Professional standards require that we advise you of the following matters relating to our audit.

Financial Statement Audit Assurance: Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

Other Information Included with the Audited Financial Statements: Pursuant to professional standards, our responsibility as auditors for other information in documents containing the City's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures is explained in our audit report.

Accounting Policies: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2012. The following pronouncement became effective but did not have a material effect on the financial statements:

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GASB 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*

Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

Unusual Transactions, Controversial or Emerging Areas: No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2012. However, the dissolution of the Redevelopment Agency had a material impact to the financial statements of the City and its component units:

As discussed in Note 19 to the financial statements, the State enacted laws which dissolved Redevelopment Agencies effective January 31, 2012. The City elected to become a Housing Successor to the Redevelopment Agency and pursuant to the laws it is recipient to the encumbered housing assets of the former Redevelopment Agency. All other assets were distributed to and all of the Redevelopment Agencies liabilities were assumed by a Successor Agency governed by an Oversight Board. This Successor Agency is reported as a private purpose trust fund.

Estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are depreciation and compensated absences.

Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 5. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Accrued compensated absences is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disagreements with Management: For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Retention Issues: We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as the City's auditors.

Difficulties: We encountered no serious difficulties in dealing with management relating to the performance of the audit.

As discussed in Note 19 to the financial statements, the State enacted ABx1 26 and AB1484 (Dissolution Laws) which dissolved California redevelopment agencies effective January 31, 2012. The provisions of the Dissolution Laws are extremely complex and contain provisions requiring the unwinding of transactions recorded in prior years and remeasurement of amounts due to the City and its component units. The Dissolution Laws also give the State Controller's Office and Department of Finance approval powers over transactions and asset transfers and require a plethora of filings, processes and special procedures to be performed by external audit firms. These matters required an exorbitant amount of staff's time and attention. This in turn had an adverse effect on audit timing and effort.

Audit Adjustments: For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the City, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by the City that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the entity's financial reporting process.

Uncorrected Misstatements: Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the audit committee.

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This report is intended solely for the information and use of the audit committee, City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

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